TURKS & CAICOS FIRST INSURANCE COMPANY, LTD

FINANCIAL STATEMENTS

DECEMBER 31, 2021

KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
TURKS & CAICOS FIRST INSURANCE COMPANY, LTD.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Turks & Caicos First Insurance Company, Ltd. ("the Company") and its subsidiary (collectively "the Group"), set out on pages 5 to 53, which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
TURKS & CAICOS FIRST INSURANCE COMPANY, LTD.

Report on the Audit of the Consolidated Financial Statements (continued)

Emphasis of Matter - comparative information

We draw attention to Note 26 to the financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
TURKS & CAICOS FIRST INSURANCE COMPANY, LTD.

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
TURKS & CAICOS FIRST INSURANCE COMPANY, LTD.

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also (continued):

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Chartered Accountants
Kingston, Jamaica

March 29, 2022

TURKS & CAICOS FIRST INSURANCE COMPANY, LTD.

Consolidated Statement of Financial Position
December 31, 2021
(Expressed in United States dollars)

	Notes	2021 $	2020 $ Restated*	2019 $ Restated*
ASSETS				
Property and equipment	4	689,308	681,348	498,089
Investment properties	5	2,030,000	1,700,000	1,080,000
Term investment	7	264,675	263,946	260,418
Available-for-sale investments	8	634,925	503,186	370,519
Reinsurance assets	9	1,756,066	1,666,241	1,409,024
Insurance receivables	10	1,005,270	952,022	710,548
Deferred commission expense	11	102,845	114,966	80,673
Loans and receivables investments	12	1,355,481	603,662	160,105
Investment in metals		36,491	-	-
Prepaid expenses and other receivables	13	38,368	30,603	68,436
Due from fellow subsidiary	6(a)(iii)	16,951	-	-
Cash and cash equivalents	14	1,868,630	2,807,986	3,036,170
Total assets		9,799,010	9,323,960	7,673,982
LIABILITIES AND SHAREHOLDERS' EQUITY				
Other payables and accrued charges	15	974,948	966,129	218,606
Insurance payables	16	689,964	700,383	585,060
Insurance contract provisions	9	3,015,346	2,861,786	2,608,151
Due to fellow subsidiary	6(a)(ii)	-	7,171	3,194
		4,680,258	4,535,469	3,415,011
Share capital	17(a)	2,500,000	2,500,000	2,500,000
Contributed surplus	17(b)	872,700	872,700	872,700
Investment revaluation reserve	17(c)	94,775	46,597	3,382
Retained earnings		1,651,277	1,369,194	882,889
		5,118,752	4,788,491	4,258,971
Total liabilities and equity		9,799,010	9,323,960	7,673,982

The financial statements on pages 5 to 53 were approved by the Board of Directors on March 29, 2022 and signed on its behalf by:

____________________ Director
Stanley Williams

____________________ Director
Paul Lalor

*See note 26
The accompanying notes form an integral part of the financial statements.

TURKS & CAICOS FIRST INSURANCE COMPANY, LTD.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2021
(Expressed in United States dollars)

	Notes	2021 $	2020 $ Restated*
Gross premiums written	9	5,028,553	5,008,854
Change in gross provision for unearned premiums		(35,031)	(166,408)
Gross insurance premium revenue		4,993,522	4,842,446
Written premiums ceded to reinsurers	9, 21	(3,506,016)	(3,494,256)
Reinsurers' share of change in provision for unearned premiums		(9,847)	254,093
Net insurance premium revenue	9	1,477,659	1,602,283
Claims expenses incurred	9	(970,806)	(829,955)
Reinsurers' share of claims	9	331,986	318,332
Net insurance claims	9	(638,820)	(511,623)
Commission income	16	699,525	846,336
Commission expenses	11	(245,529)	(337,208)
Net commission income		453,996	509,128
		1,292,835	1,599,788
Operating expenses	18	(1,108,338)	(1,111,541)
Underwriting profit before other income, expenses and taxation		184,497	488,247
Investment income	19	11,873	14,112
Fair value gain on investment properties	5	330,000	156,367
Gain on disposals of property and equipment		8,000	-
Other income		47,713	48,023
Profit for the year		582,083	706,749
Other comprehensive income			
Items that may be reclassified to profit			
Net change in fair value of available-for-sale investments		48,178	43,215
Total comprehensive income for the year		630,261	749,964

*See note 26

The accompanying notes form an integral part of the financial statements.

TURKS & CAICOS FIRST INSURANCE COMPANY, LTD.

Consolidated Statement of Changes in Shareholders' Equity
Year ended December 31, 2021
(Expressed in United States dollars)

	Share capital [note 17(a)]	Share premium [note 17(b)]	Fair value reserve [note 17(c)]	Retained earnings	Total
Balances at January 1, 2020:					
As previously reported	2,500,000	872,700	3,382	730,004	4,106,086
Prior year adjustment (Note 26)	-	-	-	152,885	152,885
Balances at January 1, 2020, as restated	2,500,000	872,700	3,382	882,889	4,258,971
Total comprehensive income:					
Profit for the year, as previously reported	-	-	-	550,382	550,382
Prior year adjustment (Note 26)	-	-	-	156,367	156,367
Profit for the year, as restated	-	-	-	706,749	706,749
Other comprehensive income:					
Appreciation in fair value of investments	-	-	43,215	-	43,215
Total comprehensive income for the year, as restated	-	-	43,215	706,749	749,964
Effect of liquidation of a subsidiary (note 1)	-	-	-	129,556	129,556
Transactions with owners:					
Distribution to shareholders [note 17(d)]	-	-	-	(350,000)	(350,000)
Balances at December 31, 2020, as restated	2,500,000	872,700	46,597	1,369,194	4,788,491
Total comprehensive income:					
Profit for the year	-	-	-	582,083	582,083
Other comprehensive income:					
Appreciation in fair value of investments	-	-	48,178	-	48,178
Total comprehensive income for the year	-	-	48,178	582,083	630,261
Transactions with owners:					
Distribution to shareholders [note 17(d)]	-	-	-	(300,000)	(300,000)
Balances at December 31, 2021	2,500,000	872,700	94,775	1,651,277	5,118,752

TURKS & CAICOS FIRST INSURANCE COMPANY, LTD.

Consolidated Statement of Cash Flows
Year ended December 31, 2021
(Expressed in United States dollars)

	Notes	2021 $	2020 $ Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		582,083	706,749
Adjustments for:			
Depreciation on property and equipment	4	31,830	28,668
Interest income	19	(11,873)	(14,112)
Fair value gain on investment properties	5	(330,000)	(156,367)
Change in outstanding claims provision	9	118,529	87,227
Provision for bad debt	18	1,127	24,160
Gain on disposals of property and equipment		(8,000)	-
		383,696	676,325
Changes in operating assets:			
Insurance receivables		(54,375)	(265,634)
Reinsurance assets		(89,825)	(257,217)
Deferred commission expense		12,121	(34,293)
Prepaid expenses and other receivables		(7,872)	34,476
Due from related party		(16,951)	-
Changes in operating liabilities:			
Other payables and accrued charges		8,819	747,523
Insurance payables		(10,419)	115,323
Insurance contract provisions		35,031	166,408
Due to fellow subsidiary		(7,171)	3,977
Net cash provided by operating activities		253,054	1,186,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Available-for-sale investments, net		(83,561)	(89,452)
Term investments		(729)	(3,528)
Loans and receivables investments, net		(751,819)	(443,557)
Purchase of investment in metals		(36,491)	-
Interest income received		11,980	17,469
Purchase of investment properties	5	-	(463,633)
Net assets transferred from a subsidiary	1	-	129,556
Additions to property and equipment	4	(39,790)	(211,927)
Proceeds from sale of property and equipment		8,000	-
Net cash used by investing activities		(892,410)	(1,065,072)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid, being net cash used by financing activities	17(d)	(300,000)	(350,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(939,356)	(228,184)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,807,986	3,036,170
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,868,630	2,807,986

*See note 26
The accompanying notes form an integral part of the financial statements.

1. Corporate structure and nature of business

Turks & Caicos First Insurance Company, Ltd. ("the Company") was incorporated on December 29, 1993 under the laws of the Turks and Caicos Islands (TCI) and, on January 21, 1994, was licensed under the Insurance Ordinance 1989 (the Ordinance) to write commercial and homeowners' property insurance (general domestic property). On January 1, 1996 the license was extended to include the writing of vehicle insurance and further extended on January 1, 1997 to include the writing of yacht and pleasure craft insurance (marine). On August 19, 2015, the Company's license was reissued to replace the original license and to include the writing of bond and contractors all risk insurance (liability) in addition to the existing classes of business.

These consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiary Inter Island Insurance (1986) Ltd. (Inter Island), an insurance broker incorporated under the laws of TCI (together referred to as "the Group"). The Company acquired Cheshire Square Ltd. (Cheshire), an asset holding company incorporated under the laws of TCI on November 6, 1999 and Inter Island on March 1, 2007. On April 9, 2019 a resolution was passed by the Board of Directors of the Group (the Board) to voluntarily liquidate Cheshire and transfer the title of its property directly to the Company. Liquidation was completed in 2020 and the residual assets were transferred to the Company.

ICWI (Cayman) Ltd. (ICWIC), a company incorporated in the Cayman Islands, is the Group's parent. Atlantic and Caribbean Sea Development Limited, a company incorporated in Jamaica, is the Group's ultimate parent. The Company's registered office is at Cee's Plaza, Suite No. 1 Church Folly, P.O. Box 86 Grand Turk, TCI.

At December 31, 2021, the Group had 7 employees (2020: 6).

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations issued by the International Accounting Standards Board.

New and amended standards that came into effect during the current financial year:

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

- IFRS Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures,* and IFRS 4 *Insurance contracts, is* effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards that came into effect during the current financial year (cont'd):

- IFRS Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures,* and IFRS 4 *Insurance contracts (cont'd)*

  The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

  The Group has exercised the option to defer the effective date of the adoption of IFRS 9 to January 1, 2023 and is assessing the impact that this amendment may have on its 2023 financial statements. The Group does not expect the other amendments to have a significant impact on its financial statements.

New and amended standards and interpretations not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Group has not early adopted. The Group has assessed them with respect to its operations and has determined that the following are relevant:

- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

  The key principles in IFRS 17 are that an entity:

  - Identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future (the insured event) adversely affects the policyholder.

  - Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.

  - Recognises and measures groups of insurance contracts at:

    a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- IFRS 17 *Insurance Contracts* (cont'd)

  The key principles in IFRS 17 are that an entity (cont'd):

  - Recognises and measures groups of insurance contracts at (cont'd):

    b) an amount representing the unearned profit in the group of contracts (the contractual service margin).

  - Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognizes the loss immediately.

  - Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;

  - Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.

  Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

  The Group is assessing the impact that the standard will have on its financial statements.

- Amendments to IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 and provides for the following amendments to the standard:

  - Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.

  - For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- Amendments to IFRS 17 *Insurance Contracts* (cont'd)

  - In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent, revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers' allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals, the allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess each period the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.

  - Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.

  - In accounting for direct participating contracts risk mitigation option expanded to non-derivative assets at FVTPL and reinsurance contracts held and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.

  - For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.

  - There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

  The Group is assessing the impact that the amendment will have on its financial statements.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards and interpretations not yet effective (cont'd):

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs - e.g. direct labour and materials; and an allocation of other direct costs - e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The Group does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IAS 16 *Property, Plant and Equipment*, effective for annual periods beginning on or after January 1, 2022, will mainly affect extractive and petrochemical industries and include the following guidance.

  In the process of making an item of property, plant and equipment (PPE) available for its intended use, a company may produce and sell items - e.g. minerals extracted in the process of constructing an underground mine or oil and gas from testing wells before starting production. It provides guidance on the accounting for such sale proceeds and the related production costs.

  Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

  Companies will therefore need to distinguish between, costs associated with producing and selling items before the item of PPE is available for use, and costs associated with making the item of PPE available for its intended use. Making this allocation of costs may require significant estimation and judgement. Companies in the extractive industry may need to monitor costs at a more granular level.

  The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance - e.g. assessing whether the PPE has achieved a certain level of operating margin.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards and interpretations not yet effective (cont'd):

- Amendments to IAS 16 *Property, Plant and Equipment* (cont'd)

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to; disclose separately the sales proceeds and related production cost recognised in profit or loss, and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The Group does not expect the amendment to have a significant impact on its financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, and are effective for annual periods beginning on or after January 1, 2022.

  (i) IFRS 9 *Financial Instrument*s amendment clarifies that - for the purpose of performing the "10 per cent test' for derecognition of financial liabilities - in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The Group does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards and interpretations not yet effective (cont'd):

- Amendments to IAS 1 *Presentation of Financial Statements* (cont'd)

  A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Group does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

2. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards and interpretations not yet effective (cont'd):

- Amendments to IAS 1 *Presentation of Financial Statements* (cont'd)

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

  The Group is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
  - choosing the inputs to be used when applying the chosen measurement technique - e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

  The Group is assessing the impact that the amendment will have on its financial statements.

2. Statement of compliance and basis of preparation (cont'd)

(b) Basis of preparation and measurement:

The consolidated financial statements are prepared on the historical cost basis, except for investment properties [see note 3(c)] and available-for-sale investments [see note 3(d)], which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in United States (US) dollars, which is the Group's functional currency. All financial information presented in US dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgement:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

The estimation estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties at December 31, 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included below:

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default or adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(ii) Outstanding claims [see note 3(m)(i)].

(e) Comparative information:

Wherever necessary, the comparative figures are reclassified to conform to the current year's presentation.

3. Significant accounting policies

The Group has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

(a) Basis of consolidation

A "subsidiary" is an enterprise controlled by the Company. The Group controls an entity when it is exposed to or has rights to the variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity.

The Group's consolidated financial statements present the results of operations and financial position of the Company and its wholly owned subsidiary, Inter Island, which principal activity in insurance brokerage.

In the prior year, the liquidation process of Cheshire was completed, and the residual assets were transferred to the Company (see note 1).

The financial information for the subsidiary is prepared for the same reporting period as the Group, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries are consolidated from the date of acquisition, being the date at which the Company obtains control, and continue to be consolidated until the date at which such control ceases.

Business combinations are accounted for using the acquisition method of accounting. This method involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the acquisition date.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

On the loss of control, the group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising on the loss of control is recognised in profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(b) Property and equipment:

(i) Property and equipment are measured at cost or deemed cost, less accumulated depreciation and impairment losses [see note 3(k)].

3. Significant accounting policies (cont'd)

(b) Property and equipment (cont'd)

(ii) Depreciation:

Property and equipment with the exception of freehold land, on which no depreciation is provided, are depreciated using the straight-line method at annual rates estimated to write-off the property and equipment over their estimated residual values at the end of their expected useful lives.

The annual depreciation rates are as follows:

Buildings	2½%
Building improvements	10%
Furniture, fixtures and equipment	10% & 20%
Motor vehicles	20%
Computers and equipment	20% & 33 1/3

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date and adjusted as appropriate.

(c) Investment properties:

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Rental income, if any, from investment properties is recognised as a component of 'investment income' on a straight-line basis over the term of the lease.

Investment properties are carried at fair value using valuations performed on an annual basis by independent appraisers or the directors. Fair value is based on current prices for properties similar in location and conditions.

(d) Investments:

Available-for-sale investments are measured at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any movements in fair value included in investment revaluation reserve. Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are measured at amortised cost less impairment losses.

The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

3. Significant accounting policies (cont'd)

(d) Investments (cont'd):

Change in fair value is recognised in other comprehensive income. Any gain or loss on disposal of available-for-sale investments is recognised in profit or loss.

Available-for-sale investments are recognised or derecognised by the Group on the date they commit to purchase or sell the investments.

Other investments are recognised or derecognised on the day they are transferred to/by the Group.

(e) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 – *Related Party Disclosures* as the "reporting entity" in this case, "the group").

An entity is related to a reporting entity if any of the following conditions applies:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the group.

(b) An entity is related to the group if any of the following conditions applies:

(i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group. If the group is itself such a plan, the sponsoring employers are also related to the group.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting policies (cont'd)

(e) Related parties (cont'd)

(b) An entity is related to the group if any of the following conditions applies (cont'd):

(viii) The entity or any member of a group which it is a part, provides key management personnel services to the reporting entity or to the parent of the group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Group has a related party relationship with its ultimate and intermediate holding companies, the directors of the Group and those of its holding companies, its key management personnel, companies with common directors, its subsidiary and pension plans established for the benefit of its employees. "Key management personnel" represents certain senior officers of the Group.

(f) Insurance receivables:

Insurance receivables are measured at cost less impairment losses [see note 3(k)].

(g) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short-term investments that mature three months or less from the placement dates and are measured at amortised cost.

(h) Insurance and other payables:

Insurance and other payables are measured at amortised cost.

(i) Provisions:

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

(j) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

3. Significant accounting policies (cont'd)

(k) Impairment:

Objective evidence that financial assets are impaired can include default or delinquency by a customer, indications that a customer will enter bankruptcy and changes in the payment status of customers.

The carrying amount of the Group's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at the reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the Group's loans and receivables is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets.

Receivables with a short duration are not discounted. Impairment losses in respect of an available-for-sale investment is calculated by reference to its current fair value.

The recoverable amount of the other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment:

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale investment recognised previously in other comprehensive income is transferred to profit or loss. For available-for-sale equity securities, the reversal is recognised in other comprehensive income.

3. Significant accounting policies (cont'd)

(k) Impairment (cont'd):

(ii) Reversal of impairment (cont'd):

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss no longer exists and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

(l) Revenue recognition:

Revenue is recognised in the statement of profit or loss when the significant risks and rewards of ownership have been transferred to the policyholder. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenue comprises the following:

(i) Gross premiums written:

The accounting policy for the recognition of revenue from insurance contracts is disclosed in note 3(m)(i).

(ii) Commission income:

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts [see note 3(m)(i)]. Profit commission in respect of reinsurance contracts is recognised on the accrual basis.

(iii) Investment income:

Investment income arises from financial assets and is comprised of interest and dividends and realised gains/losses on financial assets. Dividend income is recognised when the irrevocable right to receive income is established. Usually this is the ex-dividend date for equity securities.

3. Significant accounting policies (cont'd)

(m) Insurance contract recognition and measurement:

(i) Insurance contracts:

Insurance contracts are accounted for in compliance with recommendations and practices of the insurance industry and comply with provisions of the Insurance Ordinance 1989. The underwriting results are determined after making provision for, inter alia, unearned premiums, outstanding claims, deferred commission expense and deferred commission income.

Short term insurance contracts consist of property, liability, motor and marine insurance contracts.

Gross premiums written:

Gross premiums reflect business written during the year and include adjustments to premiums written in previous years. The earned portion of premiums is recognised as revenue. Premiums are earned from the effective date of the policy.

Unearned premiums:

Unearned premiums represent that proportion of the premiums written up to the reporting date which is attributable to subsequent periods and is calculated on the "three sixty fifth" basis on the total premiums written.

Outstanding claims:

The provision for outstanding claims represents the amount needed to provide for the estimated ultimate expected cost of settling claims related to insured events (both reported and unreported) that have occurred on or before each reporting date. The provision for unpaid claims and adjustment expenses represents the estimated ultimate expected cost of investigating, resolving and processing these claims. The provision estimations do not take into consideration the time value of money or make explicit provision for adverse deviation.

All provisions are periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

3. Significant accounting policies (cont'd)

(m) Insurance contract recognition and measurement (cont'd)

(i) Insurance contracts (cont'd)

Outstanding claims (cont'd):

Management believes that the provision for unpaid claims and adjustment expenses will be adequate to cover the ultimate net cost of claims incurred to the reporting date, but the provision is necessarily an estimate and may ultimately be settled for a greater or lesser amount. Any subsequent differences arising are recorded in the year in which they are determined.

Deferred acquisition cost and deferred commission income:

Commission income and expense are deferred on a basis consistent with that used for deferring premium income.

(ii) Reinsurance assets:

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policy. Unearned reinsurance premiums on business ceded up to the accounting date which are attributable to subsequent periods are calculated substantially on the "three sixty fifth" basis on the total premiums ceded.

In the normal course of business, the Group seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see note 22). Reinsurance ceded does not discharge the Group's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the Group.

Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit or loss.

(iii) Insurance receivables and insurance payables:

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets.

3. Significant accounting policies (cont'd)

(m) Insurance contract recognition and measurement (cont'd)

(iv) Temporary exemption to defer the implementation of IFRS 9 *Financial Instruments:*

The Group has applied the temporary exemption to defer the implementation of IFRS 9 *Financial Instruments*, as its activities met the requirements to demonstrate that they are predominantly in connection with issuing insurance contracts within the scope of IFRS 17 *Insurance contracts*.

The Group evaluated its liabilities at December 31, 2015, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. Eighty-four percent (84%) of the Group's liabilities at December 31, 2015 were liabilities that arose from contracts within the scope of IFRS 17 and fifteen percent (15%) of the Group's liabilities at December 31, 2015 were liabilities that arose because the Group issues insurance contracts and fulfils obligations arising from insurance contracts. Additionally, the Group has not previously applied any version of IFRS 9. Therefore, the Group is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at December 31, 2021, there has been no change in the Group's activities.

(n) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, term investments, available-for-sale investments, loans and receivables investments, insurance receivables, other accounts receivables (excluding prepayments), amounts due from other insurance companies, and related party balance. Financial liabilities include other payables and accrued charges, amounts due to other insurance companies, and related party balance.

(o) Determination of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

(p) Share capital:

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Transaction costs directly attributable to the issuance of shares are shown in equity as a deduction from the proceeds of the share issue.

(Expressed in United States dollars)

3. Significant accounting policies (cont'd)

(q) Dividends:

Dividends are recognised as a liability and a reduction of equity in the period in which they are declared.

(r) Expenses:

Expenses are recognised in profit or loss on the accrual basis.

4. Property and equipment

	Land, building and building improvements	Furniture, fixtures, equipment and computer	Motor vehicles	Total
	$	$	$	$
At cost :				
December 31, 2019	814,175	187,182	89,574	1,090,931
Additions	194,831	1,596	15,500	211,927
December 31, 2020	1,009,006	188,778	105,074	1,302,858
Additions	-	9,791	29,999	39,790
Transfers	38,754	(38,754)	-	-
Disposals	-	(169)	(40,574)	(40,743)
December 31, 2021	1,047,760	159,646	94,499	1,301,905
Depreciation:				
December 31, 2019	409,174	137,377	46,291	592,842
Charge for the year	2,228	15,604	10,836	28,668
December 31, 2020	411,402	152,981	57,127	621,510
Charge for the year	12,118	5,312	14,400	31,830
Transfers	12,111	(12,111)	-	-
Eliminated on disposals	-	(169)	(40,574)	(40,743)
December 31, 2021	435,631	146,013	30,953	612,597
Net book values:				
December 31, 2021	612,129	13,633	63,546	689,308
December 31, 2020	597,604	35,797	47,947	681,348

(Expressed in United States dollars)

5. Investment properties

Investment properties comprise land, which are carried at fair value.

	2021	2020
	$	$
		Restated*
Balance at January 1	1,700,000	1,080,000
Additions during the year	-	463,633
Change in fair value recognised in profit or loss	330,000	156,367
Balance at December 31	2,030,000	1,700,000

*See Note 26

In February 2020, the Group acquired 1.27 acres of land (two parcels) in Providenciales for a total cost of $463,633 comprising $416,666 for the land plus $41,667 stamp duty and $5,149 of acquisition expenses.

The land acquired will be used by the Group for future real estate development.

Investment properties were valued in February 2022 (2020: October 2018) by Construction Advisory Services Limited. The significant underlying assumptions considered is the comparable prices for similar properties in the area, the level of current and future occupancy, the rate of annual rent changes, the rate of inflation of direct expenses, the appropriate discount rate, and the current condition of the properties together with an estimate of future maintenance and capital expenditures. As at December 31, 2020 and January 1, 2020, the Company was of the opinion that there were no significant changes in the market values on the valuation dated October 2018.

There is no rental income earned and related expenses incurred on the properties during the year and in the prior years.

Changes in fair values are recognised as gains in profit or loss. All gains are unrealised.

(Expressed in United States dollars)

5. Investment properties (continued)

The fair value measurement for investment properties of $2,030,000 (2020: $1,700,000) has been categorised as a level 2 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

6. Related party balances/transactions

(a) The statement of financial position includes balances, arising in the ordinary course of business with related parties, as follows:

	2021 $	2020 $
(i) Insurance receivable from related parties – directors (see note 10)	114,638	100,574
(ii) Due to fellow subsidiary: The Insurance Company of the West Indies Limited	-	7,171
(iii) Due from fellow subsidiary: The Insurance Company of the West Indies Limited	16,951	-

Related party balances are unsecured, interest free and repayable on demand.

(Expressed in United States dollars)

6. Related party balances/transactions (cont'd)

(b) The statement of profit or loss includes the following income earned from, and expenses incurred in, transactions with related parties. The transactions were in the ordinary course of business.

		2021 $	2020 $
Management fees (note 18)	- immediate parent company	130,000	120,000
License fees (note 18)	- immediate parent company	10,000	10,000
Gross premiums written	- directors' and other related parties	(388,310)	(272,566)

(c) Transactions with key management personnel:

Compensation of key management personnel is as follows:

	2021 $	2020 $
Salaries and short-term employment benefits (excluding directors' fees)	124,444	120,819
Directors' fees (note 18)	72,000	69,500
	196,444	190,319

7. Term investment

The term investment represents a fixed bank deposit with First Caribbean International Bank (Bahamas) Limited (FCIB) (2020: FCIB), a TCI regulated entity of $264,675 (2020: $263,946). The deposit earns annual interest at 0.20% (2020: 0.28%) and matures on April 18, 2022 (2020: April 16, 2021).

The fixed deposit may not be removed or reduced below $250,000 (2020: $250,000) without the prior written approval of the Financial Services Commission (FSC) in TCI [see note 23 (e)].

8. Available-for-sale investments

	2021 $	2020 $
Corporate bonds	224,426	157,903
Quoted investments	410,499	345,283
	634,925	503,186

(Expressed in United States dollars)

8. Available-for-sale investments (continued)

The following table presents the fair value and the amount of change in the fair value of the company's financial assets as at and for the year ended December 31, 2021 and 2020, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

	2021				
Financial assets	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in fair value	Fair value	Change in fair value
	$	$	$	$	$
Certificates of deposit (note 12)	1,355,481	1,355,481	-	-	-
Certificates of deposit (note 14)	706,898	706,898	-	-	-
Corporate bonds	224,426	224,426	-	-	-
Quoted investments	410,499	-	-	410,499	-
Term investment (note 7)	264,675	264,675	-	-	-
	2,961,979	2,551,480	-	410,499	-

	2020				
Financial assets	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in fair value	Fair value	Change in fair value
	$	$	$	$	$
Certificates of deposit (note 12)	603,662	603,662	-	-	-
Certificates of deposit (note 14)	706,406	706,406	-	-	-
Corporate bonds	157,903	157,903	-	-	-
Quoted investments	345,283	-	-	345,283	-
Term investment (note 7)	263,946	263,946	-	-	-
	2,077,200	1,731,917	-	345,283	-

The following table presents the credit risk ratings of SPPI financial assets as at December 31, 2021 and 2020:

	2021		
Credit rating	Carrying value amount	Fair value	% of fair value
	$	$	
Bonds, certificates of deposits and other deposits:			
BBB+	2,551,480	2,551,480	100%

	2020		
Credit rating	Carrying value amount	Fair value	% of fair value
	$	$	
Bonds, certificates of deposits and other deposits:			
Aa3	1,731,917	1,731,917	100%

(Expressed in United States dollars)

9. Reinsurance assets and insurance contract provisions

(a) Analysis of movements in reinsurance assets and insurance contract provisions:

	2021			2020		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Claims outstanding	576,330	222,846	353,484	457,801	123,174	334,627
Unearned premiums	2,439,016	1,533,220	905,796	2,403,985	1,543,067	860,918
	3,015,346	1,756,066	1,259,280	2,861,786	1,666,241	1,195,545

(b) Claims outstanding:

	2021			2020		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Claims notified	420,937	123,174	297,763	341,398	120,050	221,348
Claims incurred but not yet reported	36,864	-	36,864	29,176	-	29,176
Balance at January 1	457,801	123,174	334,627	370,574	120,050	250,524
Claims expenses incurred	970,806	331,986	638,820	829,955	318,332	511,623
Claims paid in the year	(852,277)	(232,314)	(619,963)	(742,728)	(315,208)	(427,520)
Change in outstanding claims provision	118,529	99,672	18,857	87,227	3,124	84,103
Balance at December 31	576,330	222,846	353,484	457,801	123,174	334,627
Claims notified	520,754	222,846	297,908	420,937	123,174	297,763
Claims incurred but not reported	55,576	-	55,576	36,864	-	36,864
Balance at December 31	576,330	222,846	353,484	457,801	123,174	334,627

(c) Unearned premiums:

	2021			2020		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Balance at January 1	2,403,985	1,543,067	860,918	2,237,577	1,288,974	948,603
Premiums written during the year	5,028,553	3,506,016	1,522,537	5,008,854	3,494,256	1,514,598
Premiums earned during the year	(4,993,522)	(3,515,863)	(1,477,659)	(4,842,446)	(3,240,163)	(1,602,283)
Balance at December 31	2,439,016	1,533,220	905,796	2,403,985	1,543,067	860,918

(Expressed in United States dollars)

9. Reinsurance assets and insurance contract provisions (cont'd)

(d) Gross unearned premiums are analysed as follows:

	2021 $	2020 $
Property	1,378,915	1,219,490
Motor vehicle	782,098	726,938
Liability	96,796	133,377
Bond	7,618	89,908
Marine	15,252	24,047
Engineering	109,789	182,170
General Accident	48,548	28,055
	2,439,016	2,403,985

10. Insurance receivables

	2021 $	2020 $
Premiums receivable	1,005,270	952,022

Premiums receivable is stated net of commission and after allowance for impairment of $41,239 (2020: $41,239). See note 23(a)(iii).

Premiums receivables include $114,638 (2020: $100,574) receivable from directors, in the normal course of business [note 6(a)(i)].

11. Deferred commission expense

	2021 $	2020 $
Balance at January 1	114,966	80,673
Commission paid during the year	233,408	371,501
Amounts recognised in profit or loss during the year	(245,529)	(337,208)
Balance at December 31	102,845	114,966

12. Loans and receivables investments

The Group's loans and receivables represent certificates of deposit with FCIB and Scotiabank (Turks and Caicos) Ltd. (Scotia) with maturity dates greater than three months from date of acquisition:

	2021 $	2020 $
Certificates of deposits	1,355,481	603,662

(Expressed in United States dollars)

12. Loans and receivables investments (cont'd)

	2021			
	Principal Amount	Maturity Value	Interest Rate per Annum	Maturity Date
	$	$		
FCIB	162,326	165,620	0.18%	April 18, 2022
FCIB	442,068	442,178	0.10%	February 7, 2022
Scotia	751,087	751,162	0.02%	February 5, 2022
	1,355,481	1,358,960		

	2020			
	Principal Amount	Maturity Value	Interest Rate per Annum	Maturity Date
	$	$		
FCIB	162,034	162,326	0.18%	March 16, 2021
FCIB	441,628	442,069	0.10%	February 8, 2021
	603,662	604,395		

13. Prepaid expenses and other receivables

	2021	2020
	$	$
Prepayments and other assets	29,581	20,191
Other receivables	8,787	10,412
	38,368	30,603

No impairment losses have been recognised in profit or loss relating to prepayments and other receivables.

14. Cash and cash equivalents

This comprises cash in hand and at banks and certificates of deposit with FCIB and Scotia with maturities of 90 days or less.

	2021	2020
	$	$
Current accounts	1,161,732	2,101,580
Certificates of deposit	706,898	706,406
	1,868,630	2,807,986

(Expressed in United States dollars)

15. Other payables and accrued charges

	2021 $	2020 $
Accrued charges	111,874	130,102
Other payables	863,074	836,027
	974,948	966,129

16. Insurance payables

	2021 $	2020 $
Due to reinsurers	329,820	366,679
Deferred commission income	320,591	333,704
Premiums due	39,553	-
	689,964	700,383

The analysis of the movement in deferred commission income is as follows:

	2021 $	2020 $
Balance January 1	333,704	276,429
Commission received during the year	686,412	903,611
Amounts recognised in profit or loss during the year	(699,525)	(846,336)
Balance at December 31	320,591	333,704

17. Capital and reserves

(a) Share Capital

	2021 $	2020 $
Authorised:		
2,500,000 (2020: 2,500,000) ordinary shares of US$1 par value each	2,500,000	2,500,000
Issued and fully paid:		
2,500,000 (2020: 2,500,000) ordinary shares of US$1 par value each	2,500,000	2,500,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(Expressed in United States dollars)

17. Capital and reserves (cont'd)

(b) Contributed surplus

	2021	2020
	$	$
Contributed surplus	872,700	872,700

In July 2000, certain shareholders of the Company entered into an agreement to transfer 1,000,000 of their ordinary shares to new shareholders in exchange for the introduction of $600,000 of cash into the Company. This introduction of cash was recorded as contributed surplus.

In August 2005, the Board resolved that an additional 10,000 shares in the capital of the Company be issued to a shareholder for services rendered. The fair value of services rendered was deemed to be $20,200, resulting in the difference of $10,200 between the par value of the shares issued and the value of the services rendered being recorded as contributed surplus.

In March 2007, 175,000 ordinary shares were issued at a deemed value of $2.50 per share in lieu of management and director compensation. The excess of deemed value over par value, totalling $262,500 was recognised as contributed surplus, being $150,000 in lieu of management compensation and $112,500 in lieu of directors' remuneration.

(c) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments until the assets are derecognised or impaired.

(d) Distribution to shareholders

On May 20, 2021, the Board declared cash dividends of $300,000 or US$0.12 per ordinary share held at December 31, 2020. These dividends were paid in full in December 2021.

On December 4, 2020, the Board declared cash dividends of $350,000 or US$0.14 per ordinary share held at December 31, 2019. These dividends were paid in full in December 2020.

(Expressed in United States dollars)

18. Operating expenses

	2021 $	2020 $
Staff and related costs	556,721	494,322
Management fees [note 6(b)]	130,000	120,000
Professional fees	59,050	84,252
Directors' fees [note 6(c)]	72,000	69,500
Administrative fees	43,276	54,994
Marketing	18,848	51,857
Telephone, fax and courier	45,451	37,698
Bank charges	58,704	51,705
Depreciation (note 4)	31,830	28,668
Travel	746	4,194
Repairs and maintenance	19,400	18,474
Office expenses	17,642	17,663
Other operating expenses	23,859	12,403
Vehicle expenses	10,039	18,194
Licenses and permits	5,032	6,500
Underwriter license fees [note 6(b)]	10,000	10,000
Professional indemnity insurance	4,613	6,141
Donations	-	816
Bad debt	1,127	24,160
	1,108,338	1,111,541

19. Investment income

	2021 $	2020 $
Interest income:		
Available-for-sale investments	2,324	971
Loans and receivables investments	9,549	13,141
	11,873	14,112

20. Taxation

Under current TCI law, the Group is not required to pay any taxes in TCI on either income or capital gains. Consequently, no tax liability or expense has been recorded in these consolidated financial statements.

(Expressed in United States dollars)

21. Reinsurance ceded

During the years ended December 31, 2021 and 2020, the total amount of premiums ceded under the Group's policies categorised by type of reinsurance were as follows:

	2021 $	2020 $
Quota Share	3,030,190	3,021,815
Motor Vehicle Excess of Loss	183,111	139,256
Facultative	192,918	218,766
Property Excess of Loss	99,797	114,419
	3,506,016	3,494,256

22. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The Group's management of insurance risk is a critical aspect of the business. The primary insurance activity carried out by the Group is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policy written by the Group are as follows:

Motor insurance
Property insurance
Liability insurance

The Group manages its insurance risk through its underwriting policy that includes, *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The Group actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and scenario analyses.

Underwriting strategy:

The Group seeks to underwrite a balanced portfolio of risks at rates and terms that will produce underwriting results consistent with its long term objectives.

The board of directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

Reinsurance strategy:

The Group reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

22. Insurance risk management (cont'd)

Ceded reinsurance includes credit risk, and the Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The board of directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is addressed in more detail in note 23.

Terms and conditions of general insurance contracts:

The table below provides an overview of the terms and conditions of general insurance contracts written by the Group and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

Type contract	**Terms and conditions**	**Key factors affecting future cash flows**
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the market value of the vehicle and policy limits in respect of third party damage and bodily injury.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the condition of the road network, failure by some motorists to obey traffic signals and an overall increase in the incidence of motor vehicle theft. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity. Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the Group are settled in the short term. In general, these claims involve higher estimation uncertainty.
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholders against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay (property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions). The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.

22. Insurance risk management (cont'd)

Terms and conditions of general insurance contracts (cont'd):

Type contract	**Terms and conditions**	**Key factors affecting future cash flows**
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the Group are settled in the short term. In general, these claims involve higher estimation uncertainty.

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process and reinsurance. The Group monitors and reacts to changes in trends of injury awards, litigation and frequency of claims.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process and reinsurance. The Group uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the Group accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the Group makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

(Expressed in United States dollars)

22. Insurance risk management (cont'd)

Risk exposure and concentrations of risk:

The following table shows the Group's exposure to general insurance risk (based on the carrying value of claims outstanding at the reporting date) per major category of business.

	Motor	Property	Liability	Other	Total
	$	$	$	$	$
At 31 December 2021					
Gross	422,642	147,828	2	5,858	576,330
Net of reinsurance	348,544	4,300	2	638	353,484
At 31 December 2020					
Gross	384,633	50,808	16,502	5,858	457,801
Net of reinsurance	313,753	3,732	16,502	640	334,627

Claims development:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Group. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

Analysis of net claims development

	Accident year						
	2016 and prior	2017	2018	2019	2020	2021	Total
	$	$	$	$	$	$	$
Estimate of cumulative claims at end of accident year	2,895,309	12,163,706	403,374	463,191	326,757	483,642	16,735,979
-one year later	2,964,108	28,060,833	513,527	613,460	454,760	-	32,606,688
-two years later	2,966,224	28,106,544	538,938	639,242	-	-	32,250,948
-three years later	2,975,928	28,109,268	535,202	-	-	-	31,620,398
-four years later	2,984,018	28,109,268	-	-	-	-	31,093,286
-five years later	3,101,969	-	-	-	-	-	3,101,969
Estimate of cumulative claims	3,101,969	28,109,268	535,202	639,242	454,760	483,642	33,324,083
Cumulative payments to date	(2,984,018)	(28,109,266)	(509,487)	(619,065)	(391,050)	(357,713)	(32,970,599)
Net outstanding claims Liabilities	117,951	2	25,715	20,177	63,710	125,929	353,484

23. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

Risk management framework

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Group is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and investment contracts. The goal of the investment management process is to optimise the net of taxes, risk- adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The asset/liability matching process is largely influenced by estimates of the timing of payments required in terms of insurance. These estimates are re-evaluated on a regular basis. There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the Group's underwriting policy.

Secondly, the risk is managed through the use of reinsurance. The Group arranges proportional reinsurance at the risk level and purchases excess of loss covers for motor, property and liability business. The Group assesses the costs and benefits associated with the reinsurance programme on a regular basis.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations.

The Group's key areas of exposure to credit risk include:

- debt securities and cash and cash equivalents
- amounts due from policyholders
- amounts due from intermediaries (components of insurance receivables)
- reinsurers' share of insurance liabilities (components of insurance receivables)
- amounts due from reinsurers in respect of payments already made to policyholders
- amounts due from related parties

23. Financial risk management (cont'd)

(a) Credit risk (cont'd)

The nature of the Group's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

Management of credit risk

The Group manages its credit risk in respect of debt securities by placing limits on its exposure to a single counterparty, by reference to information available in the market place relating to the financial standing of the counterparty. The Group has a policy of investing only in high quality corporate bonds and government issued debts.

Its exposure to individual policyholders and groups of policyholders is monitored as part of its credit control process. Financial analyses are conducted for significant exposures to individual policyholders or homogenous groups of policyholders.

All intermediaries must meet minimum requirements that are established and enforced by the Group's management. The payment histories of intermediaries are monitored on a regular basis.

The Group also operates a policy to manage its reinsurance counterparty exposures. The Group assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations. The impact of reinsurer default is measured regularly and managed accordingly.

Cash and cash equivalents are managed in line with the Group's policy. Excess funds are invested for short periods of time, depending on the Group's cash flow requirements. These surplus funds are placed with approved financial institutions with no concentration of funds being at any specific counterparty and thereby mitigating potential financial loss.

All related party transactions are pre-authorised and approved by management during the budgeting process and subsequently in the normal course of business.

(Expressed in United States dollars)

23. Financial risk management (cont'd)

(a) Credit risk (cont'd):

Management of credit risk (cont'd):

(i) Exposure to credit risk:

Credit ratings are publicly available for certain assets with credit risk. The following table analyses the credit rating by investment grade of assets bearing credit risk.

	2021				
	AA $	A $	BBB+ $	Not Rated $	Total $
Financial assets					
Carrying amount	-	-	1,844,582	410,499	2,255,081
Reinsurance assets (excluding unearned premium reserve)					
Carrying amount	185,296	37,550	-	-	222,846
Insurance and other receivables (excluding prepayments)					
Neither past due nor impaired	-	-	-	316,150	316,150
Past due but not impaired	-	-	-	251,898	251,898
Individually impaired	-	-	-	487,248	487,248
Gross amount	-	-	-	1,055,296	1,055,296
Allowance for impairment	-	-	-	(41,239)	(41,239)
Carrying amount	-	-	-	1,014,057	1,014,057
Due from fellow subsidiary	-	-	-	16,951	16,951
Cash and cash equivalents	-	-	-	1,868,630	1,868,630
	185,296	37,550	1,844,582	3,310,137	5,377,565

	2020				
	AA $	A $	Aa3 $	Not Rated $	Total $
Financial assets					
Carrying amount	-	-	902,337	468,457	1,370,794
Reinsurance assets (excluding unearned premium reserve)					
Carrying amount	100,239	22,935	-	-	123,174
Insurance and other receivables (excluding prepayments)					
Neither past due nor impaired	-	-	-	314,737	314,737
Past due but not impaired	-	-	-	230,153	230,153
Individually impaired	-	-	-	458,783	458,783
Gross amount	-	-	-	1,003,673	1,003,673
Allowance for impairment	-	-	-	(41,239)	(41,239)
Carrying amount	-	-	-	962,434	962,434
Cash and cash equivalents	-	-	-	2,807,986	2,807,986
	100,239	22,935	902,337	4,238,877	5,264,388

(Expressed in United States dollars)

23. Financial risk management (cont'd)

(a) Credit risk (cont'd):

Management of credit risk (cont'd):

(i) Exposure to credit risk (cont'd):

The carrying amounts of financial assets and cash and cash equivalents do not include any other assets that are either past due or impaired.

The Group has no financial assets or reinsurance assets that would have been past due or impaired, whose terms have been renegotiated.

The Group does not hold any collateral as security or any credit enhancements, credit derivatives and netting arrangements that do not qualify for offset.

The maximum credit exposure is represented by the carrying amount of financial assets on the statement of financial position.

(ii) Assets that are past due

The Group has insurance receivables (see note 10) that are past due but not impaired at the reporting date (as indicated by the overall credit risk exposure analysis). An aged analysis of the carrying amounts of these insurance receivables is presented below:

	Less than 46 days	46 to 90 days	More than 90 days	Total
December 31, 2021				
Receivables arising from insurance and reinsurance contracts agents, brokers and intermediates	307,363	251,898	446,009	1,005,270
December 31, 2020				
Receivables arising from insurance and reinsurance contracts agents, brokers and intermediates	304,325	230,153	417,544	952,022

(Expressed in United States dollars)

23. Financial risk management (cont'd)

(a) Credit risk (cont'd):

Management of credit risk (cont'd):

(iii) Assets that are individually impaired

The analysis of overall credit risk exposure indicates that the Group has insurance receivables that are impaired at the reporting date. The assets that are individually impaired are analysed below:

	2021		2020	
	Gross $	Net $	Gross $	Net $
Insurance receivables	41,239	-	41,239	-

The above assets have been individually impaired after considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

Movement on provision for impairment of insurance receivables are as follows:

	2021 $	2020 $
Balance at January 1	41,239	22,200
Additional provision, net of recoveries	-	19,039
Balance at December 31	41,239	41,239

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial and insurance liabilities. The Group is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims. The nature of the Group's exposure to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently, the Group invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due and in the event of reasonably foreseeable abnormal circumstances. At the reporting date, there were no significant concentration of liquidity risk. Management settles its liabilities when they become due.

(Expressed in United States dollars)

23. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

An analysis of the contractual maturities of the Group's financial and insurance contract liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

	2021					
	Contractual undiscounted cash flows					
	Carrying amount $	Total cash outflow $	Less than 1 year $	1-2 years $	2-5 years $	5-10 years $
Financial liabilities						
Other payables and accrued charges	974,948	974,948	974,948	-	-	-
Insurance payables	689,964	689,964	689,964	-	-	-
Total financial liabilities	1,664,912	1,664,912	1,664,912	-	-	-
Insurance contract Provisions						
Claims outstanding	576,330	576,330	576,330	-	-	-
	2,241,242	2,241,242	2,241,242	-	-	-

	2020					
	Contractual undiscounted cash flows					
	Carrying amount $	Total cash outflow $	Less than 1 year $	1-2 years $	2-5 years $	5-10 years $
Financial liabilities						
Other payables and accrued charges	966,129	966,129	966,129	-	-	-
Insurance payables	700,383	700,383	700,383	-	-	-
Due to fellow subsidiary	7,171	7,171	7,171	-	-	-
Total financial liabilities	1,673,683	1,673,683	1,673,683	-	-	-
Insurance contract provisions						
Claims outstanding	457,801	457,801	457,801	-	-	-
	2,131,484	2,131,484	2,131,484	-	-	-

23. Financial risk management (cont'd)

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the Group's assets, the amount of its liabilities and/or the Group's income. Market risk arises in the Group due to fluctuations in the value of liabilities and the value of investments held. The Group is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Group's exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

(i) Interest rate risk:

At the reporting date the interest profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2021	2020
	$	$
Fixed rate instruments:		
Financial assets	2,551,480	1,731,917
Variable rate instruments:		
Financial assets	-	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit in the consolidated statement of profit or loss and other comprehensive income by Nil (2020: $Nil) assuming all other variables remained constant.

(ii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise investment returns.

23. Financial risk management (cont'd)

(c) Market risk (cont'd):

(ii) Equity price risk (cont'd)

A 1% (2020: 1%) increase in the market price at the reporting date would cause an increase in other comprehensive income of $4,105 (2020: $3,452). A 1% (2020: 1%) decrease would cause a decrease in other comprehensive income of $4,105 (2020: $3,452).

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Group's senior management team.

(e) Capital risk management

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements. The Group's objectives when managing capital are:

- To comply with the capital requirements set by the regulators
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business

The FSC has the following requirements for each licensed insurance company:

The Group's fixed term investment account may not be removed or reduced below US$250,000 (2020: US$250,000) without the prior written approval of the SOI of the FSC in TCI.

Solvency ratios are established on the basis of the risk assessment for each particular entity. As a guideline issued by the FSC, the minimum solvency margin of the Group is calculated as 20% of net annual premiums if net annual premium is not greater than US$5 million or US$1 million plus 10% of net annual premiums in excess of US$5 million, if net annual premiums are greater than US$5 million.

There has been no change in the Group's management of capital during the year. The group was in compliance with the regulatory imposed capital and solvency requirements at December 31, 2021 and 2020.

(Expressed in United States dollars)

24. Fair value of financial instruments

Fair value amounts represent estimates of the arm's length consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Financial instrument	Method
Cash and cash equivalents, insurance and other receivables, insurance and other payables, reinsurance assets and insurance contract provisions.	Assumed to approximate their carrying values, due to their relative short-term nature (in some instance due on demand), or bears market rates of interest applicable to similar investments.
Quoted equities	Bid prices quoted by the relevant stock exchanges.
Other securities and corporate bonds	Prices of bonds and other securities at reporting date as quoted by broker/dealer, where available

The Group considers relevant and observable market prices in its valuations where possible.

The following table sets out the fair value of the financial instruments using the valuation methods and assumption described below. The fair value disclosed does not reflect the value of assets and liabilities that are not considered financial instruments.

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Financial assets:				
Available-for-sale investments	634,925	634,925	503,186	503,186
Cash and cash equivalents	1,868,630	1,868,630	2,807,986	2,807,986
Term investment	264,675	264,675	263,946	263,946
Loans and receivables investments	1,355,481	1,355,481	603,662	603,662
Reinsurance assets	222,846	222,846	123,174	123,174
Other accounts receivables	8,787	8,787	10,412	10,412
Due from fellow subsidiary	16,951	16,951	-	-
Insurance receivables	1,005,270	1,005,270	952,022	952,022
	5,377,565	5,377,565	5,264,388	5,264,388

(Expressed in United States dollars)

24. Fair value of financial instruments (cont'd)

The following table sets out the fair value of the financial instruments using the valuation methods and assumption described below (cont'd)

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Financial liabilities:				
Insurance contract provisions	576,330	576,330	457,801	457,801
Other payables and accrued charges	974,948	974,948	966,129	966,129
Due to fellow subsidiary	-	-	7,171	7,171
Insurance payables	689,964	689,964	700,383	700,383
	2,241,242	2,241,242	2,131,484	2,131,484

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The Group considers relevant and observable market prices in its valuations where possible. The table below analyses available-for-sale financial instruments which are carried at fair value.

	2021			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Investment securities – available-for-sale	634,925	-	-	634,925

	2020			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Investment securities – available-for-sale	503,186	-	-	503,186

(Expressed in United States dollars)

25. Impact of the COVID-19

The World Health Organization (WHO) declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020. The pandemic and the measures to control its human impact have resulted in significant disruptions to economic activities, business operations and asset prices. The adverse impacts of the pandemic have also been considered in the Group's estimates of impairment of insurance receivable and other assets.

At the date of approving the financial statements, there have been signs of recovery in the economy and continuing growth is expected for 2022 as the global economy opens up and flight restrictions are removed. Management continues to monitor and respond to business impact of the pandemic and does not anticipate any adverse effect on the Company's ability to continue as a going concern in the foreseeable future.

26. Change in accounting policy

In the previous years, the Group applied the cost model for its investment properties. During the year, the Group changed the accounting policy from cost model to the fair value model. Consequently, the total assets and equities were understated since the fair value gains were not recognized. The impact of the change is applied retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

The following table summarises the impact of the change in accounting policy on the Group's financial statements.

a) Consolidated Statement of Financial Position

	December 31, 2020			January 1, 2020		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	$	$	$	$	$	$
Investment properties	1,390,748	309,252	1,700,000	927,115	152,885	1,080,000
Others	7,623,960	-	7,623,960	6,593,982	-	6,593,982
Total assets	9,014,708	309,252	9,323,960	7,521,097	152,885	7,673,982
Retained earnings	1,059,942	309,252	1,369,194	730,004	152,885	882,889
Others	7,954,766	-	7,954,766	6,791,093	-	6,791,093
Total liabilities and equity	9,014,708	309,252	9,323,960	7,521,097	152,885	7,673,982

(Expressed in United States dollars)

26. Change in Accounting Policy (continued)

The following table summarises the impact of the change in accounting policy on the Group's financial statements (continued):

b) Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2020		2020
	As previously reported $	Adjustments $	As restated* $
Underwriting profit before other income, expenses and taxation	488,247	-	488,247
Investment income	14,112	-	14,112
Fair value gain on investment properties	-	156,367	156,367
Other income	48,023	-	48,023
Profit for the year	550,382	156,367	706,749
Other comprehensive income			
Items that may be reclassified to profit			
Net change in fair value of available-for-sale investments	43,215	-	43,215
Total comprehensive income for the year	593,597	156,367	749,964

c) Consolidated Statement of Cash Flows

	2020		2020
	As previously reported $	Adjustments $	As restated* $
Cash flows from operating activities			
Profit for the year	550,382	156,367	706,749
Adjustments for:			
Fair value gain on investment properties	-	(156,367)	(156,367)
Others	636,806	-	636,806
Net cash provided by operating activities	1,187,188	-	1,187,188
Net cash used by investing activities	(1,771,778)	-	(1,771,778)
Net cash used by financing activities	(350,000)	-	(350,000)
Net decrease in cash and cash equivalents	(934,590)	-	(934,590)
Cash and cash equivalents at beginning of year	3,036,170	-	3,036,170
Cash and cash equivalents at end of year	2,101,580	-	2,101,580