ROYALSTAR HOLDINGS LTD.

Consolidated Financial Statements
31 December 2022

Independent auditors' report

To the shareholders of RoyalStar Holdings Ltd.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of RoyalStar Holdings Ltd. (the Company) and its subsidiaries (together 'the Group') as at 31 December 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Group'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 Group 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 Group'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 Group'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 Group 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.
- 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.

Other matter

This report, including the opinion, has been prepared for and only for the shareholders in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Chartered Accountants
Nassau, Bahamas

1 May 2023

RoyalStar Holdings Ltd.
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Balance Sheet
As at 31 December 2022
(Expressed in Bahamian dollars)

	2022 $	2021 $
ASSETS		
Cash on hand and at banks	11,759,744	12,111,175
Term deposits (Note 3)	13,393,660	13,407,440
Due from reinsurers	1,856,255	1,576,411
Due from agents (Note 4)	16,573,238	18,871,575
Due from customers (Note 5)	6,213,290	-
Prepayments and other assets	4,911,356	3,648,929
Unearned premiums reserve – reinsurance (Note 9)	33,829,844	26,198,138
Deferred commissions expense (Note 9)	4,742,549	4,200,573
Outstanding claims recoverable from reinsurers (Note 9)	5,843,373	7,407,495
Investments (Note 6):		
Fair value through profit or loss	13,507,617	8,267,363
Loans and receivables	1,422,731	3,908,697
Investment in associates (Note 7)	22,823,099	24,125,829
Intangible assets (Note 15)	4,478,942	-
Property and equipment (Note 8)	13,199,786	12,905,379
Total assets	**154,555,484**	**136,629,004**
LIABILITIES		
General insurance liabilities		
Unearned premiums reserve (Note 9)	47,037,103	37,866,869
Deferred commissions income (Note 9)	3,885,870	3,377,704
Outstanding claims reserve (Note 9)	12,294,433	14,157,775
	63,217,406	55,402,348
Other liabilities		
Cash advance from reinsurers (Note 9)	348,920	347,651
Due to reinsurers	9,745,000	10,070,800
Due to insurers	4,004,935	-
Accounts payable and accrued expenses	5,726,831	3,983,002
Borrowings (Note 21)	4,250,000	5,000,000
Total liabilities	**87,293,092**	**74,803,801**

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Balance Sheet
As at 31 December 2022
(Expressed in Bahamian dollars)
(Continued)

	2022 $	2021 $
EQUITY		
Equity attributable to shareholders of the Company		
Share capital:		
Ordinary shares		
Authorized:		
10,000,000 shares of $0.30 each		
Issued and fully paid:		
9,535,000 (2021: 9,535,000) shares of $0.30 each	2,860,500	2,860,500
Contributed surplus	32,294,391	32,294,391
Retained earnings	26,200,705	21,670,312
	61,355,596	56,825,203
Non-controlling interests (Note 14)	5,906,796	5,000,000
Total equity	**67,262,392**	**61,825,203**
Total liabilities and equity	**154,555,484**	**136,629,004**

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Director **Director**

18 April 2023
Date

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)

	2022 $	2021 $
REVENUE		
Premiums written (Note 10)	106,936,179	86,248,547
Premiums ceded to reinsurers	(78,919,356)	(61,141,919)
Net premiums written	28,016,823	25,106,628
Change in net unearned premiums (Note 9)	(1,538,528)	(1,344,898)
Net premiums earned	**26,478,295**	**23,761,730**
DIRECT EXPENSES		
Net claims incurred (Note 9)	4,735,231	3,646,274
Net commissions incurred (Note 11)	1,092,735	1,204,900
Catastrophe and excess of loss reinsurance	9,456,512	8,670,205
Total direct expenses	15,284,478	13,521,379
Underwriting gain	**11,193,817**	**10,240,351**
OTHER INCOME		
Net agency and profit commissions	3,584,866	-
Interest, dividends and other income	589,471	553,044
Lease income	237,855	252,921
Net change in unrealized appreciation of investments (Note 6)	437,810	20,813
Total other income	**4,850,002**	**826,778**
OPERATING EXPENSES		
Personnel costs	4,448,273	2,951,621
General and administrative	3,089,405	2,212,064
Depreciation and amortization (Note 8)	743,493	638,077
Bad debt expense (Notes 4 & 5)	102,000	-
Directors' costs	132,500	132,500
Interest expense	209,719	62,671
Total operating expenses	**8,725,390**	**5,996,933**
Share of net results of associates (Note 7)	349,543	10,534,862
Net income and total comprehensive income	**7,667,972**	**15,605,058**
Total comprehensive income for the period is attributable to:		
Owners of RoyalStar Holdings Ltd.	7,400,118	15,605,058
Non-controlling interests (Note 14)	267,854	-
	7,667,972	**15,605,058**

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)

	Ordinary Shares $	Contributed Surplus $	Retained Earnings $	Total Shareholders' Equity $	Non-Controlling Interests $	Total Equity $
Balance as at 1 January 2021	**2,850,000**	**32,121,141**	**9,445,636**	**44,416,777**	**10,000,000**	**54,416,777**
Total comprehensive income	-	-	15,605,058	15,605,058	-	15,605,058
Transactions with owners						
Dividends – preference shares	-	-	(530,382)	(530,382)	-	(530,382)
Dividends – ordinary shares	-	-	(2,850,000)	(2,850,000)	-	(2,850,000)
Issuance of shares – ordinary shares	10,500	173,250	-	183,750	-	183,750
Buy-back of shares – non-controlling interest	-	-	-	-	(5,000,000)	(5,000,000)
Total transactions with owners	10,500	173,250	(3,380,382)	(3,196,632)	(5,000,000)	(8,196,632)
Balance as at 31 December 2021	**2,860,500**	**32,294,391**	**21,670,312**	**56,825,203**	**5,000,000**	**61,825,203**
Balance as at 1 January 2022	**2,860,500**	**32,294,391**	**21,670,312**	**56,825,203**	**5,000,000**	**61,825,203**
Total comprehensive income	-	-	7,400,118	7,400,118	267,854	7,667,972
Transactions with owners						
Dividends – preference shares	-	-	(390,625)	(390,625)	-	(390,625)
Dividends – ordinary shares	-	-	(2,479,100)	(2,479,100)	-	(2,479,100)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	578,942	578,942
Contributed surplus – non-controlling interest	-	-	-	-	60,000	60,000
Total transactions with owners	-	-	(2,869,725)	(2,869,725)	638,942	(2,230,783)
Balance as at 31 December 2022	**2,860,500**	**32,294,391**	**26,200,705**	**61,355,596**	**5,906,796**	**67,262,392**

Dividends per preference share $0.78 (2021: $0.53)

Dividends per ordinary share: $0.26 (2021: $0.30)

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)

	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	7,667,972	15,605,058
Adjustments for:		
Interest and dividends	(449,768)	(533,983)
Net change in unrealized appreciation of investments (Note 6)	(437,810)	(20,813)
Share of net results of associates (Note 7)	(349,543)	(10,534,862)
Gain on disposals of property and equipment (Note 8)	(909)	-
Gain on lease modification	(72,437)	-
Depreciation and amortization (Note 8)	743,493	638,077
Bad debt expense (Note 4 & 5)	102,000	-
Interest expense	209,719	62,671
(Increase)/Decrease in operating assets		
Due from reinsurers	(279,844)	504,065
Due from agents (Note 4)	2,246,337	(6,662,654)
Due from customers (Note 5)	(6,263,290)	-
Accounts receivable, prepayments and other assets	(1,193,791)	(2,976,635)
Unearned premiums reserve – reinsurance (Note 9)	(7,631,706)	(4,529,652)
Deferred commissions expense (Note 9)	(541,976)	(354,296)
Outstanding claims recoverable from reinsurers (Note 9)	1,564,122	29,013,171
Increase/(Decrease) in operating liabilities		
Unearned premiums reserve (Note 9)	9,170,234	5,874,550
Deferred commissions income (Note 9)	508,166	259,175
Outstanding claims reserve (Note 9)	(1,863,342)	(29,688,836)
Cash advance from reinsurers (Note 9)	1,269	(9,552,624)
Due to reinsurers	(325,800)	4,955,127
Due to insurers	4,004,935	-
Accounts payable and accrued expenses	(202,306)	297,339
Net cash from/(used in) operating activities	**6,605,725**	**(7,645,122)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of term deposits (Note 3)	(4,183,510)	(3,909,883)
Maturity of term deposits (Note 3)	4,366,405	53,560
Interest and dividends received from investments	262,522	391,606
Dividends received from associates (Note 7)	1,602,400	372,600
Return of capital – associate	60,750	-
Purchase of investments	(7,094,738)	(174,798)
Proceeds from sales/maturities of investments	2,456,391	1,091,390
Investment in subsidiary (Note 13)	(36,590)	-
Capital injection in associates (Note 7)	(10,877)	(19,439)
Purchase of property and equipment (Note 8)	(498,670)	(232,969)
Proceeds from disposals of property and equipment	909	-
Net cash used in investing activities	**(3,075,008)**	**(2,427,933)**

The accompanying notes are an integral part of these consolidated financial statements.

RoyalStar Holdings Ltd.

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2022
(Continued)
(Expressed in Bahamian dollars)

	2022 $	2021 $
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal element of lease payments	(52,704)	-
Payment of dividends on preference shares	(390,625)	(530,382)
Payment of dividends to Company's shareholders	(2,479,100)	(2,850,000)
Interest paid	(209,719)	(62,671)
Repayment of borrowings (Note 21)	(750,000)	-
Issuance of ordinary shares	-	183,750
Buy-back of preference shares (Note 12)	-	(5,000,000)
Borrowings from long-term debt (Note 21)	-	5,000,000
Net cash used in financing activities	**(3,882,148)**	**(3,259,303)**
Net decrease in cash and cash equivalents	**(351,431)**	**(13,332,358)**
Cash and cash equivalents as at beginning of year	12,111,175	25,443,533
Cash and cash equivalents as at end of year	**11,759,744**	**12,111,175**
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash on hand and at banks	**11,759,744**	**12,111,175**

See Note 13 for significant non-cash transaction

RoyalStar Holdings Ltd.

Notes to the Consolidated Financial Statements
31 December 2022

1. General Information

RoyalStar Holdings Ltd. (the Company) was incorporated on 2 October 2012 under the Companies Act, 1992 of The Commonwealth of The Bahamas (The Bahamas). The Company and its subsidiaries are collectively referred to as the Group. The Company's sole activity is holding of investments in the following companies:

- RoyalStar Assurance Ltd. (RSA), a wholly-owned subsidiary and company incorporated in The Bahamas and licensed under the relevant statutes and regulations to operate as a property and casualty insurance company in The Bahamas, the Cayman Islands, the Turks and Caicos Islands, the British Virgin Islands, the United States Virgin Islands and Anguilla. RSA through a wholly-owned subsidiary, RoyalStar Investments Ltd. (RIL), also incorporated in The Bahamas, invests in commercial real estate. RSA is a sole beneficiary of trusts established to comply with regulations promulgated by the insurance regulators in The Bahamas, the Cayman Islands and the British Virgin Islands (Notes 3 and 6). RSA consolidates the trusts for financial statement reporting purposes.

- Star General Insurance Agents & Brokers (Bahamas) Limited (STAR), an insurance agent and broker incorporated and domiciled in The Bahamas and regulated by The Insurance Commission of The Bahamas. The Group acquired an 80% ownership interest in the company effective 1 January 2022.

- Sandy Shores Developers Ltd. (SSDL), (formerly Luxury Homes Bahamas Limited (LHL)), a real estate holding company incorporated in The Bahamas. The Group has a 19% ownership interest in SSDL; however, a director of the Group is a member of the SSDL board of directors, and as such, management has concluded that the Group has significant influence over this entity.

- SFL RSA Limited (SFL RSA), a company incorporated in the Turks & Caicos Islands, which has a 50% ownership interest in Ascendancy TCI Limited, and Gateway Financial Holdings Ltd. (GFHL), a company incorporated in The Bahamas, which has a 50% ownership interest in Gateway Ascendancy Ltd. (GAL), both of which specialize in the purchase and restructuring of non-performing loans. The Group has a 45% ownership interest in SFL RSA and GFHL.

- Vanguard Risk Solutions Limited (VRSL) (formerly Fidelity Insurance (Cayman) Limited (FICL)), an insurance agent and broker incorporated and domiciled in the Cayman Islands, is regulated by the Cayman Island Monetary Authority (CIMA). The Group has a 32.26% ownership interest in the company.

1. General Information (Continued)

The Group's primary shareholder is SunStar Ensure Limited, which owns 52.86% (2021: 52.86%) of the Company's outstanding ordinary shares and is majority owned by Sunshine Holdings Limited.

The Company's registered office is at Mareva House, 4 George Street, Nassau, The Bahamas.

2. Significant Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, except as disclosed in the accounting policies below. The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the Group's accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Notes 2(e), 2(f), 2(h), 2(k), and 2(p).

New standards, amendments and interpretations adopted by the Group

There were no standards, amendments and interpretations to published standards that became effective for the Group's financial year beginning on 1 January 2022 which were relevant or significant to the Group's operations and accordingly did not impact the Group's accounting policies or consolidated financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted by the Group

With the exception of the following standards and amendments, the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group's accounting policies or consolidated financial statements in the financial period of initial application.

The IASB issued amendments to IFRS 4 *Insurance Contracts* (IFRS 4) that provided two approaches for insurers applying the requirements of IFRS 9 *Financial Instruments* (IFRS 9), including an optional temporary exemption from applying IFRS 9 until 2023 for those companies whose activities are predominantly connected with insurance. In line with the deferral of the effective date of IFRS 17 *Insurance Contracts* (IFRS 17) to 1 January 2023, the IASB agreed to extend the IFRS 9 *Financial Instruments* (IFRS 9) exemption for insurers to the same date. The Group has taken advantage of this temporary exemption and will apply IFRS 9 for the period beginning 1 January 2023.

A company's activities are predominantly connected with insurance if, and only if: (a) the amount of its insurance liabilities is significant compared with its total amount of liabilities and (b) the percentage of its liabilities connected with insurance relative to its total amount of liabilities is: (i) greater than 90 per cent; or (ii) less than or equal to 90 per cent but greater than 80 per cent, and the company does not engage in a significant activity unconnected with insurance. Liabilities connected with insurance include investment contracts measured at fair value through profit or loss, and liabilities that arise because the insurer issues, or fulfils obligations arising from, these contracts (such as deferred tax liabilities arising on its insurance contracts).

The Group has assessed its insurance liabilities and concluded that its activities are predominantly connected with insurance contracts. In this regard, management has assessed the following:

- The Group has not previously applied any version of IFRS 9.
- The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 (the date which precedes the issuance of the amendment to IFRS 4), represents 98% of total liabilities, which is considered significant.
- The total carrying amount of liabilities connected with insurance, which includes liabilities under IFRS 4 and investment contract liabilities measured at fair value under IAS 39, for the year ended 31 December 2015 is equivalent to 98% of total liabilities.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted by the Group (continued)

As a result, the Group qualifies for the temporary exemption from IFRS 9 and has applied IAS 39 *Financial Instruments: Recognition and Measurement* rather than IFRS 9 to all of its financial assets. There has been no change in the Group's activities that warrant a reassessment of the above information. The Group has not yet assessed the full impact of adopting IFRS 17, which is effective for financial periods beginning on or after 1 January 2023 as described above.

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The determination is made at initial recognition, and the basis of classification depends on the Group's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset. IFRS 9 will eliminate the previous IAS 39 category of 'loans and receivables' that is reflected in these consolidated financial statements.

Under IFRS 9, a financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Nevertheless, on initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument basis.

IFRS 9 is expected to affect the classification and measurement of financial assets held at 1 January 2023 as follows:

- Financial investments designated as at FVTPL under IAS 39 will also be measured at FVTPL under IFRS 9.
- Loans and receivables measured at amortized cost under IAS 39 will generally also be measured at amortized cost under IFRS 9.

Because a majority of the Group's financial assets are measured at fair value both before and after transition to IFRS 9, the new classification requirements are not expected to have a material impact on the financial statements on the date of initial application.

For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for financial liabilities designated at fair value through profit or loss.

In addition, IFRS 9 will require the impairment of financial assets to be calculated using an expected credit loss (ECL) model that replaces the incurred loss impairment model required by IAS 39. This will require judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis. The new model will apply to the Group's financial assets measured at amortized cost, lease receivables and debt instruments at FVOCI.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. Loss allowances for lease receivables will be measured at an amount equal to lifetime ECL.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort. This will include both qualitative and quantitative information and analysis based on the Group's experience and forward-looking information.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The Group has not yet assessed the full impact of adopting IFRS 9, which is effective for financial periods beginning on or after 1 January 2023 as described above.

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as a replacement for IFRS 4. The standard establishes principles for the recognition, measurement, and presentation and disclosure of insurance contracts. IFRS 17 applies to all types of insurance contracts as well as to certain financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general measurement model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted by the Group (continued)

IFRS 17 Insurance Contracts (continued)

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The premium allocation approach is a simplification of the general measurement model; the simplification predominately relates to the Liability for Remaining Coverage ("LRC"), but there are also minor simplifications for the Liability for Incurred Claims ("LIC"). Although the premium allocation approach is only permitted when specific criteria are met, it is still optional as the Group may choose to apply the general measurement model instead. The Group has determined that all insurance contracts are eligible to apply the premium allocation approach, and as such will apply the premium allocation approach for all contracts.

The Group will apply IFRS 17 for the first time on 1 January 2023. The Group will adopt IFRS 17 retrospectively, applying the full retrospective approach.

The Group's IFRS 17 implementation programme has focused on interpreting the requirements of the standard and developing systems and data requirements to enable IFRS 17 readiness. The development of methodologies and accounting policies has been substantially completed and system development is in the testing phase. The Group has not yet fully assessed the impact of the new standard on its results and continues to assess the overall impact of IFRS 17.

2. Significant Accounting Policies (Continued)

(b) Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in retained earnings. Gains and losses on disposals to non-controlling interests are also recorded in retained earnings.

Interests in the equity of subsidiaries not attributable to the shareholders of the Company are reported in consolidated equity as non-controlling interests. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, changes in equity and balance sheet, respectively.

2. Significant Accounting Policies (Continued)

(b) Consolidation (continued)

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in associates equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of investment in associates is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

(c) Foreign currency translation

The consolidated financial statements are presented in Bahamian dollars, which is the Group's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognized in the consolidated statement of comprehensive income. Translation differences on financial assets measured at fair value through profit or loss are included as a part of the fair value gains and losses.

2. Significant Accounting Policies (Continued)

(c) Foreign currency translation (continued)

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each consolidated statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

SFL RSA and VRSL's functional currency is in United States dollars which is pegged to Bahamian dollars at an exchange rate of 1:1.

(d) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts at banks and unrestricted term deposits with original contractual maturities of three months or less from the date of acquisition.

(e) Financial assets

The Group classifies its financial assets into the following categories: loans and receivables (cash on hand and at banks, term deposits, due from reinsurers, agents, and customers; accounts receivable; and investments in government bonds, corporate bonds, notes receivable and certain preference shares) and financial assets at fair value through profit or loss (investments in debt and equity securities). Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market, other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss.

2. Significant Accounting Policies (Continued)

(e) Financial assets (continued)

A financial asset is classified into the financial assets at fair value through profit or loss category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, and are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. All of the Group's investments classified as at fair value through profit or loss have been so designated by management.

Regular-way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs, except for financial assets at fair value through profit or loss where transaction costs are expensed as incurred. Financial assets are derecognized when the rights to receive cash flows from them have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortized cost using the effective interest method, less any provision for impairment.

Financial assets at fair value through profit or loss are subsequently carried at fair value based on quoted prices for financial assets traded in active markets or valuation techniques, including recent arm's length transactions, discounted cash flow analyses and other valuation techniques commonly used by market participants for financial assets not traded in active markets.

Gains and losses arising from sales or changes in fair value of financial assets are recognized in the consolidated statement of comprehensive income in the financial period in which they arise.

2. Significant Accounting Policies (Continued)

(f) Impairment of financial assets

The Group evaluates at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. By comparison, the amount of loss on financial assets at fair value through profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of interest for a similar financial asset.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of comprehensive income. When a financial asset is uncollectible, it is written off against the related allowance account. Recoveries of accounts previously written off are recognized directly in the consolidated statement of comprehensive income.

(g) Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and amortization, except land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

2. Significant Accounting Policies (Continued)

(g) Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate the assets' costs (net of residual values) over their estimated useful lives, as follows:

Building	40 years
Land and building improvements	6 to 20 years
Furniture, equipment and software	5 to 20 years
Motor vehicles	3 years
Leasehold improvements	Lesser of lease term and 10 years

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are recognized in the consolidated statement of comprehensive income.

(h) General insurance funds

Insurance contracts are those that transfer significant insurance risk, which is defined as the risk of having to pay benefits on the occurrence of a specified uncertain future event (the insured event) that significantly exceed the benefits that would be paid if the insured event did not occur. The insurance contracts issued by the Group principally comprise property and casualty insurance contracts. Property and casualty insurance contracts, which typically are one year renewable insurance contracts, compensate policyholders for damage to or loss of property; and/or compensate third parties for damage by policyholders as a result of legitimate activities.

General insurance funds comprise unearned premiums reserve and unearned premiums reserve – reinsurance; deferred commissions income and deferred commissions expense; and outstanding claims reserve and outstanding claims recoverable from reinsurers.

2. Significant Accounting Policies (Continued)

(h) General insurance funds (continued)

Unearned premiums

Unearned premiums reserve and unearned premiums reserve – reinsurance represent the portion of premiums written and premiums ceded to reinsurers, respectively, which relate to periods of insurance coverage subsequent to the balance sheet date.

Deferred commissions

Deferred commissions income represents the portion of commissions earned on premiums ceded, which relate to periods of insurance coverage subsequent to the balance sheet date. Deferred commissions expense represents the portion of commissions incurred on premiums written, which relate to periods of insurance coverage subsequent to the balance sheet date.

Outstanding claims

The outstanding claims reserve comprises liabilities for unpaid claims that are estimated using: the input of assessments for individual cases reported to the Group; and statistical analyses for claims incurred but not reported, and the estimate of the expected ultimate cost of more complex claims that may be affected by external factors. The Group does not discount its liabilities for outstanding claims.

Outstanding claims recoverable from reinsurers represent the portion of unpaid claims to be recovered from reinsurers based on reinsurance contracts applicable to the claims.

The provision for unpaid claims, and the reinsurers' share thereof, is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. Changes in estimate of the ultimate liability are included in net claims incurred in the consolidated statement of comprehensive income. The Group engages an Appointed Actuary to perform the valuation of its policy liabilities (refer to Note 24 for details).

(i) Financial liabilities

All financial liabilities, including accounts payable, balances due to reinsurers, balances due to insurers, and cash advance from reinsurers are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. Significant Accounting Policies (Continued)

(j) Share capital

Ordinary shares, and preference shares whose terms do not create contractual obligations, are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Company acquires its own equity shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received net of any directly attributable incremental costs is included in equity. No gain or loss is recognized in the consolidated statement of comprehensive income on treasury share transactions.

(k) Income and expense recognition

Net premiums written (premiums written less premiums ceded) are recognized as revenue over the periods covered by the related policies. Commissions expense incurred on premiums written and commissions income earned on premiums ceded are recognized in the same manner as net premiums written.

The Group's net share of claims and loss adjustment expenses are recognized as incurred based on the estimated liability for compensation owed to policyholders or third parties damaged by policyholders. They include direct and indirect claims settlement costs that arise from events that have occurred up to the balance sheet date regardless of whether they have been reported.

Revenue from contracts with customers

Revenue is comprised of agency and profit commissions. Where there is no separate arrangement, revenue is wholly related to the placement activity and recognized when the policies are written, or the date on which the placement is complete and confirmed. Where the contract specifically identifies the performance obligations, the revenue is recognized when each performance obligation is satisfied.

The Group earns agency commissions by placing insurance policies with the insurers based on the agency fee agreement with such insurers. There are no post-placement performance obligations. Cancellations are historically immaterial as such revenue is earned at a point in time. Premiums and related taxes collected on behalf of other insurers are presented in 'Due to insurers' on the face of the consolidated balance sheet.

2. Significant Accounting Policies (Continued)

(k) Income and expense recognition (continued)

Revenue from contracts with customers (continued)

Profit commission is earned from contracts with different insurers. The consideration received from the insurer is typically variable based on the underlying profitability of the business generated by the Company. Performance obligation is considered satisfied at the point a commission year is complete. This is determined based on the Group's best estimate and recorded to the extent that it is highly probable that a significant reversal will not occur.

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method. Other income and expenses are recognized on the accrual basis, except for profit commissions and dividend income, which are recognized when the Group's right to receive, or obligation to make, payment has been established.

(l) Taxation

Premium tax is incurred at the rate of 3.00%, 2.50% and 5.00% of premiums written in The Bahamas, the Turks and Caicos Islands and the United States Virgin Islands, respectively. The value added tax rate is 10% and is levied on non-residential premiums written in The Bahamas. In the Cayman Islands, stamp duty of KY$12.00 is incurred for each policy written in that jurisdiction. All premium taxes, stamp duties and value added taxes are charged separately to policyholders. No premium taxes, stamp duties or value added taxes are incurred in other jurisdictions in which the Group operates.

Under the current laws of The Bahamas, the country of domicile of the Company, there are no income, capital gains or other corporate taxes imposed. The Group's operations do not subject it to taxation in any other jurisdiction.

(m) Leases

Group as lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

2. Significant Accounting Policies (Continued)

(m) Leases (continued)

Group as lessee (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. Where that rate is not readily determined, which is the case for the Group's leases, the Group's incremental borrowing rate is used, being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses a build-up approach starting with the risk-free discount rate in the economic environment where the lease is located, adjusted for credit risk of the leases held by the Group which does not have recent third-party financing.

Lease payments are allocated between principal and finance cost. The finance cost is charged to interest expense in the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are assessed for impairment in a similar manner to property and equipment and are presented in the consolidated balance sheet within property and equipment.

Group as lessor

Where the Group is lessor, lease income is recognized over the term of the lease on a straight-line basis. Properties leased out under such leases are included in property and equipment in the consolidated balance sheet and is not significant.

2. Significant Accounting Policies (Continued)

(n) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred, and subsequently recognized at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income during the term of the borrowing using the effective interest method. Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to postpone settlement of the liability for, or the liability is due to be settled at least 12 months after the balance sheet date.

(o) Employee benefits

The Group has a defined contribution pension plan for its employees, whereby the Group makes fixed contributions to a privately administered pension plan. The Group has no further obligations to pay contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The Group's contributions to the defined contribution pension plan are charged to the consolidated statement of comprehensive income in the financial period to which they relate.

(p) Intangible assets

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on the acquisition of subsidiaries is reported in the consolidated statement of comprehensive income. Goodwill on acquisition of associates is included in investments in associates. Goodwill has an indefinite useful life and is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of the impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2. Significant Accounting Policies (Continued)

(p) Intangible assets (continued)

Customer-related intangibles

Customer-related intangibles is comprised of customer relationships when a business is acquired. They are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, customer-related intangibles are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method to allocate intangibles over their estimated useful lives, which is a period of 15 years.

(q) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current year.

3. Term Deposits

	2022 $	2021 $
Restricted term deposits	6,433,928	9,317,131
Term deposits with original contractual maturities greater than three months	6,878,868	4,040,416
Accrued interest	80,864	49,893
	13,393,660	**13,407,440**

The restricted term deposits represent funds placed by the Group in a trust and other deposit accounts that cannot be distributed without the permission of the insurance regulators in the Cayman Islands, the Turks and Caicos Islands, the British Virgin Islands, the United States Virgin Islands and Anguilla. Also included in restricted term deposits is $2,500,000 pledged as security for a loan facility (See Note 21). Interest rates on term deposits range from 0.00 % to 2.55% (2021: 0.00% to 1.25%) per annum.

4. Due from Agents

	2022 $	2021 $
Premiums and taxes receivable from agents	16,807,238	19,053,575
Allowance for doubtful accounts	(234,000)	(182,000)
	16,573,238	**18,871,575**

Movements in the allowance for doubtful accounts comprise:

	2022 $	2021 $
Balance as at beginning of year	182,000	182,000
Bad debt expense	52,000	-
Balance as at end of year	**234,000**	**182,000**

As at 31 December 2022, the Group had balances that are past due totaling $Nil (2021: $Nil) that are impaired, and $1,974,649 (2021: $1,845,000) with an ageing over 90 days that are past due but not impaired (this excludes balances with network partners and policies under installment arrangements).

5. Due from Customers

	2022 $	2021 $
Due from customers	6,187,202	-
Accrued profit commission	76,088	-
	6,263,290	-
Allowance for doubtful accounts	(50,000)	-
	6,213,290	**-**

The credit quality of policyholders is primarily assessed based on their ability to pay, as well as past experience with each customer.

5. Due from Customers (Continued)

The closing loss allowances for due from customers reconcile to the opening loss allowances as follows:

	2022 $	2021 $
Balance as of beginning of year	-	-
Bad debt expense	50,000	-
Write-offs	-	-
Balance as at end of year	**50,000**	**-**

6. Investments

Financial assets at fair value through profit or loss

The Group ranks its investments based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1 – The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2 – The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3 – If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

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 level in the fair value hierarchy, within which the fair value measurement is categorized, is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

6. Investments (Continued)

Financial assets at fair value through profit or loss (continued)

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial instruments are included in Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 financial instruments include unlisted securities, investment funds, and equity securities. The valuation techniques used for Level 3 investments include net asset values based on audited financial statements and unaudited interim financial information, latest trade information and discounted cash flow analyses.

As at 31 December 2022, the cost of financial assets at fair value through profit or loss totaled $11,436,061 (2021: $6,491,802), of which $2,360,775 (2021: $2,260,775) represented Level 3 securities.

	2022 $	2021 $
Level 1		
Debt securities	4,363,914	-
Investment funds	249,189	-
	4,613,103	-
Level 2		
Debt securities	2,308,395	2,203,324
Equity securities	3,806,793	3,385,039
	6,115,188	5,588,363
Level 3		
Equity securities	2,310,750	2,310,750
Investment funds	468,576	368,250
	2,779,326	2,679,000
Total financial assets at fair value through profit or loss	**13,507,617**	**8,267,363**

6. Investments (Continued)

Financial assets at fair value through profit or loss (continued)

Movements in financial assets at fair value through profit or loss comprise:

	Level 1 $	Level 2 $	Level 3 $	Total $
Balance as at 1 January 2022	-	5,588,363	2,679,000	8,267,363
Purchases	6,644,738	350,000	100,000	7,094,738
Sales	(2,039,665)	(250,000)	-	(2,289,665)
Net realized loss	-	(2,629)	-	(2,629)
Net change in unrealized appreciation/(depreciation)	8,030	429,454	326	437,810
Balance as at 31 December 2022	**4,613,103**	**6,115,188**	**2,779,326**	**13,507,617**
Balance as at 1 January 2021	-	5,356,522	2,715,230	8,071,752
Purchases	-	74,798	100,000	174,798
Net change in unrealized appreciation/(depreciation)	-	157,043	(136,230)	20,813
Balance as at 31 December 2021	**-**	**5,588,363**	**2,679,000**	**8,267,363**

The Level 3 equity securities includes an investment in a related party property development company, with real estate development in Eleuthera, The Bahamas. The Group does not have a controlling interest in this investee. The underlying assets of the investee company are most sensitive to changes in property prices. Due to the unavailability of financial and market information, management has made a decision to keep the value of the investment the same as prior year. A decrease in property prices of 25% would result in a decrease in the fair value of Level 3 equity securities of $577,688 (2021: $577,688).

Investments in Bahamas Government Registered Stock in the amount of $1,000,000 are placed in a trust and cannot be distributed from the trust without the permission of the insurance regulator in The Bahamas.

6. Investments (Continued)

Loans and receivables

	Interest Rate	Maturity	2022 $	2021 $
The Government of The Bahamas Bridge Authority bonds	Prime + 1.50%	24/03/2024	51,200	51,200
	Prime + 1.63%	24/03/2029	23,300	23,300
Nassau Airport Development Bond	7.50%	31/12/2035	250,000	250,000
Fidelity Bank (Bahamas) Limited Series F redeemable floating rate note	Prime + 1.25%	30/05/2022	-	50,000
Public Hospitals Authority Series A redeemable term notes	Prime + 1.25%	30/09/2033	289,474	315,789
Star General Investments (G.B.) Limited notes receivable	Prime + .5%	31/12/2025	-	2,340,000
Public Hospitals Authority mortgage	3.00%	31/12/2024	120,060	185,043
Sunshine Finance Ltd. corporate bonds	6.00%	01/12/2026	500,000	500,000
The College of The Bahamas redeemable term notes	7.00%	30/06/2026	61,715	77,143
RF Holdings Limited Series A cumulative redeemable preference shares	6.00%	31/12/2029	70,000	80,000
			1,365,749	3,872,475
Accrued interest			56,982	36,222
Total loans and receivables			**1,422,731**	**3,908,697**

7. Investment in Associates

Movements in investment in associates are as follows:

	2022 $				
	SSDL (19%)	SFL RSA (45%)	GFHL (45%)	VRSL (32.26%)	Total
As at 1 January	5,486,064	1,300,138	11,183,641	6,155,986	24,125,829
Capital injection in associates	10,877	-	-	-	10,877
Share of net results of associates	1,625,920	(316,198)	(1,689,822)	729,643	349,543
Dividends received	-	(181,800)	(1,098,000)	(322,600)	(1,602,400)
Return of capital	-	-	(60,750)	-	(60,750)
As at 31 December	**7,122,861**	**802,140**	**8,335,069**	**6,563,029**	**22,823,099**

	2021 $				
	SSDL (19%)	SFL RSA (45%)	GFHL (45%)	VRSL (32.26%)	Total
As at 1 January	5,466,815	429,064	2,380,674	5,667,575	13,944,128
Capital injection in associates	19,439	-	-	-	19,439
Share of net results of associates	(190)	1,243,674	8,802,967	488,411	10,534,862
Dividends received	-	(372,600)	-	-	(372,600)
As at 31 December	**5,486,064**	**1,300,138**	**11,183,641**	**6,155,986**	**24,125,829**

Summarized unaudited financial information of the associates, as at and for the year ended 31 December are as follows:

	2022 $			
	SSDL	SFL RSA	GFHL	VRSL
Assets	37,488,743	1,782,535	18,522,376	10,934,404
Liabilities	-	-	-	5,624,329
Net income/(loss)	8,557,476	(702,662)	(3,755,159)	2,261,759

	2021 $			
	SSDL	SFL RSA	GFHL	VRSL
Assets	28,874,021	2,889,197	24,886,942	6,740,155
Liabilities	-	-	34,404	2,691,595
Net income/(loss)	(1,000)	2,763,721	19,562,151	1,514,074

8. Property and Equipment

	Land and Building $	Right-of-Use Asset $	Land and Building Improvements $	Furniture, Equipment and Software $	Motor Vehicles $	Total $
Cost:						
As at 1 January 2022	13,316,308	-	1,799,786	3,365,659	229,050	18,710,803
Additions	-	-	100,021	398,649	-	498,670
Acquisition of subsidiary	-	1,307,458	124	35,819	-	1,343,401
Disposals/Modification	-	(804,171)	-	(4,995)	(21,024)	(830,190)
As at 31 December 2022	13,316,308	503,287	1,899,931	3,795,132	208,026	19,722,684
Accumulated Depreciation/ Amortization:						
As at 1 January 2022	2,160,536	-	799,072	2,649,689	196,127	5,805,424
Disposals	-	-	-	(4,995)	(21,024)	(26,019)
Charge for the year	262,189	62,911	93,823	311,299	13,271	743,493
As at 31 December 2022	2,422,725	62,911	892,895	2,955,993	188,374	6,522,898
Net book value as at 31 December 2022	**10,893,583**	**440,376**	**1,007,036**	**839,139**	**19,652**	**13,199,786**

8. Property and Equipment (Continued)

	Land and Building $	Land and Building Improvements $	Furniture, Equipment and Software $	Motor Vehicles $	Total $
Cost:					
As at 1 January 2021	13,271,276	1,799,786	3,343,486	204,947	18,619,495
Additions	45,032	-	163,834	24,103	232,969
Disposals	-	-	(141,661)	-	(141,661)
As at 31 December 2021	13,316,308	1,799,786	3,365,659	229,050	18,710,803
Accumulated Depreciation/ Amortization:					
As at 1 January 2021	1,898,628	710,371	2,513,136	186,873	5,309,008
Disposals	-	-	(141,661)	-	(141,661)
Charge for the year	261,908	88,701	278,214	9,254	638,077
As at 31 December 2021	2,160,536	799,072	2,649,689	196,127	5,805,424
Net book value as at 31 December 2021	**11,155,772**	**1,000,714**	**715,970**	**32,923**	**12,905,379**

8. Property and Equipment (Continued)

Land and building comprise a commercial building complex on John F. Kennedy Drive, New Providence, Bahamas, a portion of which the Group occupies. The remainder of the complex is not significant and is being leased to third parties.

9. Insurance Liabilities, Reinsurance Assets and Net Claims Incurred

General insurance funds comprise:

	2022 $	2021 $
General insurance liabilities (Gross)		
Unearned premiums reserve	47,037,103	37,866,869
Deferred commissions income	3,885,870	3,377,704
Outstanding claims reserve	12,294,433	14,157,775
	63,217,406	55,402,348
General insurance assets		
Unearned premiums reserve – reinsurance	33,829,844	26,198,138
Deferred commissions expense	4,742,549	4,200,573
Outstanding claims recoverable from reinsurers	5,843,373	7,407,495
	44,415,766	37,806,206
General insurance (Net)		
Unearned premiums reserve	13,207,259	11,668,731
Deferred commissions expense	(856,679)	(822,869)
Outstanding claims reserve	6,451,060	6,750,280
General insurance funds	**18,801,640**	**17,596,142**

Net claims incurred comprise:

	2022 $	2021 $
Gross claims incurred	4,736,435	(1,918,911)
Amounts recoverable from reinsurers	(1,204)	(5,565,185)
	4,735,231	**3,646,274**

As at 31 December 2022, cash advances received from reinsurers to settle the claims related to Hurricane Dorian totaled $348,920 (2021: $347,651).

RoyalStar Holdings Ltd.

Notes to the Consolidated Financial Statements
31 December 2022
(Continued)

9. Insurance Liabilities, Reinsurance Assets and Net Claims Incurred (Continued)

Developments in the ultimate incurred claims, including notified and incurred but not reported (IBNR), based on the accident year to which claims relate, can be analyzed as follows:

Insurance claims – Gross

Accident year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Estimate of ultimate claims cost:											
At end of accident year	7,451,939	6,835,188	13,465,475	255,102,671	58,488,299	7,256,701	317,707,546	7,247,128	5,807,528	10,625,990	689,988,465
One year later	7,926,691	7,387,364	63,523,329	278,874,890	53,730,565	6,298,087	296,296,655	7,020,031	5,025,786		
Two years later	7,598,175	7,138,136	70,908,987	258,223,820	53,682,732	4,566,200	289,233,405	6,869,159			
Three years later	7,466,653	7,237,420	55,106,050	251,375,340	55,347,032	4,385,534	284,966,929				
Four years later	7,213,898	7,335,361	54,365,556	251,835,057	55,121,323	4,547,546					
Five years later	7,235,122	7,513,421	54,256,803	252,038,193	54,533,129						
Six years later	7,455,558	7,561,847	54,243,553	251,887,696							
Seven years later	7,519,889	7,592,145	54,242,553								
Eight years later	7,433,862	7,528,882									
Nine years later	7,413,862										
Current estimate of cumulative claims	7,413,862	7,528,882	54,242,553	251,887,696	54,533,129	4,547,546	284,966,929	6,869,159	5,025,786	10,625,990	687,641,532
Cumulative payments to date	(7,413,862)	(7,475,690)	(54,242,553)	(251,543,056)	(53,617,329)	(3,914,886)	(284,191,635)	(5,523,898)	(4,099,299)	(3,519,891)	(675,542,099)
Liability included in gross provision of claims	**-**	**53,192**	**-**	**344,640**	**915,800**	**632,660**	**775,294**	**1,345,261**	**926,487**	**7,106,099**	**12,099,433**
Liability in respect of prior years											195,000
Total liability included in gross provision of claims											**12,294,433**

RoyalStar Holdings Ltd.

Notes to the Consolidated Financial Statements
31 December 2022
(Continued)

9. Insurance Liabilities, Reinsurance Assets and Net Claims Incurred (Continued)

Insurance claims – Net

Accident year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Estimate of ultimate claims cost:											
At end of accident year	4,793,079	4,099,951	4,650,023	9,354,395	6,312,245	6,976,057	9,443,677	4,804,977	5,033,074	5,276,745	60,744,223
One year later	5,267,255	4,580,129	4,837,901	9,289,889	5,527,490	5,955,122	8,698,799	3,769,215	4,244,737		
Two years later	5,150,045	4,429,944	4,701,524	9,084,808	5,646,440	4,350,050	8,609,810	4,007,481			
Three years later	5,259,056	4,518,066	4,886,270	9,524,973	5,568,945	4,208,222	8,675,248				
Four years later	5,032,296	4,608,630	4,785,003	9,920,549	5,584,701	4,218,196					
Five years later	5,054,898	4,773,941	4,675,155	10,009,046	5,768,127						
Six years later	5,253,191	4,822,524	4,661,905	9,870,813							
Seven years later	5,309,789	4,852,822	4,660,905								
Eight years later	5,232,264	4,791,334									
Nine years later	5,212,264										
Current estimate of cumulative claims	5,212,264	4,791,334	4,660,905	9,870,813	5,768,127	4,218,196	8,675,248	4,007,481	4,244,737	5,276,745	56,725,850
Cumulative payments to date	(5,212,264)	(4,741,861)	(4,660,905)	(9,722,614)	(4,952,327)	(3,745,536)	(8,229,955)	(3,068,751)	(3,426,527)	(2,709,050)	(50,469,790)
Liability recognized in balance sheet	**-**	**49,473**	**-**	**148,199**	**815,800**	**472,660**	**445,293**	**938,730**	**818,210**	**2,567,695**	**6,256,060**
Liability in respect of prior years											195,000
Total liability included in consolidated balance sheet											**6,451,060**

9. Insurance Liabilities, Reinsurance Assets and Net Claims Incurred (Continued)

Movements in insurance liabilities and reinsurance assets

(a) Outstanding claims reserve

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Notified claims	11,297,775	7,407,495	3,890,280	41,121,611	36,420,666	4,700,945
Incurred but not reported	2,860,000	-	2,860,000	2,725,000	-	2,725,000
Total at beginning of year	14,157,775	7,407,495	6,750,280	43,846,611	36,420,666	7,425,945
Cash paid for claims settled in year	(6,599,777)	(1,565,326)	(5,034,451)	(27,769,925)	(23,447,986)	(4,321,939)
(Decrease)/Increase in incurred claims – Arising from current-year claims	10,625,990	5,349,245	5,276,745	5,807,528	774,454	5,033,074
– Arising from prior-year claims	(5,889,555)	(5,348,041)	(541,514)	(7,726,439)	(6,339,639)	(1,386,800)
Total at end of year	**12,294,433**	**5,843,373**	**6,451,060**	**14,157,775**	**7,407,495**	**6,750,280**
Notified claims	9,434,433	5,843,373	3,591,060	11,297,775	7,407,495	3,890,280
Incurred but not reported	2,860,000	-	2,860,000	2,860,000	-	2,860,000
Total at end of year	**12,294,433**	**5,843,373**	**6,451,060**	**14,157,775**	**7,407,495**	**6,750,280**

(b) Unearned premiums reserve

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At beginning of year	37,866,869	26,198,138	11,668,731	31,992,319	21,668,486	10,323,833
Increase in the period	50,114,559	35,568,536	14,546,023	38,601,372	26,047,095	12,554,277
Release in the period	(40,944,325)	(27,936,830)	(13,007,495)	(32,726,822)	(21,517,443)	(11,209,379)
At end of year	**47,037,103**	**33,829,844**	**13,207,259**	**37,866,869**	**26,198,138**	**11,668,731**

(c) Deferred commissions income/expense

	2022			2021		
	Deferred commissions income	Deferred commissions expense	Net	Deferred commissions income	Deferred commissions expense	Net
	$	$	$	$	$	$
At beginning of year	3,377,704	4,200,573	(822,869)	3,118,529	3,846,277	(727,748)
Increase in the period	4,149,243	5,114,112	(964,869)	3,295,978	4,250,767	(954,789)
Release in the period	(3,641,077)	(4,572,136)	931,059	(3,036,803)	(3,896,471)	859,668
At end of year	**3,885,870**	**4,742,549**	**(856,679)**	**3,377,704**	**4,200,573**	**(822,869)**

10. Premiums Written

	2022 $	2021 $
Policy amounts written inclusive of taxes	114,257,005	92,685,161
Premium tax recovered from policyholders	(2,389,767)	(1,871,767)
Value added tax recovered from policyholders	(4,931,059)	(4,564,847)
	106,936,179	**86,248,547**

11. Net Commissions Incurred

	2022 $	2021 $
Amounts paid to agents	10,292,406	9,337,700
Amounts received from reinsurers	(9,165,861)	(8,037,679)
	1,126,545	1,300,021
Movement in deferred commissions expense	(541,976)	(354,296)
Movement in deferred commissions income	508,166	259,175
	1,092,735	**1,204,900**

12. Preference Shares

Preference shares are represented by RSA's issued and fully paid preference shares, which are variable rate cumulative redeemable preference shares with a par value of $10 per share, redeemable solely at the option of RSA with the declaration of dividends at the discretion of the Directors of RSA. The dividend rate is Bahamian dollar Prime rate plus 2.00% payable semi-annually, and any dividends undeclared are cumulative and payable before any distribution to ordinary shareholders.

During 2021, the Company transacted a buy-back of its 500,000 Series A preference shares. The preference shares issued and fully paid as at 31 December 2022 total 500,000 (2021: 500,000). The shares comprise of 500,000 Series B preference shares.

13. Business Combination

Effective 1 January 2022, RSHL acquired 80% of the issued share capital of STAR. As per the novated Memorandum of Understanding dated 25 June 2021 (the MoU) between the Company and Star General Investments (G.B.) Limited (the Seller), the purchase consideration was to be settled in three instalments as follows:

i. At the date of closing: the offsetting of amounts owed by the Seller to RSA totaling $2,340,000 (Note 6) in a non-cash transaction, along with a cash payment of $756,000;
ii. After quarterly assessments of accounts receivable: a cash payment of $504,000 to be paid in quarterly instalments; and
iii. Within one year of the purchase: an additional cash payment of $400,000 to be paid in the event that STAR's net income as of 31 December 2021 and 31 December 2022, after adjustment for management fees, is no less than $725,000 and the Seller, STAR and the Seller's principals have met all other terms conditions and covenants of the MoU.

As of 31 December 2022, the contingent consideration was realized as the requirements imposed on the quarterly assessments of accounts receivable and the net income being no less than $725,000, after adjustment for management fees at 31 December 2021 and 31 December 2022, were achieved.

The fair values of the net assets acquired, the purchase consideration and the intangible asset arising on the acquisition are as follows:

	Fair Value 1 January 2022
ASSETS	**$**
Cash	1,623,410
Prepayments and other assets	68,636
Property and equipment	539,233
Customer-relationships	2,794,709
Total assets	**5,025,988**
LIABILITIES	
Accrued expenses and other liabilities	1,152,359
Due to former shareholders	978,920
Total liabilities	**2,131,279**
Net identifiable assets acquired	2,894,709
Less: Non-controlling interest	(578,942)
Add: Goodwill	1,684,233
Net assets acquired	**4,000,000**

13. Business Combination (Continued)

According to the terms of the MOU, accounts receivable representing balances due from customers as well as amounts due to insurers on the books of STAR at the closing date were excluded from the purchase transaction.

The customer relationships of $2,794,709 comprise the value of projected future income to be derived from the customer relationships attached to STAR's clients. This intangible asset has a finite life of 15 years over which the asset will be amortized (refer to Note 15).

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in STAR, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired:

	2022 $	2021 $
Cash consideration	1,660,000	-
Less: cash acquired	(1,623,410)	-
Net outflow of cash – investing activities	**36,590**	**-**

14. Non-Controlling Interests

Non-controlling interests (NCI) comprise the issued and fully paid preference shares of RSA (Note 12) and the minority interest in STAR.

14. Non-Controlling Interests (Continued)

Star General Investments (G.B.) Limited holds a 20% interest in STAR. The summarized financial information of STAR as at 31 December before any intra-group eliminations, is as follows:

	2022 $
Total assets	10,263,234
Total liabilities	8,523,963
Net assets	**1,739,271**
Agency and profit commissions	4,910,473
Other income	139,703
Agency expenses	3,710,905
Net income and total comprehensive income	**1,339,271**
Net cash from operating activities	2,094,777
Net cash used in investing activities	(318,142)
Net cash used in financing activities	(202,704)

15. Intangible Assets

During the year, the Group acquired STAR for total consideration of $4,000,000. Upon acquisition, the Group recognized $1,684,233 as goodwill and $2,794,709 as customer-related intangibles. The Group's policy is to commence amortization of customer-related intangibles in the year following the acquisition.

Movements in intangible assets during the year comprise:

	Goodwill $	Customer-related intangibles $	Total $
Balance as at beginning of year	-	-	-
Acquisition	1,684,233	2,794,709	4,478,942
Accumulated impairment and amortization	-	-	-
Balance as at end of year	**1,684,233**	**2,794,709**	**4,478,942**

15. Intangible Assets (Continued)

Goodwill acquired through a business combination has been allocated to a single cash-generating unit for impairment testing.

The Group performed its annual impairment test of goodwill at 31 December 2022. The recoverable amount of STAR's cash-generating unit has been determined using the value-in-use calculation, based on a discounted cash flow model using a three-year cash flow forecast. The discount rate and commission growth rate used in the cash flow model was 16.4% and 3.0%, respectively. As the recoverable amount exceeds the carrying amount, management has concluded that there is no impairment for the cash-generating unit.

16. Related Party Balances and Transactions

Related parties include: i) key management personnel, including directors; ii) entities that have the ability to control or exercise significant influence over the Group in making financial or operational decisions; and iii) entities that are controlled, jointly controlled or significantly influenced by parties described in i) and ii). Related parties comprise significant shareholders, directors, key management personnel and entities in which these parties have control or significant influence.

The consolidated financial statements include the following balances and transactions with related parties, not otherwise disclosed:

	2022 $	2021 $
Other related parties		
Balances		
Due from agents	3,946,471	6,598,969
Outstanding claims due from insurer	556,949	142,478
Investments		
Fair value through profit or loss		
– Level 2	-	851,302
– Level 3	2,310,750	2,310,750
Loans and receivables		
– Amortized cost	500,000	2,840,000
Due to insurers	(60,428)	(96,534)

16. Related Party Balances and Transactions (Continued)

	2022 $	2021 $
Other related parties (continued)		
Transactions		
Premiums written	26,033,047	33,532,359
Premiums ceded	1,504,313	1,790,345
Claims recoverable from insurer	182,915	2,623,759
Commissions (paid to agents)	2,464,445	4,191,931
Commissions (received from insurer)	253,536	277,380
Interest, dividends and other income	30,000	77,183
General and administrative expenses (rent)	-	21,801
Key management personnel		
Personnel costs	1,321,122	1,006,456
Directors' fees	132,500	132,500
Issuance of shares – ordinary shares	-	183,750

As at 31 December 2022, the Group had receivable balances due from related party agents totaling $761,050 (2021: $1,350,900) with an ageing over 90 days that are past due but not impaired (this excludes balances with network partners and policies under installment arrangements).

The Group remeasured investments in unlisted securities of related parties. The fair values were determined based on the latest arm's length transactions and other valuation techniques described in Note 6, which resulted in a fair value change in 2022 of $Nil (2021: decrease $154,050). The cumulative net unrealized gain on investments in unlisted securities of related parties totals $399,375 (2021: $399,375). During 2022, the net realized loss on investments in unlisted securities from related parties total $Nil (2021: $Nil).

During 2021, the Group issued 35,000 ordinary shares to key management personnel.

17. Employee Benefits

The pension costs recognized in the consolidated statement of comprehensive income in personnel costs in the current year totaled $98,073 (2021: $77,953). RSA's contributions to the pension plan vest 50% with employees upon completion of five years of employment, and fully vest upon completion of ten years of employment. STAR's contributions to the pension plan vest at a rate of 10% upon employees' completion of 1 year of employment. Vesting increases incrementally each year at this rate, with full vesting upon completion of 10 years of employment.

As at 31 December 2022, the Group employed 49 (2021: 28) persons.

18. Contingent Liabilities

Contingent liabilities

The Group is a party to several legal actions involving claims that arise in the ordinary course of business activities. Management believes that the resolution of these matters will not have a material impact on the Group's consolidated financial statements and adequate provision has been made in the outstanding claims reserve.

19. Leases

Group as lessee

The Group leases premises in Grand Bahama under a non-cancellable agreement for a fixed period of five (5) years, granting the Group an extension option that is reasonably certain to be exercised. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Lease liabilities are effectively secured as the rights to the leased assets recognized in the consolidated financial statements which will revert to the lessor in the event of default. The current portion of lease liabilities as at 31 December 2022 totaled $56,095 (2021: $Nil). Interest expense arising from lease liabilities during the year was $31,620 (2021: $Nil) and is recognized in the consolidated statement of comprehensive income.

Group as lessor

The future aggregate minimum rentals receivable under non-cancellable operating leases less than one year total $222,266 and between one to five years total $624,547, with lease agreements expiring on 30 September 2024 and 2 September 2027.

20. Risk Management

The Group engages in transactions that expose it to insurance risk, credit risk, liquidity risk, interest rate risk, price risk and currency risk in the normal course of business. The Board's responsibilities include ensuring that the Group's principal risk management policies and related monitoring systems are adhered to. The Board monitors the integrity of the Group's risk management functions through various committees which report directly to the Board of Directors. The Committees are as follows: Audit & Compliance, Risk, Investment, Conduct Review and Administration & Compensation.

The Group's financial performance is affected by its capability to understand and effectively manage these risks, and its challenge is not only to measure and monitor these risks but also to manage them as profit opportunities.

20. Risk Management (Continued)

(a) Insurance risk

Insurance risk is the risk under insurance contracts that the insured event occurs and the amount of the resulting claim is uncertain. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Group has a dedicated in-house claims department, which actively manages and pursues early settlements of claims to reduce the Group's exposure to unpredictable developments. The Group also uses external loss adjusters, as necessary. In respect of serious bodily injury claims and complex claim disputes, the Group will appoint legal counsel to act on its behalf, where necessary, to ensure settlements and avoid adverse claims development. However, the severity of claims can be affected by an increasing level of awards of the courts and inflation.

In the normal course of business, the Group seeks to limit its exposure to losses that may arise from any single occurrence through the use of reinsurance arrangements. Reinsurance is primarily placed using a combination of proportional, facultative and excess of loss treaties. The Group has reinsurance coverage in place to limit the impact of claims in any one year, with such coverage designed to limit the impact of claims related to any single event and/or catastrophe to approximately 10% of RSA's total equity.

Obtaining reinsurance does not, however, relieve the Group of its primary obligations to the policyholders; therefore, the Group is exposed to the risk that the reinsurers may be unable to fulfil their obligations under the contracts. The Group seeks to mitigate this risk by placing its reinsurance coverage with large multi-national reinsurers and as at 31 December 2022, the majority of the Group's reinsurers have a minimum A.M. Best Financial Strength Rating of A- (Excellent) or equivalent rating with alternate rating agencies. The Group does not anticipate any issues with the collection of amounts due from reinsurers as they become due, and is not aware of any disputes with reinsurers, overdue amounts or any specific credit issues.

Insurance premiums written in The Bahamas, Cayman Islands, Turks and Caicos Islands and Other Territories are distributed across the portfolio as follows: 65% (2021: 66%), 13% (2021: 13%), 13% (2021: 14%) and 9% (2021: 7%), respectively.

20. Risk Management (Continued)

(a) Insurance risk (continued)

Property insurance risks

Property insurance contracts provide compensation for loss or damage to property and business interruption insurance contracts provide compensation for loss of profits following damage to the insured property. Such insurance contracts cover property, motor and marine risks, and are underwritten by reference to the commercial replacement value of the property and contents insured.

For property insurance contracts, it is believed that climatic changes are giving rise to more frequent extreme weather events (for example, hurricanes, tropical storms and storm surges) and intensifying the resulting damages. The Group mitigates the impact of these changes as it has: the right to re-price each individual risk on renewal; the ability to impose or increase deductibles; and payment limits to cap the amount payable on occurrence of the insured event. The cost of repairing or rebuilding properties, the cost of providing replacement or indemnity for damaged or stolen contents, and time taken to restart business operations are the key factors that influence the level of claims under these policies. The most likely cause of major loss under property insurance contracts arises from a hurricane or other serious weather-related event. Single events, such as fires and collisions, may also generate significant claims.

As property claims generally have short settlement periods, these claims can be estimated with greater reliability.

Casualty insurance risks

Casualty insurance contracts provide compensation for personal injury from motor claims, public liability, employers' liability, workmen's compensation and personal liability coverage.

The Group manages these risks through conservative underwriting and reinsurance strategies and the adoption of proactive claims management. Underwriting policies and procedures enforce appropriate risk selection criteria, and include the right not to renew individual insurance contracts and the right to reject the payment of a fraudulent claim. The frequency and severity of claims can be affected by several factors, including inflation, the level of awards of the courts and length of time to settle the claims.

20. Risk Management (Continued)

(a) Insurance risk (continued)

Casualty insurance risks (continued)

Claims on casualty insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a longer period of time. Given the uncertainty in establishing reserves for such claims, it is possible that the final cost of a claim will vary significantly from the initial reserve. In calculating the estimated cost of outstanding claims, the Group uses various industry standard loss estimation techniques, actuarial valuations and the experience of the Group in settling similar claims.

(b) Financial risk

The Group is exposed to a range of financial risks through its financial assets (investment contracts), outstanding claims recoverable from reinsurers, financial liabilities (borrowings), and outstanding claim reserve. The most important components of this financial risk are credit risk, liquidity risk, interest rate risk, price risk and foreign currency risk.

These risks arise from open positions in interest rate, currency, equity products and loans and receivables, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are credit risk, interest rate risk and price risk.

The Group manages these positions within the risk policy framework that has been developed to achieve long-term investment returns in excess of its obligation under insurance contracts. Within the risk policy, the Group periodically produces analytical reports at portfolio and country level that are circulated to the various Board Committees and key management personnel. The Group has not changed the process used to manage its risks from previous years.

20. Risk Management (Continued)

(b) Financial risk (continued)

The following tables reconcile the consolidated balance sheet to the classes and portfolios used in the Group's risk policy.

	2022 $	2021 $
Financial assets		
Cash on hand and at banks	11,759,744	12,111,175
Term deposits	13,393,660	13,407,440
Investments:		
Fair value through profit or loss	13,507,617	8,267,363
Loans and receivables	1,422,731	3,908,697
Due from reinsurers	1,856,255	1,576,411
Due from agents	16,573,238	18,871,575
Due from customers	6,213,290	-
Other assets	574,446	376,456
Outstanding claims recoverable from reinsurers	5,843,373	7,407,495
Total financial assets	**71,144,354**	**65,926,612**
Non-financial assets	83,411,130	70,702,392
Total assets	**154,555,484**	**136,629,004**
Financial liabilities		
General insurance liabilities	12,294,433	14,157,775
Other liabilities	22,766,415	17,498,503
Total financial liabilities	**35,060,848**	**31,656,278**
Non-financial liabilities	52,232,244	43,147,523
Total liabilities	**87,293,092**	**74,803,801**

20. Risk Management (Continued)

(c) Credit risk

Credit risk arises from the potential failure of a counterparty to perform according to the terms of a contract. The Group's exposure to credit risk includes the majority of its assets. To mitigate this risk, the Group places cash with banks in good standing with the applicable banking regulators; monitors the payment history of its agents before continuing to do business with them; places reinsurance coverage as noted in (a) above; and invests in debt securities of financially sound companies, including related parties. The concentration of credit risk is primarily from balances due from agents.

Related party agents' balances are supported by shares of the Group, indirectly owned by these parties that have been pledged in favor of the Group as collateral.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the face of the consolidated balance sheet, as follows:

	2022 $	2021 $
Cash on hand and at banks	11,759,744	12,111,175
Term deposits	13,393,660	13,407,440
Investments:		
Fair value through profit or loss	6,877,783	2,304,182
Loans and receivables	1,422,731	3,908,697
Receivable and other assets		
Due from reinsurers	1,856,255	1,576,411
Due from agents	16,573,238	18,871,575
Due from customers	6,213,290	-
Other assets	574,446	376,456
Outstanding claims recoverable from reinsurers	5,843,373	7,407,495
Total	**64,514,520**	**59,963,431**

20. Risk Management (Continued)

(c) Credit risk (continued)

As at 31 December 2022	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
Cash on hand and at banks	11,759,744	-	-	11,759,744
Term deposits	13,393,660	-	-	13,393,660
Investments:				
Fair value through profit or loss	6,877,783	-	-	6,877,783
Loans and receivables	1,422,731	-	-	1,422,731
Receivable and other assets				
Due from reinsurers	1,856,255	-	-	1,856,255
Due from agents	14,598,589	1,974,649	-	16,573,238
Due from customers	6,213,290	-	-	6,213,290
Other assets	574,446	-	-	574,446
Outstanding claims recoverable from reinsurers	5,843,373	-	-	5,843,373
Total	**62,539,871**	**1,974,649**	**-**	**64,514,520**

As at 31 December 2021	Neither past due nor impaired $	Past due but not impaired $	Impaired $	Total $
Cash on hand and at banks	12,111,175	-	-	12,111,175
Term deposits	13,407,440	-	-	13,407,440
Investments:				
Fair value through profit or loss	2,304,182	-	-	2,304,182
Loans and receivables	3,908,697	-	-	3,908,697
Receivable and other assets				
Due from reinsurers	1,576,411	-	-	1,576,411
Due from agents	17,026,575	1,845,000	-	18,871,575
Other assets	376,456	-	-	376,456
Outstanding claims recoverable from reinsurers	7,407,495	-	-	7,407,495
Total	**58,118,431**	**1,845,000**	**-**	**59,963,431**

20. Risk Management (Continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group may not have the necessary funds to honor all of its financial commitments as they become due, including claims. All 'other liabilities' on the face of the consolidated balance sheet, except for lease liabilities, are due on demand and claims are payable on the occurrence of the claims, which principally results in short-term cash outflows. The remaining general insurance liabilities could result in cash outflows within one year.

The Group manages its liquidity risk by maintaining an appropriate level of liquid assets (principally cash at banks and term deposits), which mature or could be sold immediately to meet cash requirements for normal operating purposes. Except for certain investments (Note 6) and outstanding claims recoverable from reinsurers, all financial assets could result in cash inflows within one year.

	Cash Flows			
Financial Liabilities as at 31 December 2022	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
	$	**$**	**$**	**$**
Outstanding claims reserve	12,294,433	-	-	12,294,433
Cash advance from reinsurers	348,920	-	-	348,920
Due to reinsurers	9,745,000	-	-	9,745,000
Accounts payable and accrued expenses	5,249,730		-	5,249,730
Lease liabilities	56,095	339,468	81,538	477,101
Borrowings	4,250,000	-	-	4,250,000
Total	**31,944,178**	**339,468**	**-**	**32,365,184**

	Cash Flows			
Financial Liabilities as at 31 December 2021	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
	$	**$**	**$**	**$**
Outstanding claims reserve	14,157,775	-	-	14,157,775
Cash advance from reinsurers	347,651	-	-	347,651
Due to reinsurers	10,070,800	-	-	10,070,800
Accounts payable and accrued expenses	3,983,002	-	-	3,983,002
Borrowings	5,000,000	-	-	5,000,000
Total	**33,559,228**		**-**	**33,559,228**

20. Risk Management (Continued)

(e) Interest rate risk

Interest rate risk is the risk that the fair values or cash flows of financial instruments may fluctuate significantly as a result of changes in market interest rates. The Group's exposure to fair value interest rate risk is considered minimal as its interest-bearing financial instruments for the most part have medium-terms to maturity or interest rates that periodically reset to market rates.

(f) Price risk

Price risk is the risk that the fair values and/or amounts realized on the sales of financial instruments may fluctuate significantly as a result of changes in market prices. The securities held at fair value through profit or loss expose the Group to price risk. The Group invests in private equity securities of companies demonstrating profit potential generally accompanying underlying assets with fair values in excess of the entity's equity. Investments are also made in exchange traded securities of companies that the Directors of the Group, with the advice of an investment manager, consider to have income and/or capital gains potential.

For the year ended 31 December 2022, the All-Share Index of the Bahamas International Securities Exchange experienced a return of 18.71% (2021: 6.49%). The carrying amount of the Group's financial assets at fair value through profit or loss for Level 2 securities, including Level 3 mutual funds, which are pegged to the Bahamas Prime Rate, would increase/(decrease) by $488,853/($488,853) (2021: 653,358/($653,358)), if these investments experienced returns of 10% and -10%, respectively; see Note 6 for sensitivity analyses for Level 3 equity securities.

(g) Currency risk

Currency risk is the risk that the fair values and/or amounts realized on settlement of financial instruments, and settlements of foreign currency transactions, will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized monetary assets and liabilities are denominated in currencies other than the Group's functional currency. The Group is not subject to significant currency risk as its foreign currency transactions and monetary assets and liabilities are denominated in currencies with foreign exchange rates currently fixed against the Group's functional currency.

20. Risk Management (Continued)

(h) Sensitivity analyses

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

Sensitivity factor	Description of sensitivity factor applied
Interest rates on term deposits	The impact of change in market rates by 1% and 3%
Interest rates on investments	The impact of change in market rates by 1% and 3%
Underwriting expenses	The impact of change in underwriting expenses by 5% and 10%
Loss ratio	The impact of change in loss ratio by 5% and 10%

As at 31 December 2022	Interest Rates on Term Deposits			
	+1%	-1%	+3%	-3%
Impact on profit and equity	133,937	(133,937)	401,810	(401,810)

	Interest Rates on Investments			
	+1%	-1%	+3%	-3%
Impact on profit and equity	72,418	(72,418)	217,253	(217,253)

	Interest Rates on Borrowings			
	+1%	-1%	+3%	-3%
Impact on profit and equity	42,500	(42,500)	127,500	(127,500)

	Underwriting Expenses			
	+5%	-5%	+10%	-10%
Impact on profit and equity	987,446	(987,446)	1,974,892	(1,974,892)

	Loss Ratio			
	+5%	-5%	+10%	-10%
Impact on profit and equity	(1,323,915)	1,323,915	(2,647,830)	2,647,830

20. Risk Management (Continued)

(h) Sensitivity analyses (continued)

As at 31 December 2021	Interest Rates			
	+1%	-1%	+3%	-3%
Impact on profit and equity	134,074	(134,074)	402,223	(402,223)

	Interest Rates on Investments			
	+1%	-1%	+3%	-3%
Impact on profit and equity	27,445	(27,445)	82,334	(82,334)

	Interest Rates on Borrowings			
	+1%	-1%	+3%	-3%
Impact on profit and equity	50,000	(50,000)	150,000	(150,000)

	Underwriting Expenses			
	+5%	-5%	+10%	-10%
Impact on profit and equity	900,395	(900,395)	1,800,791	(1,800,791)

	Loss Ratio			
	+5%	-5%	+10%	-10%
Impact on profit and equity	(1,188,087)	1,188,087	(2,376,173)	2,376,173

21. Borrowings

During 2021, the Group obtained a $5,000,000 non-revolving demand instalment loan, of which the proceeds were used for the buy-back of the 500,000 Series A preference shares. The current portion of borrowings as 31 December 2022 was $750,000 (2021: $750,000). The loan is fully repayable over a five-year term and is secured by a fixed deposit in the amount of $2,500,000. The loan has a variable interest rate which is pegged to the Bahamas Prime Rate, less 0.50%, subject to a floor of 3.5%.

The Group has complied with its financial covenants during the 2022 reporting period.

22. Capital Management

The Group's objectives when managing capital, which consists of total equity on the consolidated balance sheet, are:

- To comply with the insurance capital requirements required by the regulators of the insurance markets in which the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide adequate returns to shareholders by pricing insurance contracts commensurate with the level of risk.

22. Capital Management (Continued)

In each country in which the Group operates, the insurance regulator specifies the minimum amount and type of capital that must be held and solvency ratio that must be maintained, based on the applicable laws and regulations governing the country's insurance industry. The minimum capital requirements applicable to the Group range from $75,000 to $5,000,000. The Group has complied with all of the externally imposed capital requirements to which it is subject.

As at 31 December 2022, the Group maintained its A.M. Best Financial Strength Rating of A (Excellent) with a stable outlook.

23. Fair Values of Financial Instruments

Financial instruments utilized by the Group are limited to the recorded financial assets and liabilities included in the consolidated balance sheet. Carrying amounts of all financial instruments reflect fair values or are considered to approximate fair value given their short-term nature and/or interest rates that periodically reset to market interest rates. For long term financial assets with fixed interest rates, which are now actively traded in the local stock market; the assets are classified in financial assets at fair value through profit or loss (Note 6).

For financial assets, other than those measured at fair value, the fair value hierarchy is principally Level 2.

24. Outstanding Claims Reserve – Actuarial Valuation

The Group engages an Appointed Actuary annually to perform a valuation of RSA's policy liabilities. The policy liabilities consist of a provision for unpaid claims and adjustment expenses on the expired portion of policies (claim liabilities), and a provision for future obligations on the unexpired portion of policies (premium liabilities). The valuation is in accordance with generally accepted actuarial practice, including the selection of appropriate methods and assumptions. Actuarial methods used in determining the claim liabilities include the Paid Development method, the Incurred Development method, the Paid Bornhuetter-Ferguson method, the Incurred Bornhuetter-Ferguson method and the Expected Loss Ratio method. (See Note 9(a) and 9(b) for details related to claims liabilities and premium liabilities).

25. Subsequent Events

Subsequent to the year-end, the Directors approved a dividend of $156,250 ($0.31 per share) on Series B preference shares.