Auto & General Insurance (Singapore) Pte. Limited
Registration Number: 201626103G

Annual Report
Year ended 30 June 2023

Directors' statement

We hereby submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 30 June 2023.

In our opinion:

(a) the financial statements set out on pages FS1 to FS33 are drawn up so as to give a true and fair view of the financial position of the Company as at 30 June 2023 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Ram Shanker Kangatharan
Simon Neale Birch
Carl Bernhard Freiherr Von Vivenot
David Roi Hardoon

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and its related companies are as follows:

Name of director and corporation in which interests are held	**Holdings at beginning of the year**	**Holdings at end of the year**
BHL (SEA) Holdings Limited		
Ram Shanker Kangatharan*		
deemed interest	158	158
Auto & General (SEA) Services Pte. Limited		
Simon Neale Birch		
- ordinary shares	240,050	240,050

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Auto & General (Singapore) Holdings Pte. Limited		
Simon Neale Birch		
- ordinary shares	50	50
Auto & General (Thailand) Holdings Pte. Limited		
Simon Neale Birch		
- ordinary shares	50	50

* *Ram Kangatharan indirectly holds 158 ordinary shares in BHL (SEA) Holdings Limited via Ramco Investments Pty Ltd (as trustee of Ramco Family Discretionary Trust).*

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept the re-appointment.

On behalf of the Board of Directors

DocuSigned by:
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Ram Shanker Kangatharan
Director

DocuSigned by:
B1423B1A135A433...

Simon Neale Birch
Director

18 September 2023

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Independent auditors' report

Member of the Company
Auto & General Insurance (Singapore) Pte. Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Auto & General Insurance (Singapore) Pte. Limited ('the Company'), which comprise the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS33.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 30 June 2023 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 SSAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 controls.

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

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

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

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

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
18 September 2023

Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
ASSETS			
Non-current asset			
Loan due from a related company	8	7,789,395	–
Total non-current asset		7,789,395	–
Current assets			
Deferred acquisition commission	6	1,723,371	1,692,763
Investment in Government bonds	9	44,748,944	41,143,819
Reinsurers' share of insurance contract liabilities	10	2,464,274	2,937,500
Cash and cash equivalents	5	6,739,906	13,527,730
Prepayments and other receivables	7	79,931	77,337
Total current assets		55,756,426	59,379,149
Total assets		63,545,821	59,379,149
LIABILITIES AND EQUITY			
Current liabilities			
Insurance contract liabilities	10	34,208,213	30,702,291
Insurance and other payables	11	3,221,053	2,607,290
Total current liabilities		37,429,266	33,309,581
Equity and reserves			
Share capital	12	24,000,000	24,000,000
Accumulated profits		2,116,555	2,069,568
Total equity		26,116,555	26,069,568
Total liabilities and equity		63,545,821	59,379,149

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

Statement of profit or loss and other comprehensive income
Year ended 30 June 2023

	Note	2023 $	2022 $
Gross written premiums		28,522,675	27,598,179
Outward reinsurance premiums		(732,877)	(693,246)
Net written premium		27,789,798	26,904,933
Movement in net provision for unearned premium	10(a)	(716,633)	(1,600,973)
Net earned premiums		27,073,165	25,303,960
Commission expenses		(3,392,113)	(2,986,649)
Underwriting income		23,681,052	22,317,311
Gross claims paid		18,078,763	11,449,084
Reinsurance share of claims paid		–	–
Net claims paid	10(b)	18,078,763	11,449,084
Movement in net claim liabilities		3,262,515	5,258,493
Net claims incurred	10(b)	21,341,278	16,707,577
Net underwriting profit		2,339,774	5,609,734
Interest income	13	346,327	182,623
Investment income		1,591,027	149,005
Other income		415,456	321,329
		2,352,810	652,957
Staff cost	14	(1,295,767)	(905,782)
Other operating expenses		(3,349,830)	(3,465,715)
Profit before income tax		46,987	1,891,194
Income tax expense	16	–	–
Profit for the year, representing total comprehensive income for the year	15	46,987	1,891,194

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

Statement of changes in equity
Year ended 30 June 2023

	Note	Share capital $	Accumulated profits $	Total equity $
At 1 July 2021	12	24,000,000	178,374	24,178,374
Total comprehensive income for the year				
Profit for the year		–	1,891,194	1,891,194
At 30 June 2022		24,000,000	2,069,568	26,069,568
At 1 July 2022	12	24,000,000	2,069,568	26,069,568
Total comprehensive income for the year				
Profit for the year		–	46,987	46,987
At 30 June 2023		24,000,000	2,116,555	26,116,555

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

Statement of cash flows
Year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Profit before income tax		46,987	1,891,194
Adjustments for:			
Interest income	13	(346,327)	(182,623)
Insurance contract liabilities	10	3,505,922	9,796,966
Reinsurers' share of insurance contract liabilities	10	473,226	(2,937,500)
Operating profit before working capital changes		3,679,808	8,568,037
Changes in working capital:			
Deferred acquisition commission	6	(30,608)	(325,133)
Prepayment and other receivables		25,832	(35,497)
Insurance and other payables		613,763	(78,565)
Net cash from operating activities		4,288,795	8,128,842
Cash flows from investing activities			
Purchase of Government bonds		(204,952,125)	(124,921,474)
Proceed of sale of Government bonds		201,347,000	102,480,411
Interest income received		128,506	178,839
(Loan to)/repayment from a related company	8	(7,600,000)	6,446,962
Net cash used in investing activities		(11,076,619)	(15,815,262)
Net decrease in cash and cash equivalents		(6,787,824)	(7,686,420)
Cash and cash equivalents at beginning of the year		13,527,730	21,214,150
Cash and cash equivalents at end of the year	5	6,739,906	13,527,730

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 18 September 2023.

1 Domicile and activities

Auto & General Insurance (Singapore) Pte. Limited ("the Company") is incorporated in the Republic of Singapore with its registered address at 190 Clemenceau Avenue, #03-01, Singapore 239924.

The principal activity of the Company is underwriting general insurance business.

The Company's immediate holding company is Auto & General (Singapore) Holdings Pte. Limited and its ultimate holding company is BHL Holdings Limited, which are incorporated in the Republic of Singapore and Guernsey respectively.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRS").

The assets and liabilities of the Company which relate to the insurance business carried on in Singapore are subject to the requirements of Singapore Insurance Act 1966. Such assets and liabilities are accounted for in the books of the insurance funds established under the Act. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 and the Company continues to be able to meet the solvency requirement of Section 18 of the Insurance Act.

2.2 Basis of measurement

The financial statements have been prepared on historical cost basis, except where otherwise described in the accounting policies in note 3.

2.3 Functional and presentation currency

The financial statements are presented in Singapore Dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are disclosed in Note 4.

2.5 Changes in accounting policies

New standards and amendments

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 July 2022:

- Amendment to FRS 116: *COVID-19-Related Rent Concessions beyond 30 June 2021*
- Amendment to FRS 16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendment to FRS 37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to FRSs 2018 - 2020

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

3.2 Classification of insurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Company issues short-term motor and travel insurance directly to individuals.

These contracts are regarded as insurance contracts for the purposes of FRS 104 *Insurance Contracts* and are classified as such in these financial statements. Once a contract is classified as insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Management has assessed that there are no terms and conditions of insurance contracts that may have a material effect on the amount, timing and uncertainty of the Company's future and cash flows as the risk is fairly standard with maximum insured loss set on annual limits and co-payments and the speed of settlement is expected to be reasonably quick with almost 100 percent of the claims settled by the end of the second development year.

3.3 Recognition and measurement of insurance contracts

Written premiums

Written premiums include premiums in respect of direct insurance business on contracts incepted during the financial year, irrespective of whether they relate in whole or in part to a later financial periods. Written premiums are presented gross of commission outward, reinsurance premium ceded and exclude taxes and levies raised on premiums. The earned portion of written premiums is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period based on the risks underwritten.

Provision for unearned premiums

At the end of each reporting date the Company assesses whether the provision for unearned premiums is sufficient to cover the end of all expected future cash flow relating to future claims against current insurance contracts.

Provision for unearned premiums represent company's future obligation on insurance contracts as represented by premiums received for risks that have not yet expired. The movement of premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

Provision for unearned premiums are reported at the higher of aggregate of the unearned premium reserve for all lines of businesses or the best estimate value of the unexpired risk reserve at the end of the financial year.

Unearned premium reserve for annual policies represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. Unearned premium reserve is calculated using the 1/365th method based on gross premium written.

Claims incurred and provision for insurance claims

Outstanding claims represent company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim Liabilities are the estimated provision for claim reported, claim incurred but not reported ("IBNR"), claim incurred but not enough reported ("IBNER") and related claim handling costs.

Claim liabilities are determined based upon valuations performed by the Certifying Actuary, using a range of actuarial claim projection techniques based on, amongst others, actual claims development patterns. The Company does not discount its liabilities for claim liabilities.

Deferred acquisition commissions

Acquisition commissions incurred in obtaining and recording general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the statement of profit or loss and other comprehensive income in subsequent reporting periods.

Deferred acquisition commissions are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

Reinsurance

The Company ceded its insurance risk in the normal course of its business. Ceded reinsurance arrangement do not relieve the Company from its obligations to policyholders.

The Company enters into reinsurance agreement under which the Company is compensated for losses on one or more contracts issued by the Company. Reinsurance contracts which meet the definition of insurance contracts are classified as reinsurance contracts held. Reinsurance premium are recognised as an expense as they become payable. Claim recoverable are recognised in the profit and loss in accordance with the terms of the reinsurance contract.

Reinsurance assets are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Insurance contract receivables and payables

Insurance receivables and insurance payables are recognised when due. These include amounts due to and from insurance and reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivables or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method. Insurance receivables and insurance payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in note 3.5.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets.

3.4 Liability adequacy test

At each reporting date, the Company reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Company, contractual or otherwise, with respect to insurance contract issued. Where an expected shortfall is identified, additional provisions are made for unexpired risk or insurance claims and the deficiency is recognised in profit and loss.

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as 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 amount outstanding.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised interest-bearing borrowings, amount due to related companies and insurance and other payables.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.6 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

3.7 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.8 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty to related income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.9 Revenue recognition

Written premiums

Written premiums are recognised in the financial year in respect of risk assumed during the particular financial year. The accounting policy in relation to earned premiums from insurance contract is disclosed in note 3.3.

Interest income

Interest income is recognised in statement of profit or loss and other comprehensive income as it accrues, using the effective interest method.

Other income

Other items of income are recognised as they accrue.

3.10 Impairment

Non-derivative financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

General approach

The Company applies the general approach to provide for ECL on all other financial instruments, except for purchased or originated financial assets that are credit-impaired on initial recognition. Under the general approach, loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Company assessed whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improve such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt investments measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- financial assets that are purchased or originated credit-impaired at initial recognition: as the present value of the difference between the cash flows the Company expects to receive at initial recognition and the cash flows that the Company expects to receive subsequent to initial recognition);
- financial guarantee contracts: as the expected payments to reimburse the holder less any amounts that the Company expects to recover; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance of ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Employment benefits

Employee benefit comprise of short-term benefits and defined contribution plan.

Short-term benefits include wages, salaries and bonuses which are recognised as an expense in the period in which the associated services are rendered by employees.

Under the defined contribution plan, the Company makes contribution to the Central Provident Fund ("CPF") scheme in Singapore, as required by law. CPF Contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

3.12 Government grants

Government grants related to assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. These grants are then recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss and deduct from 'staff cost' on a systematic basis in the same periods in which the expenses are recognised.

3.13 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 20.

Except FRS 117, the interpretations and amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

4 Critical accounting estimates and judgements in applying accounting policies

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying the Company's accounting policies

Management is of the opinion that any instances of application of judgments are not expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting data, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The preparation of the financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These estimates and assumptions affect the reported amounts of assets and liabilities at the reporting date as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below:

Estimation of claim liabilities

Claims liabilities comprise of provision for claims reported by policyholders and claims incurred but not reported) are established to cover the ultimate cost of settling the liabilities in respect of claim that have occurred and are estimated based on known facts at the reporting date. The claims liabilities are revised continuously as part of a regular ongoing process as claims are settled and further claims are reported.

Although the estimates are based on management's best knowledge and judgement of current facts including consultations with its Certifying Actuary as at the reporting date, the actual outcome may differ from the estimates.

5 Cash and cash equivalents

	2023 $	2022 $
Petty cash	400	1,400
Cash at bank	1,739,506	8,526,330
Fixed deposits	5,000,000	5,000,000
	6,739,906	13,527,730

6 Deferred acquisition commission

	2023 $	2022 $
At 1 July	1,692,763	1,367,630
Movement during the year	30,608	325,133
At 30 June	1,723,371	1,692,763

7 Prepayments and other receivables

	2023 $	2022 $
Other receivable	1,778	78
Interest receivable	33,674	5,248
Amount due from a related company (non-trade)	–	30,718
	35,452	36,044
Prepayments	44,479	41,293
	79,931	77,337

As of 30 June 22, the amount due from a related company was unsecured, interest free and repayable on demand.

8 Loan due from a related company

During the year, the Company provided a loan to related party Auto & General (SEA) Services amounting to $7,600,000 (2022: nil). The proceeds of the loan is used as part of the ongoing working capital requirements of the borrower. The loan is unsecured and bears interest of SIBOR + 2% / SORA + 2.5% and will mature in 2025. As at reporting date, the accrued interest amount of $189,395 (2022: nil). The weighted average effective interest rate at reporting date is 6.32% (2022: nil).

9 Investment in Government bonds

	2023 $	2022 $
Quoted investment, at amortised cost		
Government bonds	44,748,944	41,143,819

The Government securities will be matured within the next 12 months.

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

i) Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
ii) Level 2 - Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
iii) Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of quoted investments is determined by quoted prices listed on a recognised exchange, independent broker quotations or published prices at the close of business on the reporting date. The investment is classified under level 1.

As at 30 June 2023 and 30 June 2022, there was no impairment loss recognised.

10 Insurance contract liabilities

	2023			2022		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Premium liabilities	14,869,593	473,226	15,342,819	14,626,186	–	14,626,186
Claim liabilities	19,338,620	(2,937,500)	16,401,120	16,076,105	(2,937,500)	13,138,605
At 30 June	34,208,213	(2,464,274)	31,743,939	30,702,291	(2,937,500)	27,764,791

a) Movement in provision for unearned premiums reserve:

	2023			2022		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
At 1 July	14,626,186	–	14,626,186	13,025,213	–	13,025,213
Movement of reserve during the year	243,407	473,226	716,633	1,600,973	–	1,600,973
At 30 June	14,869,593	473,226	15,342,819	14,626,186	–	14,626,186

b) Movements in claim liabilities:

	2023			2022		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$	**$**	**$**	**$**	**$**	**$**
At 1 July	16,076,105	(2,937,500)	13,138,605	7,880,112	–	7,880,112
Claims incurred/ (recovered) during the year	21,341,278	–	21,341,278	19,645,077	(2,937,500)	16,707,577
Claims paid during the year	(18,078,763)	–	(18,078,763)	(11,449,084)	–	(11,449,084)
At 30 June	19,338,620	(2,937,500)	16,401,120	16,076,105	(2,937,500)	13,138,605

11 Insurance and other payables

	2023	2022
	$	**$**
Amount due to policyholders	11,665	16,205
Claim payables	357,889	130,998
Advance premium	2,143,056	1,858,294
Insurance payables	2,512,610	2,005,497
Sundry payables	180,326	212,730
Accrued operating expenses	478,366	389,063
Amounts due to a related company (non-trade)	49,751	–
Total	3,221,053	2,607,290

Amounts due to a related company is non-trade in nature, unsecured, interest-free and repayable on demand.

12 Share capital

	No. of ordinary shares	
	2023	**2022**
As at 1 July and 30 June	24,000,000	24,000,000

All issued shares are fully paid, with no par value.

Ordinary shares

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

13 Interest income

	2023 $	2022 $
Interest income from:		
Deposits with bank	156,932	14,324
Intercompany loan (Note 17)	189,395	168,299
	346,327	182,623

14 Staff costs

	2023 $	2022 $
Salaries and benefits	1,175,908	812,309
Employer's share of defined contribution plan	142,118	96,244
Other short-term benefits	3,009	1,405
	1,321,035	909,958
Less: Grant income	(25,268)	(4,176)
	1,295,767	905,782

Other grant income of $25,268 (2022: $4,176) relates to subsidies on jobs growth incentive, wages credit scheme and national service leave.

15 Profit for the year

The following items have been included in arriving at profit for the year:

	2023 $	2022 $
Professional fees	286,640	277,642
Management fee to a related company	2,404,160	2,577,178

16 Income tax expense

	2023 $	2022 $
Current tax expense	–	–

Reconciliation of effective tax rate

Profit before income tax	46,987	1,891,194
Tax calculated using Singapore tax rate of 17% (2022: 17%)	7,988	321,503
Utilisation of previous unrecognised tax losses and group tax relief	(7,988)	(321,503)
	–	–

17 Related parties

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling activities of the Company.

The services of key management personnel are provided to the Company by related companies with no compensation cost being recharged to the Company in respect of their services of the current year ended 30 June 2023 and 30 June 2022, apart from the following:

	2023 $	2022 $
Director fees	94,750	65,504

Other related party transactions

Other than disclosed elsewhere in the financial statements, significant transactions with related parties are as follows:

	2023 $	2022 $
Management fee expenses paid/payable to a related company	2,404,160	2,577,178
Commission expenses payable to a related company	3,392,113	2,986,649
Interest income received/receivable from a related company	(189,395)	(168,299)

18 Financial risks and capital risk management

Financial risk management policies and objectives

Overview

This note presents information about the Company's exposure to each of the financial risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between the risk and control is achieved.

The Company has put in place a set of risk management policies and guidelines governing all investment and business risks. These policies and procedures set out the Company's overall business strategies, its tolerance for risk and general risk management philosophy. In addition, management has established processes to monitor and control such risks in a timely and accurate manner.

Financial assets that expose the Company to financial risk consist principally of cash and cash equivalents, loan due from a related company and other receivables. Financial liabilities that expose the Company to financial risk consist of accrued expenses and other payables.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default, these exposures are considered to have low credit risk, therefore impairment on these balances has been measured on the 12 month expected credit loss basis.

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The major classes of financial assets to the Company are cash and cash equivalents. There are no balances that were past due and impaired at reporting period.

Cash and cash equivalents is held with creditworthy institutions. Management assessed the ECL on cash and cash equivalents to be insignificant to provide.

Amount owing by related parties

Impairment on the amount owing by related parties have been measured on the 12-month expected loss basis and reflects the low credit risk of the exposures. There is no provision of allowance on these balances (2022: Nil).

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. Management assessed the ECL on amount owing by related parties to be insignificant to provide.

	AAA to A $	BBB $	Not Rated $	Total $
2023				
Investment in Government bonds	44,748,944	–	–	44,748,944
Cash and cash equivalents	6,739,506	–	400	6,739,906
Other receivables #	33,674	–	1,778	35,452
Loan due from related company	–	–	7,789,395	7,789,395
	51,522,124	–	7,791,573	59,313,697

	AAA to A $	BBB $	Not Rated $	Total $
2022				
Investment in Government bonds	41,143,819	–	–	41,143,819
Cash and cash equivalents	13,526,330	–	1,400	13,527,730
Other receivables #	36,044	–	–	36,044
	54,706,193	–	1,400	54,707,593

\# *Excludes prepayments*

(ii) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The nature of insurance means that the timing and amount of cash outflows are uncertain, which may affect the Company's ability to meet its obligations to policyholders. The Company manages liquidity risk by ensure that sufficient cash deposits are available to meet its day-to-day obligations.

	Carrying amount $	Contractual cashflow $	Within 1 year $	More than 1 years $	Total $
2023					
Non derivative financial liabilities					
Insurance contract liabilities	34,208,213	34,208,213	34,208,213	–	34,208,213
Insurance and other payables	3,221,053	3,221,053	3,221,053	–	3,221,053
	37,429,266	37,429,266	37,429,266	–	37,429,266

	Carrying amount $	Contractual cashflow $	Within 1 year $	More than 1 years $	Total $
2022					
Non derivative financial liabilities					
Insurance contract liabilities	30,702,291	30,702,291	30,702,291	–	30,702,291
Insurance and other payables	2,607,290	2,607,290	2,607,290	–	2,607,290
	33,309,581	33,309,581	33,309,581	–	33,309,581

(iii) Currency risk

The Company transacts business in Singapore Dollars. At the end of the reporting period, the Company does not have carrying amounts of monetary assets and monetary liabilities denominated in foreign currencies. Accordingly, no sensitivity analysis is prepared.

(iv) Price risk

The Company is not exposed to equity price risk as all investments are debt securities.

(v) Interest rate risk

The Company's investment activities are inherently exposed to interest rate risk, which arises principally from interest earning financial assets.

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets that will be earned on those assets.

	Effective interest rate	2023 $	2022 $
Financial assets			
Cash and cash equivalents^	3.19%	5,000,000	5,000,000
Loan due from a related company	6.32%	7,789,395	–
		12,789,395	5,000,000

^ *Excludes amounts that are non-interest bearing*

The analysis below is performed for reasonably possible movements in key variables with all other variables constant.

To test the sensitivity to changes in interest rates, the level of change is assumed from -100 bps to +100 bps. It is possible that the final outcome will be different from the estimation. The table below gives an indication the impact on loss before tax:

	Change in variable	Increase/ (decrease) in profit and loss $
2023		
Interest rate	+100 bps	6,397
	-100 bps	(6,397)
2022		
Interest rate	+100 bps	131
	-100 bps	(131)

(vi) Foreign exchange risk management

Foreign currency risk is the risk incurred by the Company on assets, liabilities, income and expense that are denominated in a currency other than the Company's functional currency unless the funding and the exposure in the denominated currency is matched.

The Company transacts business mainly in Singapore dollars, which is the Company's functional currency and therefore has minimal exposure to foreign exchange risk.

(vii) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, other receivables, trade and other payables which are stated at amortised cost approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The Company does not have any financial instruments measured in fair value on a recurring basis.

(viii) Capital management policies and objectives

The Company's policy is to maintain a suitable capital base so as to support its underwriting strategy. The Company is also required to maintain a minimum amount of capital as prescribed under the Singapore Insurance Act 1966 and relevant regulations. There were no changes in the Company's approach to capital management during the year. The Company has complied with the abovementioned regulatory requirements during the year.

(ix) Financial instruments by category

The following table sets out the financial instruments as at the end of the reporting period:

	Note	2023 $	2022 $
Financial assets			
Assets at amortised cost			
- Cash and cash equivalents	5	6,739,906	13,527,730
- Investments in Government bonds	9	44,748,944	41,143,819
- Other receivables#	7	35,452	36,044
- Loan due from a related company	8	7,789,395	–
Financial liabilities			
Liabilities at amortised cost			
- Other payables	11	708,443	601,793

Excludes prepayments

The Company does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

19 Insurance risk management framework

In accordance with the requirements of the Monetary Authority of Singapore, the Company at all times maintains a risk management framework, the principles and components of which are articulated in its risk management strategy.

The risk management framework is comprised of the organizational structure, policies, methodologies and processes necessary to prudently identify and manage the risks that the Company faces during the course of its operations. The ultimate objective of the framework is to safeguard the Company's ability to meet its obligations to policyholders.

Through the risk management framework, the Company has identified a number of key risks that may significantly affect its performance and operations, including strategic, insurance, operational, reinsurance, market and credit risks. Information on the Company's policies and procedures in respect of managing these risks are set out in below:

(a) Objectives in managing risks arising from insurance contracts

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss or a reduction in operating profits, leaving the Company unable to meet its liabilities to policyholders.

The Company has an objective to mitigate insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition. Short term variability is, to some extent, a feature of insurance business.

Insurance risk
Insurance risk is managed primarily through estimated pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates, especially in Singapore where the Company underwrites all of its insurance risks.

The table below shows the concentration of written premiums by type of contract:

	2023			2022		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$	**$**	**$**	**$**	**$**	**$**
Line of business:						
- Motor	28,343,946	(728,181)	27,615,765	27,541,449	(691,923)	26,849,526
- Travel	178,729	(4,696)	174,033	56,730	(1,323)	55,407
Total	28,522,675	(732,877)	27,789,798	27,598,179	(693,246)	26,904,933

Estimation process

The claim liabilities estimation process involves estimation of reserve of outstanding reported claim, and estimation of IBNR and IBNER. Reserve of outstanding reported claim are set and periodically reviewed by the claims department. IBNR and IBNER reserves are determined based on the Certifying Actuary's assessment.

In forming their view on the adequacy of the claims liabilities, the actuaries are using the Expected Loss Ratio Method with consideration of other methodologies during their valuation. Claim liabilities are separately analysed by class of business. The claim liabilities are intended to provide a 75% level of assurance of adequacy, and as such include a Provision for Adverse Deviation beyond the expected value (best estimate) of the claims liabilities.

Given the relatively short run-off period, no discounting to allow for possible future investment earning is applied to the selected claim and premium liability provisions.

Assumption of claim liabilities

The principal assumption underlying the actuarial estimate of the claims liabilities is that the past claims development experience of the Company is indicative of likely future claims development. However, as the Company is newly incorporated, actuaries have relied on their industry benchmarks in estimating the required claims provisions. Furthermore, the actuaries also consider the business strategy, underwriting and claims handling policies of the Company as well as the impact of external factors such as market practice, judicial decisions and government legislation.

Sensitivity analysis

The purpose of the sensitivity analysis is to assess the relative importance of the assumptions used in the actuarial valuation of outstanding claim and premium liabilities as at the reporting date.

An analysis of sensitivity around various scenarios provide an indication of the adequacy of the Company's estimate process in respect of its contracts and is summarised as follows:

Key assumption	**Change in assumption**	**Increase/ (Decrease) in from claim liabilities** $
2023		
Ultimate loss ratio	+100 basis point	326.916
	-100 basis point	(326,916)
Provision for adverse deviation	+100%	1,737,182
	-50%	(868,591)
2022		
Ultimate loss ratio	+100 basis point	297,234
	-100 basis point	(297,234)
Provision for adverse deviation	+100%	1,357,148
	-50%	(678,574)

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims liabilities:

2023

	Financial year							
	2017 $	**2018** $	**2019** $	**2020** $	**2021** $	**2022** $	**2023** $	**Total** $
Estimate of cumulative claims:								
At end of accident year	188,204	1,802,264	4,134,098	8,479,995	10,647,397	18,823,747	20,067,589	64,272,701
One year later	235,795	1,664,668	3,808,028	8,189,160	10,556,985	16,736,784		43,563,231
Two years later	232,928	1,654,650	3,681,777	8,089,223	10,842,464			98,524,315
Three years later	232,928	1,650,676	3,688,200	7,985,639				13,630,384
Four years later	232,928	1,660,287	3,845,752					5,738,967
Five years later	232,928	1,660,452						1,893,380
	232,928							232,928
Estimate of cumulative claims	232,928	1,660,452	3,845,752	7,985,639	10,842,464	16,736,784	20,067,589	63,871,608
Cumulative payment to-date	232,928	1,660,452	3,718,152	7,474,097	10,268,280	14,330,456	9,721,588	47,405,953
Gross outstanding claims liabilities	–	–	127,600	511,542	574,184	4,906,328	10,346,001	16,465,655
Unallocated loss adjustment expenses								698,283
Provision for adverse deviation								2,174,682
Gross outstanding claims liabilities as of 30 June 2023 (Note 10)								19,338,620

Net insurance contract outstanding claims liabilities:

2023

	Financial year							
	2017 $	**2018 $**	**2019 $**	**2020 $**	**2021 $**	**2022 $**	**2023 $**	**Total $**
Estimate of cumulative claims:								
At end of accident year	188,204	1,802,264	4,134,098	8,479,995	10,647,397	16,453,154	20,067,589	61,772,701
One year later	235,795	1,664,668	3,808,028	8,189,160	10,556,985	16,736,784		41,063,231
Two years later	232,928	1,654,650	3,681,777	8,089,223	10,842,464			98,524,315
Three years later	232,928	1,650,676	3,688,200	7,985,639				13,630,384
Four years later	232,928	1,660,287	3,845,752					5,738,967
Five years later	232,928	1,660,452						1,893,380
	232,928							232,928
Estimate of cumulative claims	232,928	1,660,452	3,845,752	7,985,639	10,842,464	16,736,784	20,067,589	61,371,608
Cumulative payment to-date	232,928	1,660,452	3,718,152	7,474,097	10,268,280	14,330,456	9,721,588	47,405,953
Net outstanding claims liabilities	–	–	127,600	511,542	574,184	2,406,328	10,346,001	13,965,655
Unallocated loss adjustment expenses								698,283
Provision for adverse deviation								1,737,182
Net outstanding claims liabilities as of 30 June 2023 (Note 10)								16,401,120

Gross insurance contract outstanding claims liabilities:

2022

	Financial year						
	2017 $	**2018 $**	**2019 $**	**2020 $**	**2021 $**	**2022 $**	**Total $**
Estimate of cumulative claims:							
At end of accident year	188,204	1,802,264	4,134,098	8,479,995	10,647,397	18,823,747	44,075,704
One year later	235,795	1,664,668	3,808,028	8,189,160	10,556,985		24,454,635
Two years later	232,928	1,654,650	3,681,777	8,089,223			13,658,578
Three years later	232,928	1,650,676	3,688,200				5,571,804
Four years later	232,928	1,660,287					1,893,216
Five years later	232,928						232,928
Estimate of cumulative claims	232,928	1,660,287	3,688,200	8,089,223	10,556,985	18,823,747	43,051,370
Cumulative payment to-date	232,928	1,660,287	3,536,193	7,292,652	9,584,163	7,024,712	29,330,935
Gross outstanding claims liabilities	–	–	152,007	796,571	972,822	11,799,035	13,720,435
Unallocated loss adjustment expenses							561,022
Provision for adverse deviation							1,794,648
Gross outstanding claims liabilities as of 30 June 2022 (Note 10)							16,076,105

Net insurance contract outstanding claims liabilities:

2022

	Financial year						
	2017 **$**	**2018** **$**	**2019** **$**	**2020** **$**	**2021** **$**	**2022** **$**	**Total** **$**
Estimate of cumulative claims:							
At end of accident year	188,204	1,802,264	4,134,098	8,479,995	10,647,397	16,323,747	41,575,704
One year later	235,795	1,664,668	3,808,028	8,189,160	10,556,985		24,454,635
Two years later	232,928	1,654,650	3,681,777	8,089,223			13,658,578
Three years later	232,928	1,650,676	3,688,200				5,571,804
Four years later	232,928	1,660,287					1,893,216
Five years later	232,928						232,928
Estimate of cumulative claims	232,928	1,660,287	3,688,200	8,089,223	10,556,985	16,323,747	40,551,370
Cumulative payment to-date	232,928	1,660,287	3,536,193	7,292,652	9,584,163	7,024,712	29,330,935
Net outstanding claims liabilities	–	–	152,007	796,571	972,822	9,299,035	11,220,435
Unallocated loss adjustment expenses							561,022
Provision for adverse deviation							1,357,148
Net outstanding claims liabilities as of 30 June 2022 (Note 10)							13,138,605

Methods and controls to mitigate the Company's risks arising from insurance contracts

The Company primarily manages its insurance risk in accordance with the controls articulated in its Underwriting, Product Design, Pricing and Claims Management Policies and Reinsurance Management Strategy.

Key elements of the policies have been included below:

Underwriting policy

The Company's underwriting policy documents the processes and controls adopted to prudently and soundly manage the risks arising from its underwriting function, including underwriting roles, responsibilities and authority limits; the Company's willingness and capacity to accept risk; approved classes and characteristics of insurance business; procedures for risk identification and assessment; concentration limits; and methods to monitor compliance with the approved underwriting framework.

Product design policy

The Company's product design policy articulates the processes and controls adopted by the Company to manage the risks arising from the introduction and enhancement of its insurance products. To manage these risks, the policy establishes clearly defined roles and responsibilities for product design; procedures to determine and implement acceptable product lines and for limiting risk; implementation plans and processes to ensure appropriate legal effect; and methods to monitor compliance with the approved product design framework.

Pricing policy

Pricing risk may occur where claims costs, business costs or investment returns arising from the sale of a product are inaccurately estimated. The Company's pricing policy documents the processes and controls adopted to manage this risk, including clearly defined product pricing roles and responsibilities; procedures for risk identification and assessment; processes for the reflection of emerging experience in price adjustments; established price discounting authorities; processes to respond to competitive and other external environmental pressures; processes to identify price deviations; and methods to monitor compliance with the pricing framework.

Claims management policy

Claims management risks result from weaknesses in controls and systems surrounding the claims management process, exposing the Company to additional or increased losses, and include claims leakage, incorrect claims determinations, excessive authorisations, inappropriate reserving and recoveries management risk.

The Company's Claims Management Policy documents the processes and controls adopted by claims staff to prudently and soundly manage the risks arising from its claims functions, including clearly defined and appropriate delegations of authority; claims settlement procedures; criteria for accepting or rejecting claims; dispute resolution procedures; and methods for monitoring compliance.

Reinsurance management strategy ("REMS")

Reinsurance management refers to the selection, monitoring, review and control of reinsurance arrangements. Weaknesses in the controls and management of reinsurance arrangements could result in the Company being unable to meet its obligations to policyholders and may impair its capital, profitability and liquidity position.

The Company's REMS seeks to ensure that prudent reinsurance arrangements are in place to provide the Company with the necessary security and liquidity to meet its obligations to policyholders, while increasing its capacity to underwrite new insurance business.

The REMS achieves this through clearly defining managerial responsibilities and controls for the reinsurance program, as well as the systems for selecting, monitoring and reviewing reinsurance programs.

The Company's reinsurance arrangements limit its exposure to large scale claims and catastrophes. Rating information from the public domain is used to ensure the creditworthiness of selected reinsurers. In order to limit concentrations of credit risk, restrictions are set out on the exposure to any single or group of related reinsurers.

(b) Terms and conditions of insurance contracts

The Company writes insurance risks only in Singapore. The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Company. The majority of insurance contracts written are entered into on a standard form basis. There are no specific contract terms that are expected to have a material impact on the financial statements.

20 New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

(i) Amendments to FRS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

(ii) Amendments to FRS 1: *Classification of Liabilities as Current or Non-Current*

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Company is closely monitoring the developments.

(iii) Others

Other than FRS 117: Insurance contracts and amendment to FRS 117 Insurance Contract, the following amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- Amendments to FRS 1 and FRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to FRS 8: *Definition of Accounting Estimates*

(iv) Applicable to 2024 financial statements

FRS 117 *Insurance Contracts*

FRS 117 is set to replace FRS 104 Insurance Contracts. FRS 117 requires an entity that issues insurance contracts to report them on the balance sheet as the total of:

a) The fulfilment cash flows, which are a risk-adjusted, explicit, unbiased and probability-weighted estimate of the present value of future cash flows that will arise as the entity fulfils the contracts; and
b) The contractual service margin ("CSM"), which is the amount that represents the unearned profit that the entity will recognise in profit or loss as services are provided.

The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided. FRS 117 requires the entity to distinguish between groups of contracts expected to be profit-marking and groups of contracts expected to be loss-making, at initial recognition.

Any expected losses arising from loss-making, or onerous contracts are accounted for in profit or loss as soon as the entity determines that losses are expected. FRS 117 requires the entity to update the fulfilment cash flows at each reporting date, using current assumptions. Changes in estimates of the fulfilment cash flows are reflected in either profit or loss or OCI – or, in some cases, they adjust the CSM – depending on their nature.

FRS 117 also require disclosures which, together with information presented in the primary financial statements to enable users of financial statements, will provide a basis for users of the entity's financial statements to assess the effects that insurance contracts have on its financial position, financial performance and cash flows.

FRS 117 Insurance Contracts which is expected to be effective for years beginning on 1 January 2023, and is to be applied retrospectively. If full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard will replace *FRS 104 Insurance Contract*s and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements. *FRS 117 Insurance Contracts* is expected to have material impact on the financial statements of the Company in future financial periods.