Life Insurance Corporation (Singapore)Pte Ltd

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MANAGEMENT REPORT

31/12/2017

LIFE INSURANCE CORPORATION (SINGAPORE) PTE. LTD.

For the financial year, from 1st January 2017 to 31st December 2017

Company Profile

Life Insurance Corporation Singapore ("LIC Singapore") was incorporated as a direct life insurance company in Singapore on 30 April 2012. It is a fully owned subsidiary of the LIC of India which was established in 1956 and owned by the Government of India. Prior to obtaining the operating license from the Monetary Authority of Singapore ("MAS")' approval on 22 January 2013, LIC Singapore had operated a representative office in Singapore. The establishment of a subsidiary in Singapore is part of the LIC group's plans to expand its global footprint into South-east Asia.

Products

Under the life insurance license, LIC Singapore is permitted to write all types of life insurance products. In the year 2017, LIC Singapore launched total of four products. All of these were non-participating single-premium or two -pay endowment products. All of these products were tranche product. As part of its objectives to add value to customers and the Singapore mass market, LIC Singapore will focus on the introduction of non-participating products while continuing efforts to put in place the necessary system infrastructure and capabilities to manufacture and sell term products and participating products in the near future.

Distribution channel

In Singapore, the common channels for distributing insurance products are tied agency, bancassurance and financial advisory firms. LIC Singapore's distributes its product via financial advisory firms which provides outreach through representatives. As on 31st December 2017 we had tie up with 21 Financial Advisory firms with an outreach of approximately 1900 financial advisory representatives. We also have tie up with State Bank of India, Singapore for selling our products.

Corporate Governance

LIC Singapore is governed by Insurance (Corporate Governance) Regulations 2013 which came into operation on 4 April 2013 and the "Guidelines on Corporate Governance for Financial Holding Companies, banks, direct insurers, reinsurers and captive insurers which are incorporated in Singapore" issued by the MAS on 3 April 2013.

Being a Tier 2 insurer as defined under the Insurance (Corporate Governance) Regulations 2013, the Board of LIC Singapore is responsible for the adequacy of external and internal audit functions, as well as overseeing the establishment and operation of an independent enterprise risk management system supported by an adequate risk management function.

Adherence to good corporate governance is an integral part of the philosophy of LIC's business conduct. The Board of Directors and Management of LIC Singapore place great importance on high standards of corporate conduct and are committed to promoting and maintaining values which emphasize integrity, honesty and proper conduct at all times in the business operations and dealings of the insurer. Aligning to the LIC group's commitment to put customers first, LIC

Singapore practices operational transformation, information sharing, and accountability and ensures dialogue with all stakeholders in addition to formulation of value-based policies and practices at all levels.

Board Composition

LIC Singapore's Board comprises three members, namely:

- Mr V K Sharma, Board Chairman (also for LIC of India);
- Mr. M. Govindaraju, Executive Director (also the Chief Executive Officer ("CEO") of LIC Singapore).
- Mr K V Rao, Independent Director

Board meetings are generally held once in three months. The Board provides strategic direction and execution, ensures financial discipline and accountability to the policyholders and also ensures the interest of the policyholders and stakeholders. The Board is responsible for overseeing the invested assets and the investment process of LIC Singapore. The Board will rely on the Investment Committee /CEO for ensuring that the day to day management of the investment portfolio is appropriate. Financial powers are delegated to the Investment Committee and to the CEO separately. The Board approves the investment policy statement and asset allocation and the policy will be up for review annually. At least quarterly, the Board will review the performance of the investment portfolio and consider and decide upon any special circumstances or issues that may arise.

Risk Management

The parent Company, LIC of India has a committed focus on the risk management systems for its investment functions by efficiently managing risk and returns by implementing comprehensive risk management policies, risk adjusted investment decisions and incorporating a strong risk mitigation culture.

LIC Singapore has the same commitment as the parent company on s risk management. As per the mandatory requirements stated in the MAS Notice 126 "ERM for Insurers", LIC Singapore has established its ERM framework and will continue to enhance its ERM framework and internal controls as the business continues to grow steadily. In accordance to MAS Notice 126, LIC Singapore as a Tier 2 insurer has performed its own risk and solvency assessment to assess the adequacy of their risk management, and current and projected future solvency positions for 2017.LIC Singapore also has done its Internal Audit in 2017.

LIC Singapore operates in a mature and competitive insurance landscape in Singapore with established life insurance players. LIC Singapore expects to face substantial challenges to grow its portfolio in a measured manner, differentiate its product and service offerings from other players, and acquire market share in the life insurance segment. Based on a high-level risk assessment of the current risk profile, the material risks to LIC Singapore are life insurance risk, interest rate risk (including asset-liability mismatch risk), credit risk, liquidity risk, , operational risk as well as strategic risk relating to the undertaking of management decisions to develop the business.

Life insurance risk

The principal activity of LIC Singapore is to provide life insurance protection against risks such as mortality and morbidity (disability, personal accident). Incorrect estimation of assumptions used in pricing the product as well as the setting of technical provisions may give rise to potential shortfalls when actual experience deviates from expected experience. Sources of assumptions

affecting insurance risks include policy lapses and policy claims such as mortality, morbidity and expenses.

LIC Singapore utilizes surplus reinsurance to manage mortality and morbidity risks.

In addition, LIC Singapore has internal Product Development process comprising Appointed Actuary, Managers from the IT, Finance, Sales and Policy Services/Claims departments to determine the design and pricing of products. The product development and pricing process in itself constitutes an important aspect of the risk assessment and management process. The Appointed Actuary reviews and certifies all new product submissions to the MAS in accordance to MAS Notice 302 and actuarial guidance notes issued by Singapore Actuarial Society. The ultimate responsibility to approve the final design and pricing of products prior to launch rests with the Chief Executive Officer and the Board of LIC Singapore.

LIC Singapore's reinsurance management policy is to place reinsurance with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year. LIC Singapore has entered into one life reinsurance arrangement commencing from 1 July 2013 in relation to its Non-participating business.

Interest rate risk (including asset-liability mismatch risk)

LIC's objectives of investment of funds are to earn a sufficient return to fund all policyholder liabilities, match or exceed the expected returns assumed in product pricing, meet all solvency norms and capital adequacy ratio, and contribute to the growth of surplus.

LIC Singapore's exposure to changes in interest rates relates primarily to interest-earning financial assets such as Singapore Government bonds and corporate bonds, as LIC Singapore underwrites only single premium non-participating endowment products . The assets backing these policy liabilities are Singapore Government bonds of suitable tenor with such proportion in investment grade corporate bonds to achieve the investment return assumed for product pricing purposes. Interest rate risk is managed on an ongoing basis by considering the duration and maturity of assets and liabilities. Assets are also held in cash pending investment in appropriate bonds and to support the running expenses in the business. Matching assets and liabilities in terms of size, duration minimizes the asset-liability mismatch risks.

Unless the Board of Directors directs otherwise, assets held in the Shareholders' Fund are invested in cash and Singapore Government bonds.

LIC Singapore does not use any derivative financial instruments.

Credit risk

Credit risk is the risk of financial loss to LIC Singapore if a customer or counterparty to a financial instrument fails to meet its contractual obligations. LIC Singapore has put in place a credit policy and the exposure to credit risk is monitored on an ongoing basis. Cash is placed with regulated financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

At the reporting date, there are no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that LIC Singapore will counter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

At the reporting date, there is no significant liquidity risk faced by LIC Singapore.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect LIC Singapore's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

At the reporting date, LIC Singapore does not have any exposure to foreign currency and equity price risks.

Operational risk

Operational risk arises from any event or action that may potentially impact partly or completely the achievement of LIC Singapore's financial objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.
It will continue to enhance its internal risk mitigation and process controls to mitigate potential lapses in its ongoing business activities.

Concentration risk

The Company does not have any significant concentration risk

Product Classification

LIC Singapore currently only writes non-participating single premium or two-pay premium life insurance business.

Life insurance contract liabilities

Insurance contracts are recognized and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. The key elements affecting insurance contract liabilities are the premiums, benefit payments, maintenance expenses and valuation discount rate methodology used to calculate policy liabilities.

Life insurance liabilities are recognized immediately after contracts are entered into and premiums are charged. Gross premium valuation method is used according to Singapore Risk Based Capital Regulation ("RBC"). In the case of Non-participating policies, in which all future benefits are guaranteed, life insurance liabilities are calculated as the sum of present values of expected future outgoes minus present values of expected future premium income, discounted using an appropriate discount rate. Extra risk margin is incorporated to allow for adverse deviation from expected experiences.

According to Singapore RBC regulation, the valuation discount rate is equal to the zero coupon spot yields on Singapore Government Securities.

The assumptions on morality, disability, critical illness, expenses and lapses are derived from companies' own experience studies, reference to pricing assumptions and market benchmarks.

Capital management

All licensed insurers that carry on insurance business in Singapore are subject to the prudential standards which set out the basis for calculating the fund solvency requirements ("FSR") and capital adequacy requirement ("CAR"), which is a minimal level of capital that must be held to meet policyholders' obligations. The FSR and CAR apply a risk-based approach to capital adequacy and are determined to be the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Act. All risk requirements of all insurance funds are calculated based on current life contract liabilities and assets with respect to risk factors prescribed by MAS. It is LIC Singapore's policy to hold capital levels in excess of FSR and CAR.

LIC Singapore defines "available capital" to be share capital and accumulated profits in the insurance fund. The immediate holding company and ultimate holding company, LIC of India, ensures that the insurer has adequate capital in order to meet its obligations and to sustain ongoing operations.

LIC Singapore started operations in 2013 with paid-up ordinary share capital of $23.9 million.
LIC Singapore's CAR ratio as on 31/12/2017 was 1179.24% and well above the regulatory minimum.

M.Govindaraju
CEO

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 [date of signing].

1 Domicile and activities

The registered office of Life Insurance Corporation (Singapore) Pte Ltd (the "Company") is at 3 Raffles Place, #10-01, Bharat Building, Singapore 048617.

The principal activity of the Company is to carry on life insurance business.

The immediate and ultimate holding company is Life Insurance Corporation of India, set-up in India by an Act of Parliament in 1956.

2 Basis of preparation

2.1 Statement of compliance

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

The assets and liabilities of the Company which relate to the insurance business carried on in Singapore are subject to the requirements of the Insurance Act, Chapter 142 (the Insurance Act). Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. The net assets of the Company held in the insurance funds must be sufficient to meet the solvency requirements stipulated in Section 18 at all times. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 of the Insurance Act 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 the historical cost basis except for financial assets at fair value through profit or loss.

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 FRSs require 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in note 4.

2.5 Changes in accounting policies

A number of new standards, amendments to standards and interpretations are effective for annual period 1 January 2017, and have been applied in preparing these financial statements. None of these have a significant effect on the financial statements of the Company.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

3.1 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are retranslated 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 retranslated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

3.2 Classification of insurance contracts

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

3.3 Insurance contracts

Premiums and commission

Premiums is recognised as income when due from policyholders. Premiums not received on the due date are recognised as revenue with the corresponding outstanding premiums recognised in the balance sheet. The corresponding commission payable is accountable for on the same basis.

The Company does not recognise deferring acquisition costs for its insurance contracts as it is assessed to be immaterial.

Claims and benefits incurred

Claims include maturities, annuities, surrenders, deaths and other claim events. Maturity claims are recorded on the policy maturity date. Annuity claims are recorded when the annuity becomes due for payment. Surrenders are recorded when paid, death claims and payments on other claim events are recorded when notified.

Benefits are recorded as an expense when they are incurred.

Reinsurance

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

An asset or liability is recognised in the balance sheet representing premiums due to or payments due from reinsurers and the share of benefits and claims recoverable from reinsurers. The net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts 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.

Insurance contract liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is measured using assumptions considered to be appropriate for the policies in force. The actuarial valuation basis is determined by the Appointed Actuary and complies with the Insurance Act, Cap. 142 and Insurance (Valuation and Capital) Regulations and guidance notes issued by the Singapore Actuarial Society ("SAS") "GN L01" and "GN L02".

Additional provision is made in the valuation assumptions to allow for any adverse deviation from the best estimate experience. Provision for adverse deviation ("PAD") is reviewed annually by the Appointed Actuary to assess its appropriateness and sufficiency.

Liability adequacy test

At each reporting date, liability adequacy tests are performed on each insurance fund to assess the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of discounted contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Where a shortfall is identified, additional provision is made and the deficiency is charged to profit or loss in the statement of comprehensive income.

3.4 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company's non-derivative financial assets comprise loans and receivables.

The Company classifies non-derivative financial assets into the following categories: loans and receivables, financial assets at fair value through profit or loss and held-to-maturity financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables of the Company comprise cash and cash equivalents and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

As disclosed in note 6, some of the debt securities held by the Company are designated at fair value through profit or loss.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. As disclosed in note 6, held-to-maturity financial assets comprise certain debt securities.

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities of the Company comprise accrued expenses and other payables.

Share capital

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.

3.5 Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain and loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and is recognised net within other income/other expenses in profit or loss.

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful life is as follows:

Furniture & fittings	-	5 years
Office equipment	-	5 years
Computers	-	3 years
Renovation	-	2 years

Fully depreciated assets are retained in the financial statement until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

3.6 Impairment

Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor will enter bankruptcy.

Loans and receivables and held-to-maturity investments

The Company considers evidence of impairment for loans and receivables and held-to-maturity financial assets at both a specific asset and collective level. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity financial assets. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of 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, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its related 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 to sell. 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.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of assets recognised in prior periods is 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, if no impairment loss had been recognised.

3.7 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term compensated absences

Short-term accumulating compensated absences are recognised when the employees render service that increases their entitlement to future compensated absences.

Revenue

Revenue comprises the following earned premiums from insurance contracts. The accounting policies for the recognition of revenue from insurance contracts is disclosed in note 3.3.

Net investment income

Net investment income comprises interest income, investment related expenses, net gains/losses on the disposal financial assets, changes in the fair value of financial assets at fair value through profit or loss that are recognised in profit or loss and impairment losses recognised on financial assets that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.8 Lease payment

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease

3.9 Income tax

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.

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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

3.10 New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however the Company has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Company does not plan to adopt these standards early.

Applicable to 2018 financial statements

New standards

Summary of the requirements	**Potential impact on the financial statements**
Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts* (Amendments to FRS 104)	
The amendments introduce two approaches for entities that apply FRS 104 to reduce the impact of differing effective dates with IFRS 17 *Insurance Contracts* and FRS 109 *Financial Instruments*: an overlay approach and a temporary exemption from applying FRS 109.	The Company is currently assessing the impact and has decided that it will defer the implementation of FRS 109 till the new insurance accounting standards is issued and it is able to perform a comprehensive assessment of both standards together.

New standards

Summary of the requirements	**Potential impact on the financial statements**
Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts* (Amendments to FRS 104) (cont'd) IFRS 17 has been issued by the International Accounting Standards Board. The Accounting Standards Council is considering adopting a local version of IFRS 17. IFRS 17 is expected to have a significant impact on the Company's financial statements. That standard may impact how the Company classifies financial instruments under FRS 109. Therefore, the different effective dates of the IFRS 17 and FRS 109 are expected to have a significant impact on the Company's financial statements. The amended FRS 104: • gives insurers (entities that issue insurance contracts) the option for designated financial assets to reclassify between profit or loss and other comprehensive income, the difference between the amount reported in profit or loss under FRS 109 and the amount that would have been reported in profit or loss for those assets if the company had applied FRS 39 (the "Overlay Approach"); and • gives insurers whose activities are predominantly connected with insurance as defined in the amendments, an optional temporary exemption from applying FRS 109 till the earlier of annual reporting periods beginning before 1 January 2021 or when IFRS 17 becomes effective. The insurers that defer the application of FRS 109 will continue to apply the existing financial instruments standard - FRS 39 until that time.	

New standards Summary of the requirements	**Potential impact on the financial statements**
Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts* (Amendments to FRS 104) (cont'd) An insurer that applies the Overlay Approach discloses information to enable users of financial statements to understand: a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and b) the effect of that reclassification on the financial statements. An insurer that elects to apply the temporary exemption from FRS 109 discloses information to enable users of financial statements: a) to understand how the insurer qualified for the temporary exemption; and b) to compare insurers applying the temporary exemption with entities applying FRS 109. The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2021 and will expire once IFRS 17 becomes effective. The amendments allowing the overlay approach are applicable when the insurer first applies FRS 109.	

New standards Summary of the requirements	**Potential impact on the financial statements**
FRS 116 *Leases*	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.	The Company has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 15). Based on the preliminary assessment, the Company expects the impact to the financial statements to be immaterial to the net assets of the Company under the new standard.
FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.	The Company plans to adopt the standard when it becomes effective in 2019. The Company will perform a detailed analysis of the standard, including the transition options and practical expedients before the standard is effective.
When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases—Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.	
FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	

4 Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(i) Process used to determine assumptions

Key assumptions used for deriving the insurance contract liabilities include mortality, voluntary terminations, administration expenses and discount rate. Given the Company is established recently, experience is limited and therefore reliance has been placed on external benchmarks to set the assumptions. As the experience will unfold, appropriateness of these assumptions will be investigated. The Company bases the mortality assumptions on the reinsurers' mortality tables. Voluntary terminations are based on external benchmarks as the Company has limited experience currently. Estimates of administration expenses are determined in line with the expected costs in future. The derivation of the discount rate is in accordance with the MAS Notice 319 and guidance note issued by the Singapore Actuarial Society (SAS GNL02). It has been assumed that current tax legislation and rates continue substantially unaltered. In addition, an appropriate risk margin allowance for adverse deviation from the estimates is made.

(ii) Sensitivity analysis

The following table presents the sensitivity of the value of insurance contract liabilities to movements in the variables used in the estimation of insurance contract liabilities.

Variable	**Change in variable**	**Change in liability and profit/loss (S$)**
Lowering of discount rate	-0.5%	656,495
Worsening of base renewal expense level	+10%	141,754
Worsening of lapse rate	-10%	17,733
Worsening of mortality	+10%	89

The above analyses are based on a change in an assumption whilst not changing any other assumptions. The whole discount rate curve is assumed to incur a parallel shift of 50bps down in the discount rate sensitivity.

5 Plant and equipment

	Furniture and office equipment $	Computers $	Renovation $	Total $
Cost				
At 1 January 2016	88,014	640,501	280,065	1,008,580
Additions	–	34,410	66,777	101,187
Write-off	(28,645)	–	–	(28,645)
At 31 December 2016	59,369	674,911	346,842	1,081,122
Additions	–	32,524	–	32,524
Write-off	–	–	–	–
At 31 December 2017	59,369	707,435	346,842	1,113,646
Accumulated depreciation				
At 1 January 2016	56,776	576,362	280,065	913,203
Depreciation charge for the year	11,208	41,350	18,453	71,011
Write-off	(18,183)	–	–	(18,183)
At 31 December 2016	49,801	617,712	298,518	966,031
Depreciation charge for the year	9,568	28,702	33,342	71,612
Write-off	–	–	–	–
At 31 December 2017	59,369	646,414	331,860	1,037,643
Carrying amounts				
At 1 January 2016	31,238	64,139	–	95,377
At 31 December 2016	9,568	57,199	48,324	115,091
At 31 December 2017	–	61,021	14,982	76,003

6 Investments and loan

	2017 $	2016 $
Debt securities		
Fair value through profit or loss	33,193,189	10,997,816
Held-to-maturity at amortised cost	255,389	762,260
	33,448,578	11,760,076
Policy loan	30,000	30,000
Total investments and loan	33,478,578	11,790,076

The current portion of debt securities, including MAS treasury bills, is $8,601,958 (2016: $1,761,716) with the remaining being non-current. The debt securities have stated interest rates of 0.00% to 4.84% (2016: 0.5% to 4.84%) and mature substantially over 1 year to 6 years.

Policy loan is loan secured by the cash surrender values of the relevant policy. The loan has no fixed terms of repayment

7 Other receivables

	2017 $	2016 $
Deposits	48,050	52,149
Interest receivable	259,947	109,095
Sundry receivables	–	3,366
Loans and receivables	307,997	164,610
Prepayments	184,890	220,188
	492,887	384,798

Other receivables are all due within the next financial year.

8 Cash and cash equivalents

Cash and cash equivalents at end of the year comprise:

	2017 $	2016 $
Fixed deposits with financial institutions	6,995,781	11,887,359
Cash and bank balances	993,551	2,078,372
	7,989,332	13,965,731

The weighted average effective interest rates per annum relating to cash and cash equivalents at the reporting date is 0.95% (2016: 0.71%).

9 Share capital

	2017 No. of shares	2016 No. of shares
Issued and fully paid:		
At 1 January and 31 December	23,930,000	23,930,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Company defines "capital" to be share capital and accumulated profits. The immediate and ultimate holding company ensure that the Company has adequate capital in order to meet its obligations and to sustain the operations of the Company.

All insurers and reinsurers that carry on insurance business in Singapore are registered with MAS and are subject to the prudential standards which set out the basis for calculating the fund solvency requirements (FSR) and capital adequacy requirement (CAR), which is a minimal level of capital that must be held to meet policyholders' obligations. The FSR and CAR apply a risk-based approach to capital adequacy and are determined to be the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the reinsurer under the Act. It is the Company's policy to hold capital levels in excess of FSR and CAR.

10 Insurance contract liabilities

	2017 $	2016 $
Life insurance non-par contracts	30,798,752	12,939,045
Current portion	(4,824,298)	476,792
Non-current portion	35,623,050	12,462,253
	30,798,752	12,939,045

Movements in insurance contract liabilities

Life insurance non-par contracts

	2017 $	2016 $
At 1 January	12,939,045	7,469,719
Benefit paid/payable	–	–
Movement during the year	17,859,707	5,469,326
At 31 December	30,798,752	12,939,045

Movements in insurance contract provisions include the aggregate of all the events giving rise to additional policyholder liabilities in the year. These include death claims, surrenders, lapses, the setting up of liability to policyholders at the initial inception of the policy, the declaration of bonuses and other amounts attributable to policyholders.

11 Accrued expenses and other payables

	2017 $	2016 $
Accrued expenses and other payables	172,027	247,054

Accrued expenses and other payables are due within the next financial year.

12 Loss before tax

The following items have been included in arriving at loss before tax:

	2017 $	2016 $
Information system charges	445,760	403,491
Operating lease expense	92,454	200,950
Professional fees	343,579	332,159
Net investment expenses/(income)		
Amortisation cost of investments	6,871	6,729
Interest income:		
- fair value through profit or loss	(745,952)	(313,071)
- held-for-maturity	(15,875)	(23,687)
- fixed deposits	(56,758)	(104,284)
Loss on disposal of investments	31,163	73,550
Fair value changes in investments	(206,941)	(63,055)

13 Income tax expense

	2017 $	2016 $
Tax expense		
Current year	–	–
Under provision for prior years	–	–
	–	–

Reconciliation of effective tax rate

	2017	2016
Loss before tax	(2,003,576)	(2,042,887)
Tax calculated using Singapore tax rate at 17%	(340,608)	(347,291)
Expenses not deductible for tax purposes	12,174	12,072
Effect of deferred tax assets not recognised	328,434	335,219
	–	–

Deferred tax assets have not been recognised because it is not probable that future taxable profits will be available against which the Company can utilise the benefits.

Unutilised tax losses amounting to $11,239,003 (2016: $9,307,039) are available for set off against taxable profits of future years subject to compliance with the provisions of Section 37 of the Singapore Income Tax Act, Chapter 134 and the Inland Revenue Authority of Singapore.

14 Financial risk management

General Information of the Insurance product launched during the year 2017:

The Company has launched following single premium and regular premium endowment type products during the year 2017 for various terms:

1. Grow More - Single Premium Endowment Product (Non-Par) for 3 years and 6 years term.
2. Invest Smart- Regular Premium Endowment Product (Non -Par) for 5 year term with two annual premium.
3. Money More- Single Premium Endowment Product (Non-Par) for 3 years and 6 years term.
4. Invest Smart II- Regular Premium Endowment Product (Non -Par) for 5 year term with two annual premium.

Life insurance non-par contracts

The life insurance non-par contracts consist of single premium and regular premium endowment policy.

The risk under any insurance contract is the possibility that the insured event occurs and thus the uncertainty of the amount of the resulting claim. However, considering the nature of the guaranteed benefits (guaranteed simple interest rate at 1.00 % to 2.40%) under the product, the key risk to the company is the investment return assumption.

Reinsurance contract

Reinsurance contract exists for all policies of Individual Whole Life Plan, Term Assurance Plan and their attaching riders which have not been sold by the company in the year 2017.

Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Company's business. The Company has established risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy. Such established policies are reviewed annually by the Company's management and periodic reviews are undertaken to ensure that the Company's policy guidelines are adhered to.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

The Company is exposed to geographical concentration of risks as all its contracts originated in Singapore. At the reporting date, cash is placed with regulated financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

	Financial strength rating				
	AAA	**A to AA**	**B to BBB**	**Not rated**	**Total**
	$	**$**	**$**	**$**	**$**
2017					
Debt securities:					
Designated at fair value through profit or loss	6,769,207	10,528,235	15,895,747	–	33,193,189
Held-for-maturity investments	–	255,389	–	–	255,389
	6,769,207	10,783,624	15,895,747	–	33,448,578
Cash and cash equivalents	–	980,370	7,000,934	8,028	7,989,332
	6,769,207	11,763,994	22,896,681	8,028	41,437,910
2016					
Debt securities:					
Designated at fair value through profit or loss	2,809,421	3,124,579	5,063,816	–	10,997,816
Held-for-maturity investments	–	512,089	250,171	–	762,260
	2,809,421	3,636,668	5,313,987	–	11,760,076
Cash and cash equivalents	–	2,072,777	11,892,512	442	13,965,731
	2,809,421	5,709,445	17,206,499	442	25,725,807

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Cash flows			
	Carrying amount	**Contractual cash flows**	**Within 1 year**	**Within 1 to 5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**
2017					
Insurance contract provisions	30,798,752	33,072,398	(4,881,415)	35,123,230	2,830,583
Accrued expenses and other payables	172,027	172,027	172,027	–	–
	30,970,779	33,244,425	(4,709,388)	35,123,230	2,830,583
2016					
Insurance contract provisions	12,939,045	13,698,939	477,802	12,450,953	770,184
Accrued expenses and other payables	247,054	247,054	247,054	–	–
	13,186,099	13,945,993	724,856	12,450,953	770,184

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

At balance sheet date, the Company does not have any significant exposure to foreign currencies and equity price risks.

Interest rate risk

The Company's exposure to changes in interest rates relates primarily to investment in debt securities. Substantially, the Company's exposure to market risk for changes in interest rate is concentrated in its investment portfolio and insurance liabilities. The Company monitors this exposure through periodic reviews of its asset and liability positions. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance liabilities, are modelled and reviewed regularly. The overall objective of these strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rate at the reporting date and the periods in which they reprice:

	Effective	Floating interest rate maturing	Fixed interest rate maturing			
	interest rate	within 1 to 5 years	within 1 year	1 to 5 years	after 5 years	Total
2017	%	$	$	$	$	$
Financial assets						
Debt securities	2.51	744,607	8,601,958	16,367,143	7,734,870	33,448,578
Cash and cash equivalents	0.95	–	7,989,332	–	–	7,989,332
		744,607	16,591,290	16,367,143	7,734,870	41,437,910
2016						
Financial asset						
Debt securities	2.37	–	1,761,716	9,487,899	510,461	11,760,076
Cash and cash equivalents	0.71	–	13,965,731	–	–	13,965,731
		–	15,727,447	9,487,899	510,461	25,725,807

Risk arising from guaranteed returns on insurance

On death or maturity, there is an effective guarantee under our insurance contracts. The Company pays the sum assured on death or maturity. The implicit guaranteed simple interest rate in our products ranges between 1.55% to 2.40%. Existing policy reserves are sufficient to ensure that guarantees may be met.

Accounting classification and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Designated at fair value $	Loans and receivables $	Held-to-maturity $	Other financial liabilities within scope FRS 39 $	Total carrying amount $	Fair value $
2017							
Investments and loan	6	33,193,189	30,000	255,389	–	33,478,578	33,479,650
Other receivables	7	–	492,887	–	–	492,887	492,887
Cash and cash equivalents	8	–	7,989,332	–	–	7,989,332	7,989,332
		33,193,189	8,512,219	255,389	–	41,960,797	41,961,869
Accrued expenses and other payables	11	–	–	–	(172,027)	(172,027)	(172,027)
2016							
Investments and loan	6	10,997,816	30,000	762,260	–	11,790,076	11,790,867
Other receivables	7	–	384,798	–	–	384,798	384,798
Cash and cash equivalents	8	–	13,965,731	–	–	13,965,731	13,965,731
		10,997,816	14,380,529	762,260	–	26,140,605	26,141,396
Accrued expenses and other payables	11	–	–	–	(247,054)	(247,054)	(247,054)

Valuation processes applied by the Company

The Company established an investment committee which comprises the Chief Executive, certified actuary and finance manager.

The investment committee reviews monthly performance reports issued by fund manager. All investments held by the Company are quoted in the active market.

Investments in debt securities

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted closing bid prices at the reporting date.

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities with a maturity of less than one year (including other receivables, cash and cash equivalents, and accrued expenses and other payables) are assumed to approximate their fair values because of the short period to maturity.

Fair value hierarchy

The table below analyses fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: unobservable inputs for the asset or liability.

Financial assets and financial liabilities carried at fair value

	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
2017				
Financial assets designated at fair value through profit or loss	33,193,189	–	–	33,193,189
2016				
Financial assets designated at fair value through profit or loss	10,997,816	–	–	10,997,816

15 Lease commitment

Commitments for minimum lease payments under non-cancellable operating leases are as follows:

	2017 $	2016 $
Within one year	161,146	215,351
After one year but within five years	28,950	99,446

16 Related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

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

The key management personnel compensation comprised:

	2017 $	2016 $
Employment benefits	135,273	137,743