Life Insurance Corporation (Singapore)Pte Ltd

UEN 201210695E

MANAGEMENT REPORT

31/12/2019

LIFE INSURANCE CORPORATION (SINGAPORE) PTE. LTD.

For the financial year, from 1st January 2019 to 31st December 2019

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 2019, LIC Singapore launched total of six products. All of these were non-participating single-premium, two-pay endowment products and term insurance with DPI. The single premium and two pay products were tranche product. The term plan and DPI are on-going products. 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 2019 we had tie up with 22 Financial Advisory firms with an outreach of approximately 2622 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 M R Kumar, Board Chairman;
- Mr. Pradeep P Kelkar, 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 2019. LIC Singapore also has done its Internal Audit in 2019.

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 writes non-participating single premium or two-pay premium life insurance business and term insurance plan.

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. The current paid-up ordinary share capital is $43.9 million.
LIC Singapore’s CAR ratio as on 31/12/2019 was 1986% and well above the regulatory minimum.

Pradeep P Kelkar
CEO

1 GENERAL

The Company (Registration No. 201210695E) is incorporated in Singapore with its principal place of business and registered office at 3 Raffles Place, #07-01, Bharat Building, Singapore 048617. The financial statements are expressed in Singapore dollars.

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

The Company was registered as a direct insurer on April 30, 2012 under the Insurance Act, Chapter 142 ("Insurance Act") to carry on life insurance business.

The financial statements of the Company for the year ended December 31, 2019 were authorised for issue by the Board of Directors on March 24, 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 116 *Leases*, and measurements have some similarities to fair value but are not fair value, such as value in use in FRS 36 *Impairment of Assets*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are

described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2019, the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs, and amendments to FRSs does not result in changes to the Company's accounting policies and has no material effect on the amounts reported for the current or prior year except as disclosed below:

Amendments to FRS 104 *Insurance Contracts: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*

The amendments introduce two optional approaches for entities that issue insurance contracts within the scope of FRS104 *Insurance Contracts*, which provides some entities with a temporary exemption from application of FRS 109 (the "deferral approach") for annual periods beginning before January 1, 2021; and gives all entities with insurance contracts the option, following full adoption of FRS 109, to present changes in fair value on qualifying designated financial assets in other comprehensive income (OCI) instead of profit or loss (the "overlay approach"). The Company has adopted the deferral approach.

Management has concluded that the Company is qualified for the temporary exemption as the Company has not previously applied FRS 109 and its activities are predominantly connected with insurance. As at December 31, 2019, the carrying amount of its liabilities arising from contracts within the scope of FRS 104 is significant as compared to the total carrying amount of all its liabilities, and the percentage of the total carrying amount of its liabilities connected with insurance is greater than 90% of the total carrying amount of all its liabilities.

The table below presents an analysis of the fair value of classes of financial assets as at December 31, 2019, as well as the corresponding change in fair value during the financial year. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest ("SPPI financial assets"), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and

- All financial assets other than those specified in SPPI above ("Other financial assets") (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis). As at December 31, 2019, the Company does not hold financial assets in this category.

		SPPI financial assets	
	FRS 39 classification	Fair value as at December 31, 2019	Fair value changes
		$	$
December 31, 2019			
Debt securities	Amortised cost	73,346,391	766,790
Cash, bank balances and fixed deposits	Amortised cost	8,556,246	-
Other receivables	Amortised cost	598,345	-
December 31, 2018			

Debt securities	Amortised cost	52,801,965	(657,007)
Cash, bank balances and fixed deposits	Amortised cost	10,120,608	-
Other receivables	Amortised cost	477,792	-

The carrying amount under FRS 39 for SPPI financial assets analysed by credit risk rating are disclosed in Note 4 (a). As at December 31, 2019, the fair value and carrying amount of SPPI financial assets that do not have low credit risk are insignificant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FRS 116 Leases

FRS 116 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of FRS 116 on the Company's financial statements is described below.

The date of initial application of FRS 116 for the Company is January 1, 2019.

The Company has applied FRS 116 using the cumulative catch-up approach which:

- requires the Company to recognise the cumulative effect of initially applying FRS 116 as an adjustment to the opening balance of retained earnings at the date of initial application; and

- does not permit restatement of comparatives, which continue to be presented under FRS 17 and INT FRS 104.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to FRS 116 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with FRS 17 and INT FRS 104 will continue to be applied to those leases entered or changed before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. FRS 116 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in FRS 17 and INT FRS 104.

The Company applies the definition of a lease and related guidance set out in FRS 116 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in FRS 116 does not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on lessee accounting

Former operating leases

FRS 116 changes how the Company accounts for leases previously classified as operating leases under FRS 17, which were off-balance-sheet.

Applying FRS 116, of all leases, the Company:

(i) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with FRS 116.C8(b)(ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as if the Standard had been applied since the commencement date;

(ii) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

(iii) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under FRS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under FRS 116, right-of-use assets are tested for impairment in accordance with FRS 36 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by FRS 116. This expense is presented within other operating expenses in the statement of profit or loss.

(c) Financial impact of initial application of FRS 116

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on January 1, 2019 is 4.25%.

The following table shows the operating lease commitments disclosed applying FRS 17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2019
	$
Operating lease commitments at December 31, 2018	949,608
Add: Lease rent of staffs	651,796
Less: Effect of discounting the above amounts	(135,519)
Lease liabilities recognised as at January 1, 2019	1,465,885

The Company has assessed that there is no tax impact arising from the application of FRS 116.

The company has adopted transition option to measure asset at amount equal to liabilities using incremental borrowing rate at the date of initial application of IFRS 116.

At the date of authorisation of these financial statements, the following FRSs were issued but not effective and are expected to have an impact to the Company in the periods of their initial application:

Effective for annual periods beginning on or after January 1, 2021

FRS 117 *Insurance Contracts* - FRS 117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes FRS 104 Insurance Contracts.

The Standard outlines a Building Block Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty; it takes into account market interest rates and the impact of policyholders' options and guarantees.

Profit from selling insurance policies is deferred in a separate liability component on day 1 and aggregated in groups of insurance contracts; it is then reported systematically through profit or loss over the period during which insurers provide cover after making adjustments from changes in assumptions relating to future coverage.

Management anticipates that the initial application of the FRS 117 will result changes to the accounting policies relating to insurance contract liabilities. Additional disclosures will also be made with respect of insurance contract liabilities, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Company's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 117.

Deferral of the date of initial application of IFRS 17 by two years

On March 17, 2020, The International Accounting Standards Board (IASB) has decided that the effective date of IFRS 17 Insurance Contracts will be deferred to annual reporting periods beginning on or after 1 January 2023. The IASB also decided to extend the exemption currently in place for some insurers regarding the application of IFRS 9 Financial Instruments to enable them to implement both IFRS 9 and IFRS 17 at the same time.

The IASB expects to issue the amendments to IFRS 17 in the second quarter of 2020. The Accounting Standards Council ("ASC")'s policy position has been to align Singapore accounting standards with IFRS and plans to apply the same effective date.

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Insurance contracts

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) Liability adequacy test

At each reporting date, liability adequacy tests are assessed 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.

2.5 Financial instruments

2.5.1 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D))

(a) 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 of cash and bank balances and other receivables.

(b) Cash and bank balances

Cash and bank balances comprise cash, bank balances and fixed deposits with financial institution.

(c) 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 7, some of the debt securities held by the Company are designated at fair value through profit or loss.

(d) 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 7, held-to-maturity financial assets comprise certain debt securities.

2.5.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5.2 Non-derivative financial liabilities (Cont'd)

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.

2.5.3 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.

2.6 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Plant and equipment (Cont'd)

The estimated useful life is as follows:

Furniture	-	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.

2.7 Impairment

2.7.1 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.

2.7.2 Loans and receivables

The Company considers evidence of impairment for loans and 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.

2.7.3 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.

2.8 Employee benefits

2.8.1 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.

2.8.2 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.

2.8.3 Short-term compensated absences

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 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.

2.10 Lease

Leases (before January 1, 2019) - 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

Leases (from January 1, 2019)

The Company as lessee

The *Company* assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Lease (Cont'd)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under FRS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies FRS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘Management expenses’ in the statement of profit or loss.

As a practical expedient, FRS 116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.11 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.

2.12 Foreign currency

The financial statements are presented in Singapore dollars, which is also the Company's functional currency. Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at end of each reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Transactions in foreign currencies are recorded at rates prevailing on transaction dates. Exchange differences arising on the settlement of monetary item or on translating monetary item at end of each reporting period are recognised in profit or loss.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, 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.

(i) Critical judgements in applying the Company's accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements, except for those relating to insurance contract liabilities (refer to estimation uncertainty below). Management discussed with the directors the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates.

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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:

Key assumptions used for deriving the insurance contract liabilities include mortality, voluntary terminations, administration expenses and discount rate. Given the Company was just established in 2012, 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(ii) Key sources of estimation uncertainty (Cont'd)

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	Change in profit/loss
		$	$
Lowering of discount rate	-50bps	+688,126	-688,126
Worsening of base renewal expense level	+10%	+243,768	-243,768
Worsening of lapse rate	-10%	+14,619	-14,619
Worsening of mortality	+10%	+142	-142

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.

4 FINANCIAL RISK MANAGEMENT

General Information of the Insurance product launched during the year 2019:

The Company has launched following single premium and regular premium endowment type products during the year 2019 for various terms:

1. Wealth Plus IV - Single Premium Endowment Product (Non-Par) for 5 years term.
2. New Secure Future Term (DPI and non-DPI)- Regular Premium Term Insurance Product (5,10,15,20, up till age 65 years).
3. Secure Growth- Single Premium Endowment Product (Non-Par) for 3 years term.
4. Wealth Plus IV - Single Premium Endowment Product (Non-Par) for 5 years term.

4 FINANCIAL RISK MANAGEMENT (CONT'D)

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 during the year.

Categories of financial instruments

	2019	2018
	$	$
Financial assets		
Debt securities	73,346,391	52,801,965
Other receivables	598,345	477,792
Cash and bank balances	8,556,246	10,120,608
Financial liabilities		
Other payables and accruals	240,731	275,941
Lease liabilities	1,090,315	-

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.

4 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) 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
	$	$	$	$	$
2019					
Debt securities:					
Designated at fair value through profit or loss	13,588,711	26,800,968	32,956,712	-	73,346,391
Other receivables	-	-	-	598,345	598,345
Cash and bank balances	-	1,276,675	7,270,734	8,837	8,556,246
	13,588,711	28,077,643	40,227,446	607,182	82,500,982
2018					
Debt securities:					
Designated at fair value through profit or loss	10,753,905	16,302,100	25,745,960	-	52,801,965
Other receivables	-	-	-	477,792	477,792
Cash and bank balances	-	850,936	9,267,774	1,898	10,120,608
	10,753,905	17,153,036	35,013,734	479,690	63,400,365

4 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) 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
	$	$	$	$	$
2019					
Insurance contract provisions	56,363,266	58,603,375	5,730,127	52,801,704	71,543
Other payables and accruals	240,731	240,731	240,731	-	-
	56,603,997	58,844,106	5,970,858	52,801,704	71,543
2018					
Insurance contract provisions	44,955,800	47,837,656	231,721	43,623,034	3,982,902
Other payables and accruals	275,941	275,941	275,941	-	-
	45,231,741	48,113,597	507,662	43,623,034	3,982,902

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the 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.

(d) 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.

4 FINANCIAL RISK MANAGEMENT (CONT'D)

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 interest rate	Floating interest rate maturing within 1 to 5 years	Fixed interest rate maturing within 1 year	Fixed interest rate maturing 1 to 5 years	Fixed interest rate maturing after 5 years	Non-interest bearing and no maturity date	Total
2019	%	$	$	$	$	$	$
Financial assets							
Debt securities	2.75	497,025	23,813,398	37,419,778	11,616,190	-	73,346,391
Other receivables	-	-	-	-	-	598,345	598,345
Cash and bank balances	1.32	-	8,556,246	-	-	-	8,556,246
		497,025	32,369,644	37,419,778	11,616,190	598,345	82,500,982
2018							
Financial assets							
Debt securities	2.75	744,015	11,746,102	34,546,423	5,765,425	-	52,801,965
Other receivables	-	-	-	-	-	477,792	477,792
Cash and bank balances	1.48	-	10,120,608	-	-	-	10,120,608
		744,015	21,866,710	34,546,423	5,765,425	477,792	63,400,365

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 2.10% to 2.45%. Existing policy reserves are sufficient to ensure that guarantees may be met.

4 FINANCIAL RISK MANAGEMENT (CONT'D)

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	Other financial liabilities within scope FRS 39	Total carrying amount	Fair value
		$	$	$	$	$
2019						
Investments and loan	7	73,346,391	-	-	73,346,391	73,346,391
Other receivables	9	-	598,345	-	598,345	598,345
Cash and bank balances	10	-	8,556,246	-	8,556,246	8,556,246
		73,346,391	9,154,591	-	82,500,982	82,500,982
Other payables and accruals	14	-	-	(240,731)	(240,731)	(240,731)
2018						
Investments and loan	7	52,801,965	-	-	52,801,965	52,801,965
Other receivables	9	-	477,792	-	477,792	477,792
Cash and bank balances	10	-	10,120,608	-	10,120,608	10,120,608
		52,801,965	10,598,400	-	63,400,365	44,078,050
Other payables and accruals	14	-	-	(275,941)	(275,941)	(275,941)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

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 bank balances, and other payables and accruals) 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.

4 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial assets and financial liabilities carried at fair value

	Level 1
	$
2019	
Financial assets designated at fair value through profit or loss	73,346,391
2018	
Financial assets designated at fair value through profit or loss	52,801,965

5 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.

The Company has entered into a Service Line Agreement ("SLA") on May 7, 2018 with the parent company, Life Insurance Corporation of India ("LICI") for the core business application and benefit illustration software with no costs or fees are required to be paid by the Company until May 2020.

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 remuneration of key management personnel compensation during the year was as follows:

	2019	2018
	$	$
Directors' remuneration and other employment benefits	170,250	151,363

6 PLANT AND EQUIPMENT

	Furniture and Office Equipment	Computers	Renovation	Work-In-Progress	Total
	$	$	$	$	$
Cost					
At January 1, 2018	59,369	707,435	346,842	-	1,113,646
Additions	-	-	-	54,892	54,892
At December 31, 2018	59,369	707,435	346,842	54,892	1,168,538
Additions	941	143,568	137,033	-	281,542
Transfer	-	-	54,892	(54,892)	-
At December 31, 2019	60,310	851,003	538,767	-	1,450,080
Accumulated depreciation					
At January 1, 2018	59,369	646,414	331,860	-	1,037,643
Depreciation charge for the year	-	38,363	14,982	-	53,345
At December 31, 2018	59,369	684,777	346,842	-	1,090,988
Depreciation charge for the year	122	38,370	82,375	-	120,867
At December 31, 2019	59,491	723,147	429,217	-	1,211,855
Carrying amount:					
At December 31, 2019	819	127,856	109,550	-	238,225
At December 31, 2018	-	22,658	-	54,892	77,550

Included in work-in-progress is office renovation cost incurred amounting to $Nil (2018: $54,892).

7 DEBT SECURITIES

	2019	2018
	$	$
Debt securities		
Fair value through profit or loss	73,346,391	52,801,965

The current portion of debt securities, including MAS treasury bills, is $ 23,813,398 (2018: $11,996,318) with the remaining being non-current portion of $ 49,532,993 (2018: $40,805,647). The debt securities have stated interest rates of 0 % to 4.75% (2018: 0.00% to 4.50%) and mature substantially over 1 year to 6 years.

The movement in debt securities:

	2019	2018
	$	$
At beginning of year	52,801,965	33,448,578
Purchases	74,950,437	33,907,395
Disposals	(55,224,409)	(13,840,300)
Gain on disposal of investments	113,958	46,101
Loss on disposal of investments	(62,350)	(97,413)
Amortisation cost of investments	-	(5,389)
Fair value through profit and loss	766,790	(657,007)
At end of year	73,346,391	52,801,965

8 RIGHT-OF-USE ASSETS

The Company leases several assets including office space and lease rent of staffs. The average lease term is 3 years (2018: 3 years).

	Office Space & *Lease Rent of staff*
	$
Cost:	
At January 1, 2019	1,465,885
Additions	-
At December 31, 2019	1,465,885
Accumulated depreciation:	
At January 1, 2019	-
Depreciation for the year	396,395
At December 31, 2019	396,395
Carrying amount:	
At December 31, 2019	1,069,490
At January 1, 2019	1,465,885

During the financial year ended December 31, 2019, certain leases expired. The expired contracts were replaced by new leases for identical underlying assets.

9 OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	$	$
Deposits	56,724	60,350
Interest receivable	530,635	405,699
Sundry receivables	10,986	11,743
Loan and receivables	598,345	477,792
Prepayments	155,932	108,921
	754,277	586,713

10 CASH AND BANK BALANCES

Cash and bank balances at end of the year comprise:

	2019	2018
	$	$
Fixed deposits with financial institutions	7,270,734	9,262,574
Cash and bank balances	1,285,512	858,034
	8,556,246	10,120,608

The weighted average effective interest rates per annum relating to cash and bank balances at the reporting date is 1.32% (2018 : 1.48%).

11 SHARE CAPITAL

	2019	2018	2019	2018
	Number of ordinary shares		$	$
Issued and fully paid:				
At beginning of year	33,930,000	23,930,000	33,930,000	23,930,000
Issue of share capital	10,000,000	10,000,000	10,000,000	10,000,000
At end of year	43,930,000	33,930,000	43,930,000	33,930,000

On December 23, 2019 (2018: October 4, 2018), the Company has issued and fully paid for 10,000,000 (2018: 10,000,000) ordinary shares at $1.00 each to its parent company. 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.

12 INSURANCE CONTRACT LIABILITIES

	2019	2018
	$	$
Life insurance non-par contracts	56,363,266	44,955,800
Current portion	5,686,350	234,878
Non-current portion	50,676,916	44,720,922
	56,363,266	44,955,800

Movements in insurance contract liabilities:

	2019	2018
	$	$
At end of year	56,363,266	44,955,800
At beginning of year	44,955,800	30,798,752
Gross change in insurance contract liabilities	11,407,466	14,157,048
Gross benefits and claims paid	2,365,325	112,000
Gross Benefits and claims	13,772,791	14,269,048

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.

13 LEASE LIABILITIES

	2019
	$
Maturity analysis:	
Year 1	365,910
Year 2	278,253
Year 3	446,152
	1,090,315
Analysed as:	
Current	365,910
Non-Current	724,405
	1,090,315

Interest expense recognised in profit or loss relating to leases are amounting to $51,691. Repayments of lease liabilities arising from financing activities are amounting to $375,570. Lease liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's finance function.

14 OTHER PAYABLES AND ACCRUALS

	2019	2018
	$	$
Other payables	216,692	258,329
Accrued expenses	24,039	17,612
Other payables and accruals	240,731	275,941

Other payables and accrued expenses are due within the next financial year.

15 LOSS BEFORE INCOME TAX

Loss before income tax includes the following charges:

	2019	2018
	$	$
Information system charges	475,371	437,676
Operating lease expense	-	92,325
Depreciation expense on right of use assets	396,395	-
Interest expense on lease liabilities	51,691	-
Professional fees	336,782	387,400
Net investment expenses/(income)		
Amortisation cost of investments	-	5,389
Interest income:		
- debt securities	(1,807,639)	(1,226,375)
- fixed deposits	(91,023)	(114,264)
- policy loans	-	(936)
Gain on disposal of investments	(113,958)	(46,101)
Loss on disposal of investments	62,350	97,413
Fair value changes in investments	(766,790)	657,007

16 INCOME TAX EXPENSE

The income tax expense varied from the amount of income tax expense determined by applying the Singapore tax rate of 17% (2018: 17%) to profit before income tax as a result of the following differences:

Reconciliation of effective tax rate

	2019	2018
	$	$
Loss before tax	(2,084,778)	(2,710,926)
Tax calculated using Singapore tax rate at 17%	(354,412)	(460,857)
Expenses not deductible for tax purposes	22,464	11,188
Effect of deferred tax assets not recognised	331,948	449,670
	-	-

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 $15,683,067 (2018 : $11,074,335) 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.

17 OPERATING LEASE ARRANGEMENTS

	2018
	$
Minimum lease payments paid under operating leases	949,608

At the end of the reporting period, the commitments in respect of operating leases of office space and Staff Lease rent were as follows:

	2018
	$
Within one year	189,922
In the second to fifth year inclusive	759,686

Leases are negotiated for an average term of five years and rentals are fixed at an average of five years.

18 SUBSEQUENT EVENT

The recent global outbreak of the coronavirus ("COVID-19") has caused significant volatility within the economies and financial markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted. The effect of the impact of COVID-19 has not been reflected in these financial statements; such impact may affect the future results of the Company.

3 GENERAL

The Company (Registration No. 201210695E) is incorporated in Singapore with its principal place of business and registered office at 3 Raffles Place, #07-01, Bharat Building, Singapore 048617. The financial statements are expressed in Singapore dollars.

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

The Company was registered as a direct insurer on April 30, 2012 under the Insurance Act, Chapter 142 ("Insurance Act") to carry on life insurance business.

The financial statements of the Company for the year ended December 31, 2018 were authorised for issue by the Board of Directors on March 22, 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except leasing transactions that are within the scope of FRS 17 Leases, and measurements have some similarities to fair value but are not fair value, such as value in use in FRS 36 *Impairment of Assets*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

- Level 3 inputs are unobservable inputs for the asset or liability.