



2019 **Financial Statements**

QBE INSURANCE (SINGAPORE) PTE LTD

QBE INSURANCE (SINGAPORE) PTE. LTD.
(Incorporated in Singapore. Registration Number: 198401363C)

ANNUAL REPORT

For the financial year ended 31 December 2019

QBE INSURANCE (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

ANNUAL REPORT
For the financial year ended 31 December 2019

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QBE INSURANCE (SINGAPORE) PTE. LTD.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the member together with the audited financial statements of QBE Insurance (Singapore) Pte. Ltd. (the "Company") for the financial year ended 31 December 2019.

In the opinion of the directors,

- (a) the financial statements as set out on pages 6 to 53 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Ronak Akhil Shah
Arunothayam A/P V Rajaratnam
Jason Andrew Hammond
Tay Siang Leng (appointed on 3 January 2020)
Michael William Gourlay (appointed on 24 February 2020)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

QBE INSURANCE (SINGAPORE) PTE. LTD.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Directors' interests in shares or debentures (continued)

	Holdings registered in name of director			
	Ordinary shares of A\$1 each		No. of share options	
	At <u>31.12.2019</u>	At <u>1.1.2019</u>	At <u>31.12.2019</u>	At <u>1.1.2019</u>
Ultimate Holding Corporation - QBE Insurance Group Limited				
Jason Andrew Hammond	51,534	40,030	-	-
Ronak Akhil Shah	4,998	93	-	-

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Ronak Shah

RONAK AKHIL SHAH
Director

Jason Hammond

JASON ANDREW HAMMOND
Director

9 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF QBE INSURANCE (SINGAPORE) PTE. LTD.

For the financial year ended 31 December 2019

Report on the Audit of the Financial Statements

Opinion

In our opinion, the accompanying financial statements of QBE Insurance (Singapore) Pte. Ltd. (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2019;
- the balance sheet as at 31 December 2019;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF QBE INSURANCE (SINGAPORE) PTE. LTD.

For the financial year ended 31 December 2019

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF QBE INSURANCE (SINGAPORE) PTE. LTD.

For the financial year ended 31 December 2019

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 9 April 2020

QBE INSURANCE (SINGAPORE) PTE. LTD.**STATEMENT OF COMPREHENSIVE INCOME***For the financial year ended 31 December 2019*

	Note	2019 S\$'000	2018 S\$'000
Gross premium written	12(b)	226,478	209,299
Outward reinsurance premiums		(127,117)	(135,049)
Net premium written	12(b)	99,361	74,250
Change in net unearned premium reserves	12(e)(i)	(9,776)	4,775
Net earned premium		89,585	79,025
Investment income	6	5,519	4,567
Commission income		38,971	36,968
Other income		2,822	1,439
		47,312	42,974
Gross claims paid		(104,860)	(141,393)
Reinsurer's share of claims paid		59,536	84,693
Change in gross claims reserve	12(e)(ii)	(10,745)	(32,875)
Reinsurer's share of change in claims reserve	12(e)(ii)	12,927	44,860
Net claims incurred		(43,142)	(44,715)
Investment expenses		(244)	(251)
Commission expenses		(43,842)	(36,267)
Management expenses	4	(43,089)	(45,312)
Other expenses		(450)	-
Total expenses		(87,625)	(81,830)
Profit/(loss) before tax		6,130	(4,546)
Income tax expense	7	(478)	(101)
Profit/(loss) after tax		5,652	(4,647)
Total comprehensive income/(loss) for the year		5,652	(4,647)

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

QBE INSURANCE (SINGAPORE) PTE. LTD.**BALANCE SHEET***As at 31 December 2019*

	Note	2019 S\$'000	2018 S\$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	13,708	12,535
Trade and other receivables	9	88,136	75,300
Financial assets, at fair value through profit or loss	10	274,063	237,967
Loan to a related corporation	11	-	13,630
Reinsurer's share of unearned premium reserves	12(d)	33,954	27,449
Reinsurer's share of claims reserves	12(d)	95,850	85,247
Total current assets		505,711	452,128
Non-current assets			
Property, plant and equipment	13	4,186	938
Intangible assets	14	2,350	1,019
Reinsurer's share of unearned premium reserves	12(d)	8,761	6,204
Reinsurer's share of claims reserves	12(d)	45,897	43,573
Total non-current assets		61,194	51,734
Total assets		566,905	503,862
LIABILITIES			
Current liabilities			
Trade and other payables	15	67,819	40,939
Tax payable	7(b)	11	11
Unearned premium reserves	12(d)	77,662	64,326
Outstanding claims reserves	12(d)	152,939	150,342
Total current liabilities		298,431	255,618
Non-current liabilities			
Unearned premium reserves	12(d)	20,040	14,538
Outstanding claims reserves	12(d)	81,914	73,766
Deferred tax liabilities	16	640	162
Other liabilities		450	-
Total non-current liabilities		103,044	88,466
Total liabilities		401,475	344,084
NET ASSETS		165,430	159,778
EQUITY			
Share capital	17	156,580	156,580
Retained profits		8,850	3,198
Total Equity		165,430	159,778

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

QBE INSURANCE (SINGAPORE) PTE. LTD.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Note	Share capital \$'000	Retained profits \$'000	Total Equity \$'000
2019				
Beginning of financial year		156,580	3,198	159,778
Total comprehensive income		-	5,652	5,652
End of financial year		156,580	8,850	165,430
2018				
Beginning of financial year		156,580	7,845	164,425
Total comprehensive loss		-	(4,647)	(4,647)
End of financial year		156,580	3,198	159,778

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

QBE INSURANCE (SINGAPORE) PTE. LTD.**STATEMENT OF CASH FLOWS***For the financial year ended 31 December 2019*

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Profit/(loss) before tax		6,130	(4,546)
Adjustments for:			
- Change in contingency reserves		450	-
- Depreciation of property, plant and equipment		3,896	485
- Amortisation of intangible assets		688	1,230
- Loss on disposal of property, plant and equipment		32	-
- Loss on disposal of club membership		160	-
- Net realised (gain)/loss from sale of financial assets, at fair value through profit or loss		(1,742)	177
- Net unrealised loss on financial assets, at fair value through profit or loss		523	139
- Investment income		(4,312)	(4,883)
- Allowance for impairment loss on trade receivables		(381)	172
- Net unearned premium reserves		9,776	(4,775)
- Net outstanding claims reserves		(2,182)	(11,985)
		<u>13,038</u>	<u>(23,986)</u>
Change in working capital			
- Trade and other receivables		(12,200)	3,951
- Trade and other payables		23,709	(4,603)
Cash used in operations		<u>11,509</u>	<u>(24,638)</u>
- Income tax paid	7(b)	-	-
Net cash provided by/(used in) operating activities		<u>24,547</u>	<u>(24,638)</u>
Cash flows from investing activities			
Purchase of financial assets, at fair value through profit or loss		(463,080)	(434,156)
Proceeds from maturity and sale of financial assets, at fair value through profit or loss		428,203	466,307
Purchase of property, plant and equipment		(209)	(99)
Purchase of intangible assets		(2,179)	(402)
Investment income received		4,057	5,491
Loan to a related corporation		-	(13,630)
Repayment of loan from a related corporation		13,630	-
Net cash (used in)/provided by investing activities		<u>(19,578)</u>	<u>23,511</u>
Cash flows from financing activity			
Principal repayment of lease liabilities		(3,796)	-
Net cash used in financing activity		<u>(3,796)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,173</u>	<u>(1,127)</u>
Cash and cash equivalents at beginning of financial year		<u>12,535</u>	<u>13,662</u>
Cash and cash equivalents at end of financial year		<u>13,708</u>	<u>12,535</u>

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

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Singapore. The address of the registered office is 1 Raffles Quay, #29-10, South Tower, Singapore 048583.

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

The financial statements are presented in Singapore dollars, which is the functional currency of the Company.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current period or prior financial years except for the following:

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Adoption of FRS 116 Leases

The accounting policy for leases before 1 January 2019 are as follows:

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The accounting policy for leases after 1 January 2019 are as follows:

The Company's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2.9.

On initial application of FRS 116, the company has elected by apply the following practical expedients:

- (i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under FRS 17 Lease and INT FRS 104 Determining whether an Arrangement contains a Leases, the Company has not reassessed if such contracts contain leases under FRS 116; and
- (ii) On a lease-by-lease basis, the Company has:
 - a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - c) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - d) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

There were no onerous contracts as at 1 January 2019.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Adoption of FRS 116 Leases (continued)

For leases previously classified as operating leases on 1 January 2019, the Company has applied the following transition provisions:

- (i) On a lease-by-lease basis, the Company chose to measure its ROU assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application (i.e. 1 January 2019).
- (ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for its lease.

The effects of adoption of FRS 116 on the Company's financial statements as at 1 January 2019 are as follows:

	Increase
	\$'000
Property, plant and equipment	6,967
Other payables	6,967

An explanation of the differences between operating lease commitments previously disclosed in the Company's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follow:

	\$'000
Operating lease commitments disclosed as at 31 December 2018	7,115
Less: Discounting effects using weighted	(148)
Lease liabilities recognised as at 1 January	6,967

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Temporary exemption on adoption of FRS 109 Financial Instruments

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (“FVOCI”) and fair value through Profit or Loss (“FVTPL”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVTPL with an irrevocable option at inception to present changes in fair value in Other Comprehensive Income (“OCI”). Gains and losses realised on the sale of such financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management uses for risk management purposes.

There is also now a new expected credit loss impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The standard is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which will become effective for financial periods beginning on or after 1 January 2019), but the Company qualifies for a temporary exemption as explained in Note 2.1(c). Additional disclosures required by FRS 109 is made in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

(c) Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

FRS104 introduces two approaches: an overlay approach and a deferral approach:

- (1) gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when FRS 109 is applied before the new insurance contract is issued (the “Overlay Approach”); and
- (2) gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying FRS 109 until 2021 (the “Deferral Approach”).

In determining the appropriateness of the Company’s eligibility in applying the exemption, management have reviewed the conditions prescribed by the Standard to ascertain if the Company has met the eligibility criteria set forth.

As at 31 December 2015, the carrying amount of the Company’s insurance liabilities within the scope of FRS 104 exceed 80% of the carrying amount of the Company’s total liabilities; and the Company does not engage in any significant activity unconnected with insurance, on the basis that its business is almost exclusively in the nature of issuing insurance contracts, purchasing reinsurance protection and deriving a return from the investment of insurance premiums. As such, the Company has met the criteria as set out for the temporary exemption under FRS 109.

The Company has decided that it will defer the implementation of FRS 109 till the new insurance accounting standard is effective and it is able to perform a comprehensive assessment of both standards together.

On 17 March 2020, IASB has approved to defer the new insurance standard to financial period beginning on or after 1 January 2023 (Note 2.1 (d)). The entities that defer the application of FRS 109 will continue to apply the existing financial instruments standard – FRS 39.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

(d) Deferral for FRS 117 Insurance Contracts

FRS 117 Insurance Contracts will replace the current FRS 104 Insurance Contracts standard. FRS 117 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, FRS 117 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. On 17 March 2020, IASB has approved to defer the effective date of FRS 117 (incorporating the amendments) and the FRS 109 temporary deferral to annual financial periods beginning on or after 1 January 2023.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from rendering of services in the ordinary course of the Company's activities, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

(a) *Premium income*

Written premiums include premiums on contracts incepting during the financial year, irrespective of whether they relate in whole or in part to later financial years. Written premiums are disclosed gross of commissions to insurance companies and intermediaries.

The earned portion of written premiums is recognised as revenue proportionally over the period of coverage.

Treaty and facultative reinsurance inward premiums are recognised as written upon receipt of statements and closing placement slips respectively from cedants up to the time of closing of the books.

(b) *Commission income*

Commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying insurance contracts.

(c) *Interest income*

Interest income is recognised using the effective interest method.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.3 Financial assets

(a) Classification

The Company classifies its financial assets into loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date, which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents", "trade and other receivables" and "loan to a related corporation".

(ii) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Company investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

Management has designated all its financial assets as at fair value through profit or loss at inception. The designation of financial assets as at fair value through profit or loss at inception is irrevocable.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the net sale proceeds is recognised in profit or loss.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.3 Financial assets (continued)

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise, and are presented as investment income (net).

(e) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.3 Financial assets (continued)

(e) Impairment (continued)

(i) *Loans and receivables* (continued)

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

2.4 Currency translation

The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

Transactions in a currency other than the Singapore Dollar ("foreign currency") are translated into Singapore Dollar using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

2.5 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.5 Income taxes (continued)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

The Company accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.6 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and at bank, and deposits held at call with financial institutions which are subject to an insignificant change in value.

2.7 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). Otherwise they are presented as non-current liabilities.

Trade and other payables are initially recognised at their fair value, and subsequently carried at amortised cost, using the effective interest method.

2.8 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses (see Note 2.10).

The cost of property, plant and equipment initially recognised includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Computers	3 years
Furniture and fittings	5 years
Office equipment	5 years
Motor vehicles	5 years
Leasehold improvement	5 years
Leasehold office	shorter of lease term or 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.9 Leases

Right-of-use assets

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.9 Leases (continued)

Lease liabilities

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Company's assessment of whether it will exercise an extension option; or
- There are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2.10 Intangible assets

(a) *Software development cost*

Software that are internally developed are reported at cost less accumulated amortisation and accumulated impairment losses.

Software development cost is amortised on a straight-line basis over its estimated useful life using the straight-line method over 3 years. The estimated useful life and amortisation are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

(b) *Club membership*

Club membership acquired is measured initially at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets

Property, plant and equipment and other non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of assets, recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset, is recognised in profit or loss.

2.12 Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significant when compared to the premiums collected for such contracts.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as unearned premium reserves. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date inclusive of provisions for incurred but not reported claims. The Company discounts its liabilities for unpaid claims using applicable risk free discount rates.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.13 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company where significant insurance risk is transferred are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurer's share of insurance liabilities. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising from the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original terms of the contract, having regard to market data on the financial strength of each of the reinsurance companies. The amount of the allowance is recognised in profit or loss.

2.14 Insurance liabilities

Insurance liabilities comprise unearned premiums reserves and outstanding claims reserves.

(a) *Unearned premium reserves/deferred acquisition cost*

An unearned premium reserve is made for the amount of premium not yet earned at the balance sheet date. Unearned premium reserves are calculated using the 1/365th method based on the gross premiums written less return premiums and reinsurance premiums and 25% method for marine cargo business.

Commission that vary with and are related to securing new contracts and renewing existing contracts are netted off against unearned premium provision. All other acquisition costs are recognised as expenses when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.14 Insurance liabilities (continued)

(a) Unearned premium reserves/deferred acquisition cost (continued)

Commission income and commission expense are deferred and subsequently amortised over the life of the policies as the premiums are ceded or earned.

(b) Outstanding claims reserves

Provision for claims is made for the estimated cost of claims notified but not settled at the date of the balance sheet, less reinsurance recoveries using the best information available at that time.

In addition, a provision is made for claims incurred but not reported ("IBNR") for all business written at the balance sheet date based on the past claims experience and statistics derived from prior trends (see Note 3).

The reserve for IBNR losses and loss expenses is established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known.

The claims provisions are intended to provide a 75% level of assurance of sufficiency, and as such include a Provision for Adverse Deviation (PAD) beyond the estimated cost of claim including the required IBNR.

(c) Liability adequacy test

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of unearned premium liabilities. In performing the test, current best estimates of future contractual cash flows are used. Any deficiency is immediately charged to profit or loss.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.15 Employee benefits compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as The Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

3. Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments in determining the reported insurance liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimation of the ultimate liability arising from claims is done using conventional actuarial techniques.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. Critical accounting estimates, assumptions and judgments (continued)

The assumptions used by the Company, in determining its insurance liability are disclosed in Note 2.

The estimation of IBNR and IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims that have been reported to the Company but not yet paid, for which more information about the claims is generally available. The notification and settlement of claims relating to liability and other long-tail classes of business may not happen for many years after the event giving rise to the claim. As a consequence, liability and other long-tail classes typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation. Claims in respect of property and other short-tail classes are typically reported and settled soon after the claim event, giving rise to more certainty.

Central estimates for each class of business are determined using a variety of estimation techniques, generally based on an analysis of historical experience and with reference to external benchmarks where relevant. The gross central estimate is discounted to present value using appropriate risk-free rates.

Central estimates are calculated gross of any reinsurance and other recoveries. A separate estimate is made of the amounts recoverable based on the gross central estimate.

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019***4. Management expenses**

	2019	2018
	S\$'000	S\$'000
Employee compensation (Note 5)	19,707	19,682
Consultant services	1,053	806
Management fees paid to a related company	11,510	15,110
Office rent	110	2,876
Other expenses		
- Depreciation of property, plant and equipment	3,896	485
- Amortisation of intangible assets	688	1,230
- Advertising and subscriptions	833	878
- Impairment loss/(write-back of impairment loss) on trade receivables	193	172
- Audit fees	279	299
- IT expense	1,120	743
- Bank charges	442	331
- Other expenses	3,258	2,700
	43,089	45,312

5. Employee compensation

	2019	2018
	S\$'000	S\$'000
Wages and salaries	13,829	13,751
Employer's contribution to defined contribution plans	1,704	1,706
Other benefits	4,174	4,225
	19,707	19,682

6. Investment income

	2019	2018
	S\$'000	S\$'000
Interest income		
- Financial assets at fair value through profit or loss	4,266	4,826
- Fixed deposits	46	57
Net realised gain/(loss) from sale of financial assets at fair value through profit or loss	1,742	(177)
Net loss from re-measurement of financial assets at fair value	(118)	(441)
Net (loss)/gain on foreign exchange	(417)	302
	5,519	4,567

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019*

7. Income tax(a) Income tax expense

	2019	2018
	S\$'000	S\$'000
Tax expense attributable to profit is made up of:		
Current income tax	-	-
Deferred income tax (Note 16)	478	101
Tax expense	478	101
<u>Current income tax</u>		
Current year	-	-
Over provision in respect of prior years	-	-
	-	-
<u>Deferred income tax</u>		
Origination and reversal of temporary difference (Note 16)	478	101
	478	101

The tax on loss before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2019	2018
	S\$'000	S\$'000
Profit/(loss) before tax	6,130	(4,546)
Tax calculated at a tax rate of 17% (2018: 17%)	1,042	(773)
Tax effect of:		
Income tax (expense)/credit calculated at a lower rate of 10% instead of at 17%	(398)	302
Income not subject to tax	-	(26)
Expense not deductible for tax purpose	44	269
Utilisation of previously unrecognised tax losses	(210)	-
Deferred tax asset not recognised	-	276
Others	-	53
Income tax expense	478	101

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Income tax (continued)

(a) Income tax expense (continued)

Pursuant to Section 43C of the Singapore Income Tax Act, Chapter 134, income from offshore business is subject to the tax concessionary rate of 10% (2018 : 10%), instead of the standard rate of 17% (2018 : 17%).

(b) Movements in current income tax liabilities

	2019 S\$'000	2018 S\$'000
Beginning of financial year	11	11
Income tax paid	-	-
Tax payable on profit for current financial year	-	-
End of financial in year	<u>11</u>	<u>11</u>

8. Cash and cash equivalents

	2019 S\$'000	2018 S\$'000
Cash at bank and on hand	<u>13,708</u>	<u>12,535</u>

Cash and cash equivalents at the balance sheet date are denominated in the following currencies:

	2019 S\$'000	2018 S\$'000
United States Dollar	7,210	4,737
Singapore Dollar	6,498	7,798
	<u>13,708</u>	<u>12,535</u>

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 18.

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019***9. Trade and other receivables**

	2019	2018
	S\$'000	S\$'000
Insurance receivables – Related parties	2,438	6,535
Insurance receivables – Non-related parties	74,777	65,291
Less: Allowance for impairment of receivables – Non-related parties	(936)	(1,317)
	73,699	63,974
Interest receivables	1,271	1,016
Other receivables – Related parties	8,867	1,871
Other receivables – Non-related parties	147	97
Other assets		
Prepayments	379	697
Deposits	1,193	1,110
	1,572	1,807
	88,136	75,300

At the balance sheet date, all insurance and other receivables, and interest receivables are current, and the carrying amounts approximate their fair values.

Insurance and other receivables, and interest receivables are unsecured, interest free and are recoverable on demand.

10. Financial assets, at fair value through profit or loss

	2019	2018
	S\$'000	S\$'000
Government securities	263,906	197,911
Corporate bonds	10,157	40,056
	274,063	237,967

The maturity profile and exposure of financial assets, at fair value through profit or loss to interest rate risks is disclosed in Note 18.

Financial assets, at fair value through profit or loss, at the balance sheet date are denominated in the following currencies:

	2019	2018
	S\$'000	S\$'000
Singapore Dollar	248,352	214,724
United States Dollar	25,711	23,243
	274,063	237,967

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Loan to a related corporation

The loan to a related corporation was unsecured, denominated in the United States Dollars and was due and paid in full. The contractual interest rate on the loan at balance sheet date is at NIL (2018: 3.4%) per annum.

The fair value of the loan at balance sheet date is NIL (2018: S\$13,630,000).

12. Insurance liabilities and reinsurer's share of insurance liabilities

	2019 S\$'000	2018 S\$'000
<i>Gross</i>		
Insurance contracts:		
- unearned premium reserves	97,702	78,864
- outstanding claims reserves	234,853	224,108
Total insurance liabilities - gross	<u>332,555</u>	<u>302,972</u>
<i>Reinsurance Outwards</i>		
Insurance contracts:		
- unearned premium reserves	42,715	33,653
- outstanding claims reserves	141,747	128,820
Total reinsurers' share of insurance liabilities	<u>184,462</u>	<u>162,473</u>
<i>Net</i>		
Insurance contracts:		
- unearned premium reserves	54,987	45,211
- outstanding claims reserves	93,106	95,288
Total insurance liabilities - net	<u>148,093</u>	<u>140,499</u>

The estimated timing of the net cash outflows arising from the reinsurance assets and insurance liabilities are disclosed in Note 12(d).

(a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company faces the possibility of incurring higher claims costs than expected owing to the nature of the claims, their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting pricing and conditions of insurance or reinsurance cover.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(a) Insurance risk (continued)

The Company seeks to minimise and manage these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The Company's underwriting policy supports the seeking of risks with adequate pricing that is commensurate with the risk profiles and claims experience.

The underwriting strategy attempts to ensure that there are appropriate risk criteria. There are underwriting policies setting the Company's risk appetite, risk management and control. Also in place are underwriting and claims authority limits. Where applicable, the Company has the right not to renew any policy, impose deductibles and reject payment of any fraudulent claim.

(i) Loss reserves

Outstanding claims reserves include unpaid losses, loss adjustment expenses and estimates for ultimate reserves for IBNR.

The reserves represent estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available and assessed regularly by reference to both levels of business and actual claims development. The statistics are divided by class of business and arranged on an accident year basis. Estimates of ultimate outcome are assessed by accident year allowing for past experience, levels of business and known claims trends.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(a) Insurance risk (continued)

(i) Loss reserves (continued)

The establishment of an ultimate outcome for older accident years is more certain and IBNR is established mainly to allow for the adverse deterioration in the case of more recent years, and the most recent year in particular. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

IBNR allowance is established for the onshore and offshore fund as a whole. The IBNR allowance is reflecting this approach and is allocated to the respective funds on a consistent basis. Comfort should be taken from looking at the development of earlier accident years that adequate provisions have been established reflecting an allowance for adverse deviation.

(ii) Reinsurance

The Company cedes insurance premiums and risks in a normal course of its business in order to limit the potential for single large loss or losses arising from a single event or longer exposures. Reinsurance does not, however, relieve the originating insurer of its liability. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claims liability associated with the reinsured policy. Reinsurance is recorded gross in the balance sheet unless a right of offset exists.

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019*

12. Insurance liabilities and reinsurer's share of insurance liabilities (continued)*(b) Concentration of insurance risk*

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted by the Company is summarised below, with reference to the carrying amount of the premiums (gross and net of reinsurance) arising from insurance contracts:

	2019		2018	
	Gross premium written S\$'000	Net premium written S\$'000	Gross premium written S\$'000	Net premium written S\$'000
Property	16,048	5,867	34,930	1,140
Motor	8,651	4,215	8,572	4,164
Marine Cargo	13,828	10,784	14,295	8,048
Marine Hull	43,759	19,477	40,220	17,778
Work Injury Compensation	22,608	10,975	22,154	10,755
Health	15,524	6,998	17,703	8,348
Public Liability	15,171	7,198	12,992	6,036
Engineering	22,020	9,257	13,823	2,629
Professional Indemnity	39,249	17,283	20,930	9,079
Others	29,620	7,307	23,680	6,273
Total	226,478	99,361	209,299	74,250

(c) Sensitivity analysis

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(c) *Sensitivity analysis (continued)*

The analysis below is performed for reasonably possible movement in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions	Impact on gross liabilities \$'000	Impact on net liabilities \$'000	Impact on profit before tax \$'000
2019				
Ultimate loss ratio	+5%	7,789	2,823	(2,823)
Discount rate	+1%	(2,584)	(1,116)	1,116
Provision for adverse deviation	+1%	2,349	931	(931)
2018				
Ultimate loss ratio	+5%	7,383	3,143	(3,143)
Discount rate	+1%	(2,360)	(1,049)	1,049
Provision for adverse deviation	+1%	2,243	954	(954)

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019***12. Insurance liabilities and reinsurer's share of insurance liabilities (continued)***(d) Maturity analysis*

The table below indicates the estimated timing of the net cash outflows arising from recognised insurance liabilities of the Company:

	Payable within 12 months S\$'000	2019 Payable after 12 months S\$'000	Total S\$'000	Payable within 12 months S\$'000	2018 Payable after 12 months S\$'000	Total S\$'000
Gross						
Unearned premium reserves	77,662	20,040	97,702	64,326	14,538	78,864
Outstanding claims reserves	152,939	81,914	234,853	150,342	73,766	224,108
Total as at end of financial year	230,601	101,954	332,555	214,668	88,304	302,972
Reinsurance						
Unearned premium reserves	(33,954)	(8,761)	(42,715)	(27,449)	(6,204)	(33,653)
Outstanding claims reserves	(95,850)	(45,897)	(141,747)	(85,247)	(43,573)	(128,820)
Total as at end of financial year	(129,804)	(54,658)	(184,462)	(112,696)	(49,777)	(162,473)
Net						
Unearned premium reserves	43,708	11,279	54,987	36,877	8,334	45,211
Outstanding claims reserves	57,089	36,017	93,106	65,095	30,193	95,288
Total as at end of financial year	100,797	47,296	148,093	101,972	38,527	140,499

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(e) *Movements in insurance liabilities and reinsurance assets*

(i) *Unearned premium reserves*

	Gross S\$'000	Reinsurance S\$'000	Net S\$'000
2019			
Total at beginning of financial year	78,864	(33,653)	45,211
Increase/(decrease) in unearned premium reserves	18,838	(9,062)	9,776
Total at end of financial year	97,702	(42,715)	54,987

2018			
Total at beginning of financial year	92,044	(42,058)	49,986
(Decrease)/increase in unearned premium reserves	(13,180)	8,405	(4,775)
Total at end of financial year	78,864	(33,653)	45,211

(ii) *Outstanding claims reserves*

	Gross S\$'000	Reinsurance S\$'000	Net S\$'000
2019			
Total at beginning of financial year	224,108	(128,820)	95,288
Increase/(decrease) in claims reserves	10,745	(12,927)	(2,182)
Total at end of financial year	234,853	(141,747)	93,106

2018			
Total at beginning of financial year	191,233	(83,960)	107,273
Increase/(decrease) in claims reserves	32,875	(44,860)	(11,985)
Total at end of financial year	224,108	(128,820)	95,288

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Insurance liabilities and reinsurer's share of insurance liabilities (continued)

(f) *Loss development tables*

The loss development tables presented below are net of reinsurance.

Accident Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TOTAL
NET INCURRED											
0								69,185	53,055	51,573	
1							105,833	70,146	50,552		
2						98,802	103,398	71,892			
3					97,857	99,146	102,224				
4				81,127	96,735	99,134					
5			55,547	85,841	96,798						
6		51,375	55,660	86,294							
7	44,334	51,275	55,509								
8	44,312	51,287									
9	44,646										
Movement	334	12	(151)	453	63	(12)	(1,174)	1,746	(2,503)	51,573	50,340
Current estimate	44,646	51,287	55,509	86,294	96,798	99,134	102,224	71,892	50,552	51,573	709,908
Cumulative											
Payments	44,175	51,085	54,903	82,697	94,496	92,545	91,302	58,250	33,313	14,035	616,802
Net Outstanding Liability	471	202	606	3,596	2,302	6,589	10,922	13,641	17,239	37,538	93,106

13. Property, plant and equipment

	Computers S\$'000	Furniture and fittings S\$'000	Motor vehicles S\$'000	Office equipment S\$'000	Leasehold improvement S\$'000	Leasehold office S\$'000	Total S\$'000
2019							
<u>Cost</u>							
Beginning of financial year	503	16	189	360	1,490	-	2,558
Adoption of FRS 116 (Note 2.1 (a))	-	-	-	-	-	6,967	6,967
Additions	204	5	-	-	-	-	209
Disposals	(32)	-	(189)	-	-	-	(221)
End of financial year	675	21	-	360	1,490	6,967	9,513
<u>Accumulated depreciation</u>							
Beginning of financial year	382	11	168	229	830	-	1,620
Depreciation charge	89	2	21	71	298	3,415	3,896
Disposals	-	-	(189)	-	-	-	(189)
End of financial year	471	13	-	300	1,128	3,415	5,327
<u>Net book value</u>							
<u>End of financial year</u>	204	8	-	60	362	3,552	4,186

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. Property, plant and equipment (continued)

	<u>Computers</u> S\$'000	<u>Furniture and fittings</u> S\$'000	<u>Motor vehicles</u> S\$'000	<u>Office equipment</u> S\$'000	<u>Leasehold improvement</u> S\$'000	<u>Total</u> S\$'000
2018						
<u>Cost</u>						
Beginning of financial year						
Year	409	16	189	360	1,485	2,459
Additions	94	-	-	-	5	99
Disposals	-	-	-	-	-	-
End of financial year	<u>503</u>	<u>16</u>	<u>189</u>	<u>360</u>	<u>1,490</u>	<u>2,558</u>
<u>Accumulated depreciation</u>						
Beginning of financial year						
Year	319	9	117	158	532	1,135
Depreciation charge	63	2	51	71	298	485
Disposals	-	-	-	-	-	-
End of financial year	<u>382</u>	<u>11</u>	<u>168</u>	<u>229</u>	<u>830</u>	<u>1,620</u>
<u>Net book value</u>						
End of financial year	<u>121</u>	<u>5</u>	<u>21</u>	<u>131</u>	<u>660</u>	<u>938</u>

14. Intangible assets

	2019 Total S\$'000	2018 Total S\$'000
Software development cost		
Cost		
Beginning of financial year	9,075	8,673
Additions	2,179	402
End of financial year	<u>11,254</u>	<u>9,075</u>
Accumulated amortisation		
Beginning of financial year	8,384	7,154
Amortisation	688	1,230
End of financial year	<u>9,072</u>	<u>8,384</u>
Net book value		
End of financial year	<u>2,182</u>	<u>691</u>

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019*

14. Intangible assets (continued)

	2019	2018
	Total	Total
	S\$'000	S\$'000
Club membership		
Cost		
Beginning of financial year	525	525
Disposal	(235)	-
End of financial year	290	525
Impairment		
Beginning of financial year	197	197
Disposal	(75)	-
End of financial year	122	197
Net book value		
End of financial year	168	328
Total intangible assets	2,350	1,019

15. Trade and other payables

	2019	2018
	S\$'000	S\$'000
Trade payables consists of:		
- amounts due to non-related parties	13,064	14,855
- amounts due to related parties	28,180	5,491
	41,244	20,346
Other payables consists of:		
- amounts due to related parties	5,892	6,251
- lease liabilities	3,288	-
- other payables	12,263	8,438
	21,443	14,689
Accrued expenses	5,132	5,904
	67,819	40,939

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2019 S\$'000	2018 S\$'000
Deferred tax liability as at 1 January	162	61
Credited to profit or loss (Note 7)	478	101
Deferred tax liability as at 31 December	<u>640</u>	<u>162</u>

The movements in deferred tax liabilities and assets during the financial year comprise the tax effects of the following:

	Beginning of financial year S\$'000	Credited S\$'000	End of financial year S\$'000
2019			
Recognised in profit or loss:			
Excess of capital allowance over depreciation	162	478	640
	<u>162</u>	<u>478</u>	<u>640</u>
2018			
Recognised in profit or loss:			
Excess of capital allowance over depreciation	61	101	162
	<u>61</u>	<u>101</u>	<u>162</u>

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Company has unrecognised tax losses of Nil (2018: \$2,101,870) and unutilised capital allowance of \$546,768 (2018: \$1,319,882) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses and capital allowance have no expiry date.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. Share capital

	2019		2018	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid ordinary shares with par value				
At 1 January and 31 December	156,579,532	156,580	156,579,532	156,580

18. Management of financial risk

The Company's activities also expose it to a variety of financial risks, including the effects of changes in debt market prices and foreign currency exchange rates.

Financial risk management objectives

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from claims as they fall due. The most important components of this financial risk are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company manages these positions within an investment strategy that has been developed with the following objectives:

- (i) to preserve capital in reasonably liquid investments to pay claims, and
- (ii) to maximise returns to the Company's income needs.

The Company's investment strategy is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

(a) Market risk

(i) *Currency risk*

The Company maintains cash and deposits mainly in Singapore Dollars ("SGD") which is consistent with its functional currency. The foreign exchange exposure arose mainly from exchange rate movements of the United States Dollar ("USD") against the SGD. The Company manages its exposure to foreign exchange risk by monitoring its level of assets and liabilities that are denominated in foreign currencies.

If the USD changed against SGD by 1% (2018: 1%) with all other variables being held constant, the effects to the profit after tax would have been S\$31,000 (2018: S\$70,000).

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019***18. Management of financial risk (continued)**(a) Market risk(continued)(i) *Currency risk* (continued)

The table below summarises the Company's exposures to foreign currency exchange rate movements as at 31 December 2019. The Company's assets and liabilities at carrying amounts are included in the table, categorised by currency at their carrying amount. All the amounts are presented in Singapore Dollars.

	SGD \$'000	USD \$'000	Total \$'000
As at 31 December 2019			
Cash and cash equivalents	6,498	7,210	13,708
Trade and other receivables	64,175	23,582	87,757
Financial assets, at fair value through profit or loss	248,352	25,711	274,063
Loan to a related corporation	-	-	-
Financial assets	319,025	56,503	375,528
Trade and other payables	64,369	3,450	67,819
Total liabilities	64,369	3,450	67,819
Net financial assets	254,656	53,053	307,709
As at 31 December 2018			
Cash and cash equivalents	7,798	4,737	12,535
Trade and other receivables	52,109	22,494	74,603
Financial assets, at fair value through profit & loss	214,724	23,243	237,967
Loan to a related corporation	-	13,630	13,630
Financial assets	274,631	64,104	338,735
Trade and other payables	33,051	7,888	40,939
Total liabilities	33,051	7,888	40,939
Net financial assets	241,580	56,216	297,796

(ii) *Interest rate risk*

The Company's exposure to changes in interest rates relate primarily to interest-earning financial assets. Interest rate risk is managed by the Company on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. However, the Company does not hedge against such exposures.

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019***18. Management of financial risk (continued)**(a) Market risk (continued)(ii) *Interest rate risk* (continued)

Summary quantitative data of the Company's interest-bearing financial instruments can be found in below.

Effective interest rates and maturity analysisNon-derivative financial assets

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

		INTEREST BEARING FINANCIAL ASSETS			
Maturity Date		WITHIN 1 YEAR	1 YEAR - 5 YEARS	MORE THAN 5 YEARS	TOTAL
As at 31 December 2019					
Fixed Interest	S\$'000	147,445	116,461	10,157	274,063
Weighted Average Interest Rate	%	1.62	1.54	3.02	1.64
Floating Rate	S\$'000	-	-	-	-
Weighted Average Interest Rate	%	-	-	-	-
As at 31 December 2018					
Fixed Interest	S\$'000	107,182	86,596	14,149	207,927
Weighted Average Interest Rate	%	1.94	2.00	3.35	2.06
Floating Rate	S\$'000	43,670	-	-	43,670
Weighted Average Interest Rate	%	2.31	-	-	2.31

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019***18. Management of financial risk (continued)****(b) Credit risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit rating to its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amount of reinsurers' share of insurance contract provisions, insurance and other receivables, financial assets at fair value through profit or loss, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

As at 31 December 2019, the Company had exposure to concentration of credit risk arising from one trade debtor (2018: one trade debtor) that represented 16% (2018: 18%) of trade receivables at balance sheet date.

At the end of the reporting period, there is no other significant concentration of credit risk and exposures are well spread. The Company's exposure to credit risk relating to its financial and insurance assets are summarised below:

2019	<u>AAA</u> S\$'000	<u>A- to AA+</u> S\$'000	<u>BB to BBB+</u> S\$'000	<u>Not Rated</u> S\$'000	<u>Total</u> S\$'000
Financial Assets, at fair value through profit or loss	238,196	25,710	10,157	-	274,063
Cash and cash equivalent	-	13,708	-	-	13,708
Trade and other receivables (excluding prepayment)	966	13,714	373	72,704	87,757
Loan to a related corporation	-	-	-	-	-
2018	<u>AAA</u> S\$'000	<u>A- to AA+</u> S\$'000	<u>BB to BBB+</u> S\$'000	<u>Not Rated</u> S\$'000	<u>Total</u> S\$'000
Financial Assets, at fair value through profit or loss	174,668	53,283	10,016	-	237,967
Cash and cash equivalent	-	12,535	-	-	12,535
Trade and other receivables (excluding prepayment)	568	11,995	146	61,894	74,603
Loan to a related corporation	-	-	-	13,630	13,630

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019*

18. Management of financial risk (continued)**(b) Credit risk (continued)**

The following table provides information regarding the ageing of the Company's financial assets that are past due but not impaired at the balance sheet date.

	Neither Past Due Nor <u>Impaired</u> S\$'000	<u>0-3mths</u> S\$'000	<u>3-9mths</u> S\$'000	<u>More than 9mths</u> S\$'000	<u>Total</u> S\$'000
2019					
Insurance receivables	33,057	20,295	11,650	11,277	76,279
	Neither Past Due Nor <u>Impaired</u> S\$'000	<u>0-3mths</u> S\$'000	<u>3-9mths</u> S\$'000	<u>Past Due But Not Impaired More than 9mths</u> S\$'000	<u>Total</u> S\$'000
2018					
Insurance receivables	31,477	21,794	10,647	6,591	70,509
Loan to a related corporation	13,630	-	-	-	13,630

(c) Liquidity risk

An important aspect of the Company's management of financial and insurance assets and liabilities is to ensure that cash is available to settle liabilities as they fall due. The Company maintains sufficient cash and liquid deposits, and internally generated cash flows to finance its activities. In normal circumstances, the majority of claims are settled with the cash at bank balances and bank deposits available.

QBE INSURANCE (SINGAPORE) PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2019***18. Management of financial risk (continued)**(c) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities of the Company as at 31 December 2019 and 2018:

	Carrying amount	Contractual cashflow	Up to 1 year	1 to 5 years
	S\$'000	S\$'000	S\$'000	S\$'000
2019				
Amount due to related parties	5,892	5,892	5,892	-
Insurance payables	41,244	41,244	41,244	-
Lease liabilities	3,288	3,319	3,319	-
Other payables	12,263	12,263	12,263	-
Accrued expenses	5,132	5,132	5,132	-
	67,819	67,850	67,850	-

	Carrying amount	Contractual cashflow	Up to 1 year	1 to 5 years
	S\$'000	S\$'000	S\$'000	S\$'000
2018				
Amount due to related parties	6,251	6,251	6,251	-
Insurance payables	20,346	20,346	20,346	-
Other payables	8,438	8,438	8,438	-
Accrued expenses	5,904	5,904	5,904	-
	40,939	40,939	40,939	-

(d) Capital risk

The Company's policy is to maintain a suitable capital base so as to support its underwriting strategy. The Company is also required to comply with the regulatory capital requirement prescribed in the Insurance (Valuation and Capital) Regulations 2004 under the Insurance Act (Chapter 142). Under the Risk-based Capital Framework regulation set by MAS, insurance companies are required to satisfy a minimum capital adequacy ratio of 120%. MAS may prescribe different fund solvency requirements or capital adequacy requirements for different classes of insurance business and for different insurers. The Company has a capital adequacy ratio in excess of the minimum requirement.

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. Management of financial risk (continued)

(e) Fair value measurements

The Company's assets measured at fair value are its fair value through profit or loss financial assets, which are classified by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 December 2019, the Company holds financial assets, at fair value through profit or loss of \$147,642,000 (2018: \$108,579,000) which are based on Level 1 inputs and \$126,421,000 (2018: \$129,388,000) which are based on Level 2 inputs. The fair value of financial instruments traded in active markets (at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying value less impairment provision of current trade receivables and payables are approximate to their fair values. The fair value of financial liabilities approximates their carrying amount.

(f) Financial instruments by category

The carrying amounts of financial assets measured at fair value through profit or loss are disclosed on the face of the balance sheet and in Note 10 to the financial statements respectively.

The aggregate carrying amounts of trade and other receivables and financial assets, at fair value through profit or loss, are as follows:

	2019	2018
	S\$'000	S\$'000
Cash and cash equivalents	13,708	12,535
Trade and other receivables (excluding prepayments)	87,757	74,603
Financial assets, at fair value through profit or loss	274,063	237,967
Loan to a related corporation	-	13,630
	<hr/>	<hr/>

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Immediate and ultimate holding corporation

The Company's immediate holding corporation is QBE Asia Pacific Holdings Limited ("QAPH"), incorporated in Hong Kong. The ultimate holding corporation is QBE Insurance Group Limited, incorporated in Australia.

20. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Company and related parties at terms agreed between the parties:

	2019	2018
	S\$'000	S\$'000
(a) Revenue		
Reinsurance premiums received from related parties	1,887	992
Reinsurance commissions received from related parties	37,845	31,567
Reinsurance claims recovered from related parties	40,824	65,212
	2019	2018
	S\$'000	S\$'000
(b) Expenses		
Reinsurance premiums ceded to related parties	96,096	130,713
Reinsurance commissions paid to related parties	381	106
Reinsurance claims paid to related parties	99	30
Management fees paid to a related party	11,510	15,110
Management expenses received from related parties	(200)	(1,003)
Payments made on behalf by the Company	16,515	15,061
(c) Key management personnel compensation		

Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

	2019	2018
	S\$'000	S\$'000
Salary and other remuneration	1,030	737
Benefits in kind and share based compensation	-	211
	1,030	948

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Lease

(a) Operating lease arrangements

Operating lease payments represent rentals payable by the Company for its office premises. At the end of the financial year, the Company has outstanding commitment under non-cancellable operating lease, which falls due as follows:

	2018 S\$'000
Within one year	3,796
In the second to fifth year inclusive	3,319
	<u>7,115</u>

(b) The operating lease commitments previously disclosed in the Company's financial statement as at 31 December 2018 above had been recognised in balance sheet as at 1 January 2019 as below.

The company leases office space is for the purpose of back office operations and sale of consumer goods to customers.

(i) Carrying amounts in 2019

	31 December 2019 S\$'000	1 January 2019 S\$'000
Leasehold office	3,552	6,967

(ii) Depreciation charge during the year of 2019

	S\$'000
Leasehold office	<u>3,415</u>

(iii) Interest expense

	S\$'000
Interest expense on lease liabilities @2.38%	<u>117</u>

(iv) Total cash outflow for all leases in 2019 was \$3,796,247.52

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. New or revised accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

23. Disclosure on the temporary exemption from FRS 109

According to FRS 104 Insurance Contracts, the Company made the assessment based on the financial position as of 31 December 2015, concluding that the Company met the criteria as set out for the temporary exemption under FRS 109. There had been no significant change in the activities of the Company since then that requires reassessment. Therefore, the Company's activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from FRS 109.

- (a) The table below presents the fair value of the following groups of financial assets under FRS 109 as at financial year end and fair value changes during the year:

	Fair value as at 31 December 2019			Fair value changes for the year ended 31 December 2019		
	Financial assets that meet the SPPI Criteria	Financial assets that fail the SPPI criteria	Total	Financial assets that meet the SPPI Criteria	Financial assets that fail the SPPI criteria	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Assets						
Cash and Cash equivalents	13,708	-	13,708	-	-	-
Trade and other receivables (excluding prepayment)	87,757	-	87,757	-	-	-
Financial assets	-	274,063	274,063	-	230	-
Total	101,465	274,063	375,528	-	230	230

	Fair value as at 31 December 2018			Fair value changes for the year ended 31 December 2018		
	Financial assets that meet the SPPI Criteria	Financial assets that fail the SPPI criteria	Total	Financial assets that meet the SPPI Criteria	Financial assets that fail the SPPI criteria	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Assets						
Cash and Cash equivalents	12,535	-	12,535	-	-	-
Trade and other receivables (excluding prepayment)	74,603	-	74,603	-	-	-
Loan to related corporation	13,630	-	13,630	-	-	-
Financial assets	-	237,967	237,967	-	441	-
Total	100,768	237,967	338,735	-	441	441

QBE INSURANCE (SINGAPORE) PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. Disclosure on the temporary exemption from FRS 109 (continued)

- (b) The table below presents the credit risk exposure for aforementioned financial assets with contractual terms that give rise on SPPI:

	Carrying amount as 31 December <u>2019</u> \$'000	Fair value as at 31 December <u>2019</u> \$'000
AAA	966	966
A- to AA+	27,422	27,422
BB to BBB+	373	373
Not rated	72,704	72,704
	<u>101,465</u>	<u>101,465</u>

	Carrying amount as 31 December <u>2018</u> \$'000	Fair value as at 31 December <u>2018</u> \$'000
AAA	568	568
A- to AA+-	24,530	24,530
BB to BBB+	146	146
Not rated	75,524	75,524
	<u>100,768</u>	<u>100,768</u>

For financial assets measured at amortised cost, carrying amount represents amount before adjusting impairment allowance.

24. Subsequent event

COVID-19

The COVID-19 pandemic declared by the World Health Organisation on 11 March 2020 is expected to have far-reaching and uncertain economic consequences across the globe.

The Company has progressively implemented business continuity plans as the crisis has unfolded to ensure the continuation of normal services. These have so far been effective and there are no indications of business disruption as at the date of this report.

On 30 March 2020 QBE Group withdrew its 2020 financial guidance in view of the increased uncertainty in the economic and financial market outlook.

The Company expects that the COVID-19 pandemic will adversely affect its business performance in 2020, however the extent of the impacts is highly uncertain. Due to a conservative investment mix the Company is largely insulated from recent events in financial markets, and possesses adequate liquidity and capital to continue to service its clients, intermediaries and shareholders throughout an extended period of economic distress.

The Company has supported the General Insurance Association of Singapore (GIA) and the MAS in structuring relief for clients affected by the current crisis. There is some increase in risk associated with these measures, however all potential impacts are well understood and within the risk appetite of the management and Board.

Share Buy-Back

The Company's local capital adequacy ratio (CAR) has been sustained well above its internal target capital level. As a result QBE Group Treasury requested a capital redeployment via share buy-back, with the proceeds to be returned to the shareholder QAPH.

Following formal approval from the MAS in early March 2020, 21,578,960 shares were re-purchased by the Company on 23 March 2020, and the consequential reduction in paid up capital has been notified to ACRA.

The Company remains strongly capitalised and in the range of its target capital levels subsequent to the execution of the share buy-back.

25. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors of the Company on 9 April 2020.

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QBE Insurance (Singapore) Pte Ltd

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