Company Registration No. 200917889Z

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Annual Consolidated Financial Statements
31 December 2013

Citystate Capital Asia Pte. Ltd. and its subsidiaries

General Information

Directors

Leow Siak Fah	
Leow Tze Wen	
Ho Hak Ean Peter	
Ng Tee Chuan	
Robert Graham Harrison	
Tan Eng Seong Phillip	
Philippe Rochaix	(appointed 27 November 2013)
David John Watson	(resigned 24 September 2013)
Derrick A Irby	(alternate director to Philippe Rochaix)
Ng Tee Yen	(alternate director to Ng Tee Chuan)

Company Secretaries

Sharimala Rasanayagam
Sim Siew Kiang

Registered Office

No 36 Club Street #01-01
Singapore 069469

Auditor

Ernst & Young LLP

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The directors have pleasure in presenting their report together with the audited financial statements of Citystate Capital Asia Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2013.

Directors of the Company

The names of the directors of the Company in office at the date of this report are:

Leow Siak Fah	
Leow Tze Wen	
Ho Hak Ean Peter	
Ng Tee Chuan	
Robert Graham Harrison	
Tan Eng Seong Phillip	
Philippe Rochaix	(appointed 27 November 2013)
Derrick A Irby	(alternate director to Philippe Rochaix)
Ng Tee Yen	(alternate director to Ng Tee Chuan)

Directors' interests in shares and debentures

The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Companies Act, Chapter 50 (the "Act"), an interest in shares of the Company as stated below:

	Held in the name of director		Deemed interest	
Name of director	**At beginning of the financial year**	**At end of the financial year**	**At beginning of the financial year**	**At end of the financial year**
Interest in Company – Ordinary shares				
Leow Siak Fah	–	–	26,200,455	26,675,913
Leow Tze Wen	1,254,377	1,254,377	20,855,557	21,251,015
Ng Tee Chuan	–	–	3,216191	3,26,6191
Tan Eng Seong Phillip	1,000,000	1,000,000	1,578,257	1,578,257

No other director who held office at the end of the financial year had an interest in shares or debentures of the Company.

Since the end of the previous financial year, no director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Act other than those disclosed in Note 24 to the financial statements.

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements, to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Auditor

The auditor, Ernst & Young LLP, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Leow Tze Wen
Director

Tan Eng Seong Phillip
Director

Singapore
23 May 2014

We, Leow Tze Wen and Tan Eng Seong Phillip, being two of the directors of Citystate Capital Asia Pte. Ltd. (the "Company"), do hereby state that, in the opinion of the directors:

(i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company, and the Company and its subsidiaries (collectively, the "Group") as at 31 December 2013 and the results of the business, changes in equity and cash flow of the Group and the changes in equity of the Company for the financial year then ended; and

(ii) 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.

On behalf of the Board,

Leow Tze Wen
Director

Tan Eng Seong Phillip
Director

Singapore
23 May 2014

Independent Auditor's Report
For the financial year ended 31 December 2013
To the Members of Citystate Capital Asia Pte. Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Citystate Capital Asia Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 5 to 57, which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company and the consolidated profit and loss accounts and consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

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 and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
Singapore

2 3 MAY 2014

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Balance Sheets as at 31 December 2013

(In United States dollars)

	Note	Group 2013 US$	Group 2012 US$	Company 2013 US$	Company 2012 US$
Non-current assets					
Plant and equipment	3	999,034	872,256	1,297	2,593
Intangible assets	4	1,952,423	2,040,586	–	–
Investment in subsidiaries	5	–	–	34,121,402	33,700,006
Investment in an associate	6	238,427	208,071	–	–
Investment securities	7	26,215,349	30,702,116	–	–
Investment property	8	1,113,189	–	–	–
Other receivables	10	–	–	19,650,014	19,056,033
Reinsurers' share of insurance contract liabilities	11	7,367,907	6,409,313	–	–
Deferred tax assets	12	199,189	–	–	–
		38,085,518	40,232,342	53,772,713	52,758,632
Current assets					
Investment securities	7	3,618,670	3,632,830	–	–
Prepayments and deposits		354,968	505,286	15,441	18,315
Trade receivables	9	9,237,842	8,593,138	–	–
Other receivables	10	1,278,339	912,972	498,328	1,052,900
Cash and short-term deposits	13	56,708,415	52,638,012	594,904	946,911
Loans and receivables		67,224,596	62,144,122	1,093,232	1,999,811
		71,198,234	66,282,238	1,108,673	2,018,126
Current liabilities					
Trade payables	14	7,952,870	6,572,726	–	–
Other payables	15	2,619,077	2,509,346	365,500	172,740
Financial liabilities carried at amortised costs		10,571,947	9,082,072	365,500	172,740
Tax payables		307,199	689,438	–	–
		10,879,146	9,771,510	365,500	172,740
Net current assets		60,319,088	56,510,728	743,173	1,845,386
Non-current liabilities					
Gross insurance contracts liabilities	11	53,877,353	48,791,862	–	–
Employment liability		85,380	–	–	–
Deferred tax liabilities	12	212,462	744,390	–	–
		54,175,195	49,536,252	–	–
Net assets		44,229,411	47,206,818	54,515,886	54,604,018
Equity attributable to owners of the Company					
Share capital	16	55,080,675	54,659,279	55,080,675	54,659,279
Accumulated gains/(losses)		5,475,557	5,865,753	(564,789)	(55,261)
Other reserves	18	(18,123,310)	(15,207,272)	–	–
		42,432,922	45,317,760	54,515,886	54,604,018
Non-controlling interests		1,796,489	1,889,058	–	–
Total equity		44,229,411	47,206,818	54,515,886	54,604,018

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Profit and Loss Account for the financial year ended 31 December 2013

(In United States dollars)

	Note	Group 2013 US$	2012 US$
Gross written premium		44,480,454	42,012,108
Reinsurers' share of gross premiums written		(10,691,281)	(9,995,202)
Gross change in reserve for unexpired risk		(269,425)	596,519
Reinsurers' share of gross change in reserve for unexpired risk		(470,431)	(1,048,778)
Net earned premium		33,409,317	31,564,647
Gross claims paid		(26,835,773)	(18,302,755)
Reinsurers' share of gross claims paid		7,593,621	3,451,677
Gross change in loss reserves		(5,736,257)	(4,856,254)
Reinsurers' share of gross change in loss reserves		837,751	(275,875)
Net claims incurred		(24,140,658)	(19,983,207)
Commission expense		(6,664,746)	(5,763,265)
Commission income		2,294,280	2,121,884
Net commission		(4,370,466)	(3,641,381)
Other underwriting expenses		(614,841)	(330,412)
Underwriting profit from direct general insurance		4,283,352	7,609,647
Net underwriting results from reinsurance business (in run off)	19	(266)	–
Brokerage income and profit commission	20	2,100,061	1,578,159
Investment and other income	21	2,989,790	3,850,924
Other operating and administrative expenses		(10,651,921)	(8,965,457)
Share of associate's results		32,785	13,242
(Loss)/profit before taxation	22	(1,246,199)	4,086,515
Taxation	23	731,171	(717,243)
(Loss)/profit after taxation		(515,028)	3,369,272
Attributable to:			
Owners of the Company		(390,195)	3,290,723
Non-controlling interest		(124,833)	78,549
		(515,028)	3,369,272

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2013

(In United States dollars)

	Group	
	2013 US$	**2012** US$
(Loss)/profit after taxation	(515,028)	3,369,272
Other comprehensive income - net of tax		
Net (loss)/gain on available-for-sale financial assets	(87,787)	678
Foreign currency translation	(2,795,988)	1,314,781
Other comprehensive income for the year	(2,883,775)	1,315,459
Total comprehensive income for the year	(3,398,803)	4,684,731
Attributable to:		
Owners of the Company	(3,306,233)	4,699,670
Non-controlling interests	(92,570)	(14,939)
Total comprehensive income for the year	(3,398,803)	4,684,731

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Statements of Changes in Equity for the financial year ended 31 December 2013

(In United States dollars)

	Attributable to owners of the Company								
Group	**Share capital (Note 16)** US$	**Merger reserves (Note 18)** US$	**Fair value reserves (Note 18)** US$	**Translation reserves (Note 18)** US$	**Other reserves, total** US$	**Retained earnings** US$	**Total** US$	**Non-controlling interests** US$	**Total equity** US$
2013									
Balance as at 1 January 2013	54,659,279	(18,531,731)	285,239	3,039,220	(15,207,272)	5,865,753	45,317,760	1,889,058	47,206,818
Loss for the year	–	–	–	–	–	(390,195)	(390,195)	(124,833)	(515,028)
Other comprehensive income									
Net loss on available-for-sale financial assets	–	–	(87,787)	–	(87,787)	–	(87,787)	–	(87,787)
Foreign currency translation	–	–	–	(2,828,251)	(2,828,251)	–	(2,828,251)	32,263	(2,795,988)
Other comprehensive income for the year, net of tax	–	–	(87,787)	(2,828,251)	(2,916,038)	–	(2,916,038)	32,263	(2,883,775)
Total comprehensive income for the year	–	–	(87,787)	(2,828,251)	(2,916,038)	(390,195)	(3,306,233)	(92,570)	(3,398,803)
Contribution by and distribution to owners									
Shares issued during the year	421,396	–	–	–	–	–	421,396	–	421,396
Balance as at 31 December 2013	55,080,675	(18,531,731)	197,452	210,969	(18,123,310)	5,475,557	42,432,923	1,796,488	44,229,411

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Statements of Changes in Equity for the financial year ended 31 December 2013 (cont'd)

(In United States dollars)

	Attributable to owners of the Company								
Group	**Share capital (Note 16)** US$	**Merger reserves (Note 18)** US$	**Fair value reserves (Note 18)** US$	**Translation reserves (Note 18)** US$	**Other reserves, total** US$	**Retained earnings** US$	**Total** US$	**Non-controlling interests** US$	**Total equity** US$
2012									
Balance as at 1 January 2012	49,576,293	(18,531,731)	284,561	1,630,951	(16,616,219)	2,875,030	35,835,104	–	35,835,104
Profit for the year	–	–	–	–	–	3,290,723	3,290,723	78,549	3,369,272
Other comprehensive income									
Net gain on available-for-sale financial assets	–	–	678	–	678	–	678	–	678
Foreign currency translation	–	–	–	1,408,269	1,408,269	–	1,408,269	(93,488)	1,314,781
Other comprehensive income for the year, net of tax	–	–	678	1,408,269	1,408,947	–	1,408,947	(93,488)	1,315,459
Total comprehensive income for the year	–	–	678	1,408,269	1,408,947	3,290,723	4,699,670	(14,939)	4,684,731
Contribution by and distribution to owners									
Shares issued during the year	5,082,986	–	–	–	–	–	5,082,986	–	5,082,986
Dividend on ordinary shares (Note 17)	–	–	–	–	–	(300,000)	(300,000)	–	(300,000)
Changes in ownership interest in subsidiaries									
Share capital contribution by non-controlling interests	–	–	–	–	–	–	–	465,116	465,116
Acquisition of subsidiaries	–	–	–	–	–	–	–	1,438,881	1,438,881
Balance as at 31 December 2012	54,659,279	(18,531,731)	285,239	3,039,220	(15,207,272)	5,865,753	45,317,760	1,889,058	47,206,818

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity for the financial year ended 31 December 2013 (cont'd)

(In United States dollars)

	Share Capital (Note 16) US$	Accumulated losses US$	Total US$
Company			
2013			
Balance 1 January 2013	54,659,279	(55,261)	54,604,018
Loss for the year	–	(509,528)	(509,528)
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	(509,528)	(509,528)
Contribution by and distribution to owners			
Shares issued during the financial year	421,396	–	421,396
Balance as at 31 December 2013	55,080,675	(564,789)	54,515,886
2012			
Balance 1 January 2012	49,576,293	(967,850)	48,608,443
Profit for the year	–	1,212,589	1,212,589
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	1,212,589	1,212,589
Contribution by and distribution to owners			
Shares issued during the financial year	5,082,986	–	5,082,986
Dividend on ordinary shares (Note 17)	–	(300,000)	(300,000)
Balance as at 31 December 2012	54,659,279	(55,261)	54,604,018

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Consolidated Cash Flow Statement for the financial year ended 31 December 2013

(In United States dollars)

	Group	
	2013	**2012**
	US$	US$
Cash flows from operating activities :		
(Loss)/profit before taxation	(1,246,199)	4,086,515
Adjustments for :		
Increase in insurance contracts liabilities	5,294,999	8,703,361
Depreciation of plant and equipment	293,526	327,485
(Gain)/loss on disposal of plant and equipment	(12,136)	42,233
Allowance for doubtful debts	89,947	15,810
Dividend income from investment securities	(443,139)	(532,706)
Net unrealized loss/(gain) on held-for-trading investments	43,333	(643,414)
Amortisation on intangible assets	90,824	41,186
Amortisation of premium on held-to-maturity investments	64,675	99,171
Hire purchase Interest expense	–	21,369
Interest income	(1,517,560)	(1,392,272)
Share of associate's results	(32,785)	(13,242)
Operating cash flows before changes in working capital	2,625,485	10,755,496
Changes in working capital		
Decrease/(increase) in restricted cash	1,788,748	(1,980,951)
Increase in receivables	(751,562)	(1,243,731)
Increase/(decrease) in payables	104,373	(1,926,926)
Cash generated from operations	3,767,044	5,603,888
Income tax paid	(403,571)	(501,780)
Net cash from operating activities	3,363,473	5,102,108
Cash flows from investing activities :		
Net cash inflow on acquisition of subsidiary	202,911	841,096
Purchase of plant and equipment	(490,003)	(460,425)
Purchase of investment property	(1,113,188)	–
Proceeds from sale of plant and equipment	26,448	110,086
Proceeds from sale of of investment securities - net	3,146,686	1,613,575
Interest received	1,551,011	960,461
Dividend received from investment securities	443,139	532,706
Contribution by non-controlling interests towards a subsidiary	–	465,116
Net cash generated from investing activities	3,767,004	4,062,615
Cash flows from financing activities :		
Repayment of hire purchase payables	–	(95,957)
Interest paid	–	(21,369)
Dividends paid	–	(300,000)
Issuance of shares	421,396	5,082,986
Net cash generated from financing activities	421,396	4,665,660
Net increase in cash and cash equivalents	3,974,377	13,830,383
Effect of exchange rate changes on cash and cash equivalents	(1,692,722)	2,126,847
Cash and cash equivalents at beginning of year	47,728,612	31,771,382
Cash and cash equivalents at end of year (Note 13)	53,587,763	47,728,612

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate Information

Citystate Capital Asia Pte. Ltd. (the "Company") is a private limited liability company incorporated in Singapore. Its registered office is located at No. 36 Club Street #01-01, Singapore 069469.

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. There have been no significant changes in the nature of these activities during the year. The principal activities of the subsidiaries are shown in Note 5 of the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. The financial statements are presented in US Dollars (USD or US$), except when otherwise indicated.

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

According to the transition provisions of FRS 113 *Fair Value Measurement,* FRS 113 has been applied prospectively by the group on 1 January 2013.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective (cont'd)*

Except for the Amendments to FRS 112, the directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 112 is described below.

FRS 112 *Disclosure of interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interest in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when applied in 2014.

2.4 *Significant accounting judgements, estimates and assumptions*

The preparation of the financial statements necessitates the use of judgements, estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, contingent liabilities at the balance sheet date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge of current facts as at the balance sheet date, the actual outcome may differ from these estimates, possibly significantly.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) ***Determination of insurance contract liabilities***

The insurance contract liabilities of the Group comprise the claim liabilities and premium liabilities. Claim liabilities consist of outstanding claims notified and outstanding claims incurred but not reported (IBNR) while premium liabilities consist of the reserve for unexpired risks, net of deferred acquisition costs and their values are carried in the balance sheet as disclosed in Note 13 to the financial statements.

The estimates of premium and claim liabilities are sensitive to various factors and uncertainties as disclosed in Note 25. The establishment of these estimates is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of premium and claim liabilities can vary from the initial estimates.

Because of the delays that arises between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the balance sheet date, and must instead be estimates as explained above.

2. Summary of significant accounting policies (cont'd)

2.4 *Significant accounting judgements, estimates and assumptions (cont'd)*

Judgements made in applying accounting policies (cont'd)

(a) ***Determination of insurance contract liabilities (cont'd)***

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

(b) ***Impairment of available-for-sale investments***

The Group records impairment charges in available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. No impairment loss was recognised for available-for-sale financial assets for financial year ended 31 December 2013 and 2012.

Key sources of estimation uncertainty

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

(a) ***Fair value of financial instruments***

Where the fair values of financial instruments recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Notes 7 and 23.

(b) ***Impairment of loans and receivables***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the end of the reporting period is disclosed in Note 25 to the financial statements.

2. Summary of significant accounting policies (cont'd)

2.4 *Significant accounting judgements, estimates and assumptions (cont'd)*

Key sources of estimation uncertainty (cont'd)

(c) ***Taxes***

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the Singapore tax authority. Such differences of interpretation may arise on a wide variety of issues.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2.5 *Basis of consolidation*

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations from 1 January 2010

With the exception of business combinations involving entities under common control, acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. Summary of significant accounting policies (cont'd)

2.5 *Basis of consolidation (cont'd)*

Business combinations from 1 January 2010 (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at acquisition date and any corresponding gain or loss are recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred of the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The profit or loss reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.6 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their reflective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised in equity and attributed to the owners of the parents.

2. Summary of significant accounting policies (cont'd)

2.7 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

2.8 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit and loss account.

The financial statements of associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's financial statements, investments in associates are carried at cost less accumulated impairment loss.

2. Summary of significant accounting policies (cont'd)

2.9 *Foreign and functional currency*

The Group's consolidated financial statements are presented in United States Dollars ("USD"), which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the profit and loss account of the Group on disposal of the foreign operation.

(b) *Group companies*

The assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.10 *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying plant and equipment. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2. Summary of significant accounting policies (cont'd)

2.10 *Plant and equipment (cont'd)*

Subsequent to recognition, all items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are in profit or loss as incurred.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Furniture and fittings, office equipment and computers	-	3 – 10 years
Office Renovation	-	3 – 5 years
Motor Vehicles	-	5 – 10 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.11 *Intangible assets*

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (cont'd)

2.11 *Intangible assets (cont'd)*

Goodwill (cont'd)

Goodwill arising on acquisition of foreign operation is treated as asset of the foreign operation and is recorded in the functional currency of the foreign operation and translated in accordance with the accounting policy set out in Note 2.9.

Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment loss.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) ***Brand***

The brand was acquired in business combinations. The useful life of the brand is estimated to be indefinite because based on the current market share of the brand, management believes there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the Group.

(ii) ***Customer relationship***

The customer relationship was acquired in business combinations and is amortised on a straight-line basis over its finite useful life of 5 years.

2. Summary of significant accounting policies (cont'd)

2.12 *Investment property*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.10 up to the date of change in use.

2.13 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2. Summary of significant accounting policies (cont'd)

2.13 *Impairment of non-financial assets (cont'd)*

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.14 *Financial assets*

Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivatives financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivates are classified as held for trading unless they are designated as effective hedge instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2. Summary of significant accounting policies (cont'd)

2.14 *Financial assets (cont'd)*

(b) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) ***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) ***Available-for-sale financial assets***

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2. Summary of significant accounting policies (cont'd)

2.15 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.15 *Impairment of financial assets (cont'd)*

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.16 *Cash and cash equivalents*

These comprise cash on hand, cash at bank and short-term bank deposits but excludes deposits held on behalf of policyholders and short-term deposits held by the Monetary of Authority of Singapore under the provisions of the Insurance Act, Cap. 142 (the "Insurance Act").

2.17 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.18 *Product classification*

All the Group's existing products are insurance contracts as defined in FRS 104. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contact has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

2.19 *Insurance contract liabilities*

(a) ***Premium liabilities – Reserve for unexpired risks***

Reserve for unexpired risks comprises the sum of unearned premium reserves and premium deficiency reserves.

The reserve for unexpired risks in respect of direct insurance and facultative policies is calculated using the 1/365 method, whereas the reserve for unexpired risks in respect of treaty business is calculated using either 25% or 40% of net written premiums.

Premium deficiency reserves are derived using actuarial methods on loss statistics and are recognized when the expected value of claims and expenses attributable to the unexpected periods of policies in force at the balance sheet date for any line of business exceeds the unearned premium reserve in relation to such policies.

Reserve for unexpired risks are compared with the report issued by a qualified actuary, which is prepared for a valuation of the premium liabilities in accordance with Section 37 of the Insurance Act, Cap, 142, on a yearly basis.

(b) ***Claims liabilities – Loss reserves***

Provision is made for the estimated cost of all claims notified but not settled at the balance sheet date, less reinsurance recoveries, using the best information available at the time. Provision is also made for claims incurred but not reported ("IBNR") at the balance sheet date based on historical claims experience, modified for variations in expected future settlement, as well as direct and indirect claims expenses.

Loss reserves are compared with the report issued by a qualified actuary, which is prepared for a valuation of the claims liabilities at best central estimates on a yearly basis.

(c) ***Deferred acquisition cost***

Commission an other acquisition cots incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial period, are deferred acquisition costs ("DAC") are calculated using the 365th method on actual commission. All other acquisition costs are recognized as an expense when incurred. Any impairment review is performed at each reporting date and, if required, the carrying value is written down to the recoverable amount.

2. Summary of significant accounting policies (cont'd)

2.20 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party of the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.21 *Employee benefits*

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.22 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Gross premiums***

Gross written premiums are recognised at the time of commencement of the risk or, in the case of reinsurance, it is taken up in the insurance underwriting account based on reinsurance closings received up to the time of closing of the books, and earned over the term of the related policy coverage.

Premiums on long-term polices are recognised at the commencement of contract and premiums not relating to the current financial year have been adjusted for as long term unexpired risk.

(b) ***Brokerage income***

Commission or brokerage for obtaining business for the insurer is recognised as revenue when the insurance policy has been arranged.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Investment income***

Dividend income is recognised when such dividends are declared. Profits or losses on disposal of investments are taken to profit or loss.

2.23 *Taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.23 *Taxes (cont'd)*

(b) *Deferred tax*

Deferred income tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is not probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income taxes are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Summary of significant accounting policies (cont'd)

2.23 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 *Claims*

General insurance claims incurred include all claims occurring during the year, whether reported or not, including the related handling costs and reduction for the value of salvage, other recoveries and any adjustments to claims outstanding from prior years.

2.25 *Leases*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.26 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.27 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.28 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;
(ii) Has significant influence over the Company; or
(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies :

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
(vi) The entity is controlled or jointly controlled by a person identified in (a);
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Plant and equipment

Group	Furniture and fittings US$	Office equipment and computers US$	Office renovation US$	Motor vehicles US$	Total US$
Cost					
At 1 January 2012	138,339	900,543	217,526	647,370	1,903,778
Acquisition of subsidiaries	–	16,524	–	57,800	74,324
Additions	10,839	144,897	3,474	301,215	460,425
Disposals	–	(25,707)	–	(527,749)	(553,456)
Foreign currency translation	8,678	48,239	13,215	21,313	91,445
At 31 December 2012 and 1 January 2013	157,856	1,084,496	234,215	499,949	1,976,516
Acquisition of subsidiaries	23,052	62,720	–	–	85,772
Additions	63,558	220,417	70,500	135,528	490,003
Disposals	(2,733)	(16,220)	(2,318)	(155,998)	(177,269)
Foreign currency translation	(5,836)	(68,490)	(8,675)	(47,046)	(130,047)
At 31 December 2013	235,897	1,282,923	293,722	432,433	2,244,975
Accumulated depreciation					
At 1 January 2012	78,881	529,207	123,157	397,357	1,128,602
Charge for the year	9,416	151,505	56,755	109,809	327,485
Disposals	–	(25,707)	–	(375,430)	(401,137)
Foreign currency translation	4,961	27,509	8,579	8,261	49,310
At 31 December 2012 and 1 January 2013	93,258	682,514	188,491	139,997	1,104,260
Charge for the year	15,350	160,461	34,655	83,060	293,526
Acquisition of subsidiaries	22,722	60,150	–	–	82,872
Disposals	(398)	(21,507)	(1,585)	(115,195)	(138,685)
Foreign currency translation	(3,344)	(51,135)	(6,889)	(34,664)	(96,032)
At 31 December 2013	127,588	830,483	214,672	73,198	1,245,941
Net carrying amounts:					
As at 31 December 2013	108,309	452,440	79,050	359,235	999,034
As at 31 December 2012	64,598	401,982	45,724	359,952	872,256

3. Plant and equipment (cont'd)

Company	Computer US$	Motor Vehicles US$	Total US$
Cost			
At 1 January 2012	1,243	30,483	31,726
Additions	2,646	–	2,646
Disposal	–	(30,483)	(30,483)
At 31 December 2012, 1 January 2013 and 31 December 2013	3,889	–	3,889
Accumulated depreciation			
At 1 January 2012	207	8,022	8,229
Charge for the year	1,089	668	1,757
Disposal	–	(8,690)	(8,690)
At 31 December 2012 and 1 January 2013	1,296	–	1,296
Charge for the year	1,296	–	1,296
At 31 December 2013	2,592	–	2,592
Net carrying amounts:			
As at 31 December 2013	1,297	–	1,297
As at 31 December 2012	2,593	–	2,593

4. Intangible assets

	Group			
	Goodwill US$	Brand US$	Customer relationship US$	Total US$
Cost				
At 1 January 2012	236,383	–	–	236,383
Acquisition of subsidiaries	835,937	907,132	255,661	1,998,730
Exchange differences	(76,811)	(59,704)	(16,826)	(153,341)
At 31 December 2012 and 1 January 2013	995,509	847,428	238,835	2,081,772
Acquisition of subsidiaries	127,487	–	229,499	356,986
Exchange differences	(152,605)	(164,525)	(46,306)	(363,436)
At 31 December 2013	970,391	682,903	422,028	2,075,322
Amortisation				
At 1 January 2012	–	–	–	–
Charge for the year	–	–	41,186	41,186
At 31 December 2012 and 1 January 2013	–	–	41,186	41,186
Amortisation for the year	–	–	90,824	90,824
Exchange difference	–	–	(9,111)	(9,111)
At 31 December 2013	–	–	122,899	122,899
Net carrying amounts:				
As at 31 December 2013	970,391	682,903	299,129	1,952,423
As at 31 December 2012	995,509	847,428	197,649	2,040,586

Brand and customer relationships

Brand relates to the "AEL" brand name for the Group's fire and motor insurance business that was acquired as part of the business combination. As explained in Note 2.11, the useful life of the brand is estimated to be indefinite.

Customer relationships are driven by the management's capability to preserve the existing clients. In the course of customer relationship valuation, the management takes into consideration the product characteristic of each line to determine which line possesses recurring feature attached to the business course. As explained in Note 2.11, the useful life is estimated to be 5 years.

Amortisation expenses

The amortization of customer relationship is included in "Other operating and administrative expenses" line item in profit or loss.

4. Intangible assets (cont'd)

Impairment testing of goodwill, brand and customer relationship

Goodwill, brand and customer relationship acquired through business combination have been allocated to a cash-generating unit ("CGU") for impairment testing. The carrying amounts of goodwill, brands and customer relationship allocated to the CGU are US$599,941, US$682,903 and US$115,480 respectively.

The recoverable amounts of the CGU have been determined based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are as follows:

	2013	**2012**
Pre-tax discount rates	13 - 14%	13 - 14%
Growth rates	0 - 20%	0 - 20%

Key assumptions used in the value in use calculations

The calculation of value in use for the CGU is most sensitive to the following assumptions:

Pre-tax discount rates - Discount rate represent the current market assessment of the risk specific to each of the CGUs, regarding the time value of money and individual risks of the underlying asset which have not been incorporated in the cash flow estimates. The discount rates calculation is based on the specific circumstances of the Group and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity.

Sensitivity to changes in assumptions

Growth rates - Management recognises that the speed of change and the possibility of new entrance can have significant impact on growth rate assumptions. The effect of new entrance is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to be estimated long-term growth rate of 0-20% (2012: 0-20%). A reduction in the long-term growth rate would result in impairment.

Impairment loss recognised

During the financial year, no impairment was recognised as the carrying amounts of the CGU were lower than their recoverable amount.

5. Investment in subsidiaries

	Company	
	2013 US$	2012 US$
Shares, at cost	34,121,402	33,700,006

Name	Country of incorporation	Principal activities	% of ownership interest 2013	% of ownership interest 2012
Held by the Company:				
Citystate Insurance Holdings Pte. Ltd [i]	Singapore	Investment holding	100	100
Citystate Risk Solutions Pte. Ltd [i]	Singapore	Investment holding	100	100
Citystate Insurance Company Ltd [ii]	Sri Lanka	Dormant	100	100
PT CCA Indonesia [ii]	Indonesia	Investment holdings	50	50
Held through Citystate Risk Solutions Pte. Ltd.:				
Newstate Stenhouse (S) Pte Ltd [i]	Singapore	Insurance brokers	100	100
Newstate Stenhouse (Simco) Pte Ltd [iv]	Singapore	Insurance brokers and consultants	100	100
Citystate Risk Management (L) Bhd [ii]	Federal Territory of Labuan, Malaysia	Insurance brokers	100	100
Alpha Momentum Sdn Bhd [ii]	Malaysia	Insurance Agency	100	100
Newstate Stenhouse (M) Sdn Bhd [ii]	Malaysia	Insurance Agency	100	100
NSIA Sdn Bhd [ii]	Malaysia	Insurance Agency	100	100
Newstate Stenhouse Limited [ii]	Hong Kong	Insurance brokers and consultants	100	–
Newstate Stenhouse Agency Limited [ii]	Hong Kong	Insurance Agency	100	–
Newstate Stenhouse Insurance Services Limited [ii]	Hong Kong	Insurance brokers and consultants	100	–
CRS Insurance Agency Pte Ltd [i]	Singapore	Insurance Agency	100	–
Held through Citystate Insurance Holdings Pte. Ltd:				
EQ Insurance Company Limited [i]	Singapore	General insurance underwriting	100	100
PT CCA Indonesia [ii]	Indonesia	Investment holdings	50	50

5. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest 2013	2012
Held through PT CCA Indonesia:				
PT Adicahya Bintang Semesta [ii]	Indonesia	Investment holdings	100	100
PT Asuransi Eka Lloyd Jaya [iii]	Indonesia	General insurance underwriting	78	78

i. Audited by Ernst & Young LLP, Singapore
ii. Not audited by Ernst & Young LLP, Singapore or its member firms
iii. Audited by Ernst & Young LLP, Indonesia
iv. In the process of voluntary liquidation

Acquisition of subsidiaries

On 31 January 2013, Citystate Risk Solutions Pte Ltd acquired a 100% interest in Newstate Stenhouse Limited, Newstate Stenhouse Agency Limited and Newstate Stenhouse Insurance Services Limited ("NSL Group") via the issuance of 421,396 new ordinary shares of Citystate Capital Asia Pte Ltd. The identifiable assets and liabilities of NSL Group were valued at approximately US$421,396 (HKD3,268,000) at the time of acquisition. CCA acquired NSL Group to establish a presence in Hong Kong in-line with the Group's strategy of growing its business within the Asia region.

The fair value of the identifiable assets and liabilities of the NSL Group as at the acquisition date were:

	Fair value recognised on acquisition US$
Property, plant and equipment	2,900
Intangible assets – Customer relationship (Note 4)	229,499
Trade receivables	260,031
Other receivables	387
Prepayments and deposits	33,798
Cash and short-term deposits	202,911
Total assets	729,526
Trade payables	331,252
Other payables	101,400
Tax payable	2,965
Total Liabilities	435,617
Total identifiable net assets at fair value	293,909
Goodwill arising from acquisition (Note 4)	127,487
Total Consideration given	421,396

5. Investment in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

Effect of the acquisition of NSL Group on cash flows

	Fair value recognised on acquisition US$
Total consideration	421,396
Less: Non-cash consideration	(421,396)
Consideration settle in cash	–
Less : Cash and cash equivalents of subsidiary acquired	202,911
Net cash inflow from acquisition of subsidiaries	202,911

Equity instruments issued as part of consideration transferred

In connection with the acquisition of 100% equity interest in NSL Group, Citystate Capital Asia Pte Ltd issued 421,396 ordinary shares with a fair value of $1.00 each. The fair value of the shares was commensurate with the fair value of the equity interest of NSL Group.

Transaction costs – paid and payable

Transaction costs related to the acquisition amounting to US$12,877 have been recognised in the "Other operating and administrative expenses" line item in the Group's profit and loss for the year ended 31 December 2013.

Goodwill arising from the acquisition

Customer relationship has been identified as one of the intangible assets arising from the acquisition. The goodwill paid recognizes the NSL Group's presence in Hong Kong.

Impact of the acquisition on profit and loss

From the acquisition date, NSL Group has contributed US$448,854 of brokerage income and US$83,476 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the net brokerage income from continuing operations would have been US$2,140,020 and the Group's loss from continuing operations, net of tax would have been US$505,058.

6. Investment in an associate

	Group	
	2013 US$	2012 US$
Shares, at cost	203,977	203,977
Share of post-acquisition reserves	52,004	19,219
Foreign currency translation	(17,554)	(15,125)
	238,427	208,071

Name	Country of incorporation	Principal activities	% of ownership interest 2013	% of ownership interest 2012
Held through a subsidiary:				
Stenhouse Insurance Brokers Private Limited [i]	India	Insurance brokers	26	26

i. Not audited by Ernst & Young LLP, Singapore or its member firms.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group is as follows:

	2013 US$	2012 US$
Assets and liabilities:		
Current assets	314,728	245,217
Non-current assets	92,842	66,705
Total assets	436,815	311,922
Current liabilities	49,106	51,644
Non-current liabilities	14,491	–
Total liabilities	63,597	51,644
Results:		
Brokerage income	334,486	286,347
Profit for the year	136,482	62,540

7. Investment securities

	Group	
	2013 US$	2012 US$
Current:		
Held for trading investments		
- Equity instruments (quoted)	3,618,670	3,632,830
Non-current:		
Available-for-sale financial assets		
- Equity instruments (quoted)	4,616,742	5,746,765
- Equity instruments (unquoted)	297,847	297,910
- Bonds (quoted)	1,793,650	1,841,814
	6,708,239	7,886,489
Held-to-maturity investments		
- Bonds (quoted)	17,452,807	20,306,936
- Bonds (unquoted)	2,054,303	2,508,691
	19,507,110	22,815,627
Total non-current investment	26,215,349	30,702,116

The fair value of the unquoted equity instruments is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed as used in estimating fair values. Consequently the investment is carried at cost less allowance for impairment.

Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group	Quoted prices in active markets for identical instruments (Level 1) US$	Significant observable inputs other than quoted prices (Level 2) US$	Significant unobservable inputs (Level 3) US$	Total US$
2013				
Financial assets:				
Held for trading investments				
– Equity instruments (quoted)	3,618,670	–	–	3,618,670
Available-for-sale financial assets				
– Equity instruments (quoted)	4,616,742	–	–	4,616,742
– Bonds (quoted)	1,793,650	–	–	1,793,650
At 31 December 2013	10,029,062	–	–	10,029,062

7. Investment securities (cont'd)

Fair value of financial instruments that are carried at fair value (cont'd)

Group	Quoted prices in active markets for identical instruments (Level 1) US$	Significant observable inputs other than quoted prices (Level 2) US$	Significant unobservable inputs (Level 3) US$	Total US$
2012				
Financial assets:				
Held for trading investments				
– Equity instruments (quoted)	3,632,8330	–	–	3,632,830
Available-for-sale financial assets				
– Equity instruments (quoted)	5,746,765	–	–	5,746,765
– Bonds (quoted)	1,841,814	–	–	1,841,814
At 31 December 2012	11,221,409	–	–	11,221,409

Fair value hierarchy

The Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

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

Determination of fair value

Quoted equity instrument/corporate bonds: Fair value is determined directly by reference to their published market bid price at the balance sheet date.

Unquoted corporate bonds: Fair value is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity.

7. Investment securities (cont'd)

Fair value of financial instruments that are carried at amortised cost

The following shows an analysis of financial instruments carried at amortised cost in the financial statements and their respective fair value:

	2013		2012	
Group	Carrying value US$	Market value US$	Carrying value US$	Market value US$
Quoted investment				
Corporate bonds, at cost	17,794,538	17,585,695	20,644,020	20,583,330
Less: Amortisation of premiums	(341,731)	–	(337,084)	–
	17,452,807	17,585,695	20,306,936	20,583,330
Unquoted investments				
Corporate bonds, at cost	2,042,884	2,098,509	2,437,244	2,543,749
Less: Amortisation of discounts	11,419	–	71,447	–
	2,054,303	2,098,509	2,508,691	2,543,749

8. Investment property

Investment property purchased during the year by the Group represents commercial office space, which is located at H.R. Rasona Said Kav. C-21, Kuningan. Up to the completion of the financial statements, the commercial office space has been fully rented out under a 3 years lease.

Based on the review of recoverable amount of the investment property, the Company's management is of the opinion that there are no events or changes in the circumstances as of 31 December 2013 that indicate the value of investment property may not be fully recoverable.

9. Trade receivables

	Group	
	2013 US$	2012 US$
Due from insured, agents, brokers and reinsurers	8,945,386	8,617,269
Due from cedants	133,987	108,273
Deposits of retrocessionairies	227,593	11,387
	9,306,966	8,736,929
Less : Allowance for doubtful receivables	(69,124)	(143,791)
	9,237,842	8,593,138

9. Trade receivables (cont'd)

Receivables that are past due but not impaired

The aged analysis of the insurance receivables (exclude amount receivable from related parties and deposits of retrocessionaires) that are past due but not impaired is as follows:

	Group	
	2013	**2012**
	US$	US$
Receivables past due but not impaired:		
61 – 90 days	1,829,574	2,549,693
91 – 120 days	566,557	502,446
More than 120 days	398,773	129,612
	2,794,904	3,181,751

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

Receivables that are impaired

The Group has trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2013	**2012**
	US$	US$
Trade receivables – nominal amount	69,124	143,791
Movement in allowance accounts:		
At 1 January	143,791	124,131
(Write-back)/charge for the year	(89,947)	12,299
Foreign currency translation	15,280	7,361
At 31 December	69,124	143,791

Due from agents, broker and reinsurers are non-interest bearing and are generally on 60 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair value due to the short-term nature of these balances.

The trade receivables as at 31 December are denominated in the following currencies:

Singapore Dollar	7,336,276	6,903,277
Indonesia Rupiah	1,694,785	1,687,646
Malaysian Ringgit	2,412	2,215
Hong Kong Dollar	204,356	–

10. Other receivables

	Group		Company	
	2013 US$	2012 US$	2013 US$	2012 US$
Current receivables:				
Tax recoverable	45,009	1,508	–	–
Accrued interest income	398,360	431,811	–	287
Input tax	394,403	192,308	–	–
Due from related parties – non-trade	207,050	167,430	–	–
Due from subsidiaries – non-trade	–	–	448,328	452,974
Others	233,517	119,915	50,000	599,639
	1,278,339	912,972	498,328	1,052,900
Non-current other receivables:				
Due from subsidiaries	–	–	19,650,014	19,056,033

The amount due from subsidiaries and related parties (current receivables) are unsecured, non-interest bearing and repayable on demand.

Due from subsidiaries (non-current) is unsecured, non-interest bearing and is not expected to be repaid substantially within 12 months from the balance sheet date.

11. Insurance contract liabilities and reinsurance assets

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2013			
Claims reported and loss adjustment expenses	22,047,048	(2,585,709)	19,461,339
Claims incurred but not reported	11,002,589	(96,658)	10,905,931
	33,049,637	(2,682,367)	30,367,270
Premium liabilities	20,827,716	(4,685,540)	16,142,176
Total	53,877,353	(7,367,907)	46,509,446
2012			
Claims reported and loss adjustment expenses	16,850,078	(1,330,149)	15,519,929
Claims incurred but not reported	10,758,639	–	10,758,639
	27,608,717	(1,330,149)	26,278,568
Premium liabilities	21,183,145	(5,079,164)	16,103,981
Total	48,791,862	(6,409,313)	42,382,549

11. Insurance contract liabilities and reinsurance assets (cont'd)

(a) *Claims and loss adjustment expenses*

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2013			
Notified claims	16,850,078	(1,330,149)	15,519,929
Incurred but not reported	10,758,639	–	10,758,639
Total at beginning of year	27,608,717	(1,330,149)	26,278,568
Cash paid for claims settled in the year	(26,592,308)	5,835,754	(20,746,554)
Increase in liabilities	33,189,703	(7,356,340)	25,833,363
Foreign currency translation	(1,166,475)	168,368	(998,107)
Total at end of year	33,049,637	(2,682,367)	30,367,270
Notified claims	22,047,048	(2,585,709)	19,461,339
Incurred but not reported	11,002,589	(96,658)	10,905,931
	33,049,637	(2,682,367)	30,367,270
2012			
Notified claims	12,846,298	(1,400,637)	11,445,661
Incurred but not reported	8,046,682	–	8,046,682
Total at beginning of year	20,892,980	(1,400,637)	19,492,343
Acquisition of subsidiaries	692,330	(243,990)	448,340
Cash paid for claims settled in the year	(16,371,443)	2,330,165	(14,041,278)
Increase in liabilities	21,038,788	(1,951,218)	19,087,570
Foreign currency translation	1,356,062	(64,469)	1,291,593
Total at end of year	27,608,717	(1,330,149)	26,278,568
Notified claims	16,850,078	(1,330,149)	15,519,929
Incurred but not reported	10,758,639	–	10,758,639
	27,608,717	(1,330,149)	26,278,568

11. Insurance contract liabilities and reinsurance assets (cont'd)

(b) ***Premium liabilities***

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2013			
At beginning of the year	21,183,145	(5,079,164)	16,103,981
(Decrease)/increase during the year	693,404	3,956	697,360
Foreign currency translation	(1,048,833)	389,668	(659,165)
At end of the year	20,827,716	(4,685,540)	16,142,176
2012			
At beginning of the year	19,525,289	(5,338,445)	14,186,844
Acquisition of subsidiaries	1,200,460	(473,630)	726,830
(Decrease)/increase during the year	(612,409)	1,067,996	455,587
Foreign currency translation	1,069,805	(335,085)	734,720
At end of the year	21,183,145	(5,079,164)	16,103,981

12. Deferred taxation

	Balance sheet		Profit and loss account	
	2013 US$	2012 US$	2013 US$	2012 US$
Deferred tax assets				
Unutilised tax losses	165,928	–	(165,928)	–
Post employment benefit	21,345	–	(21,345)	–
Other items	11,916	–	(11,916)	–
Total deferred tax assets	199,189	–		
Deferred tax liabilities				
Deferred tax liabilities				
Insurance contract liabilities at best estimates	–	443,942	(443,942)	96,821
Unearned premium reserves	–	77,391	(77,391)	77,391
An excess of net book value over tax written down value of property, plant and equipment	68,256	57,508	10,748	23,540
Revaluations to fair value:				
- Fixed income loan stock	(24,128)	(32,237)	–	–
- Equity shares	67,417	77,210	–	–
Other item	64,269	56,023	(22,824)	1,567
	175,814	679,837		
Revaluation to fair value:				
- Available-for-sale financial assets	44,648	64,553	(19,905)	3,901
Total deferred tax liabilities	212,462	744,390		
Deferred tax (Note 23)			(752,503)	203,220

13. Cash and short-term deposits

Cash and short-term deposits comprise the following:

	Group		Company	
	2013 US$	2012 US$	2013 US$	2012 US$
Short-term bank deposits	51,754,916	47,807,330	–	818,584
Cash and bank balances	4,953,499	4,830,682	594,904	128,327
Cash and short term deposits	56,708,415	52,638,012	594,904	946,911
Less :				
- Deposits held on behalf of policyholders in respect of insurance business	(2,263,925)	(2,509,317)	–	–
- Restricted for Insurance Broking Premium Account	(856,727)	(2,400,083)	–	–
Restricted cash	(3,120,652)	(4,909,400)	–	–
Cash and cash equivalents included in the consolidated cash flow statements	53,587,763	47,728,612	594,904	946,911

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2013 US$	2012 US$	2013 US$	2012 US$
Singapore dollar	48,524,831	40,485,324	480,048	897,480
Philippine peso	–	146,818	–	–
Malaysian Ringgit	109,543	121,260	–	–
Indonesia Rupiah	4,892,276	8,156,325	–	–
Hong Kong Dollar	243,716	–	–	–

14. Trade payables

	Group	
	2013	2012
	US$	US$
Cash collateral placed by policyholders	2,263,925	2,509,317
Due to insured, agents, brokers and reinsurers	2,689,666	2,958,233
Amount due to reinsurers	2,652,737	566,735
Amount due to ceding companies	77,278	208,144
Cedant deposits	136,535	141,091
Amounts due to retrocessionaires	130,549	189,206
	7,952,870	6,572,726

The trade payables denominated in foreign currencies at 31 December are as follows:

	Group	
	2013	2012
	US$	US$
Singapore Dollar	6,124,713	4,806,902
Malaysian Ringgit	2,189	5,212
Indonesia Rupiah	1,564,039	1,442,111
Hong Kong Dollar	261,929	–

15. Other payables

	Group		Company	
	2013	2012	2013	2012
	US$	US$	US$	US$
Provisions	1,385,033	1,196,088	–	–
Accrued expenses	222,075	307,560	65,176	105,393
Output GST	588,063	–	–	–
Due to related parties	74,591	133,728	51,312	19,969
Due to a subsidiary	–	–	157,886	–
Others	349,315	871,970	91,126	47,378
	2,619,077	2,509,346	365,500	172,740

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

The other payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2013	2012	2013	2012
	US$	US$	US$	US$
Singapore dollar	2,280,672	2,246,079	42,621	–
Malaysian Ringgit	1,739	78,953	–	–
Indonesia Rupiah	167,913	157,583	–	–
Hong Kong Dollar	55,073	–	–	–

16. Share capital

	Group and Company			
	2013		2012	
	No. of Shares	US$	No. of shares	US$
Issued and fully-paid ordinary shares :-				
At 1 January	55,912,841	54,659,279	50,829,855	49,576,293
Issuance of shares	421,396	421,396	5,082,986	5,082,986
Shares issuance cost	–	–	–	–
At 31 December	56,334,237	55,080,675	55,912,841	54,659,279

During the financial year ended 31 December 2013, the Company issued 421,396 ordinary shares for the acquisition 100% of 3 subsidiaries Newstate Stenhouse Limited, Newstate Stenhouse Agency Limited and Newstate Stenhouse Insurance Services Limited ("NSL Group") via Citystate Risk Solutions Pte Ltd.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

17. Dividends

	Group and Company	
	2013	2012
	$	$
Interim exempt (one-tier) dividend	–	300,000

18. Other reserves

Merger reserves

Merger reserves represent the difference between the nominal value of share issued in exchange for the nominal value of shares and reserves of subsidiaries acquired under common control, in accordance with the principles of merger accounting.

Fair value reserves

Fair value reserves represent the cumulative fair value changes, net of tax, of available for-sale financial assets until they are disposed of or impaired.

Translation reserves

Translation reserves represent exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

19. Net underwriting results from reinsurance business (in run-off)

	Group	
	2013 US$	2012 US$
Claims refunded	–	–
Loss reserves :		
At beginning of financial year	472,227	469,148
Foreign currency translation	(679)	3,079
At end of financial year	471,813	472,227
Incurred claims	(266)	–
Net underwriting profit	(266)	–

20. Brokerage income and profit commission

	Group	
	2013 US$	2012 US$
Brokerage income is analysed as follows:		
Brokerage income	1,948,727	1,468,357
Profit commission	151,334	109,802
	2,100,061	1,578,159

21. Investment and other income

	Group	
	2013 US$	2012 US$
Interest income on :		
- short-term bank deposits	740,278	519,768
- government securities and fixed interest securities/ structured deposits	777,282	872,504
Dividend income from investment securities	443,139	532,706
Gain on sale of investments	–	640,622
Gain on maturity of fixed income bonds	–	–
Unrealised gains/(loss) on investments	–	643,414
Profit on disposal of fixed asset	16,053	–
Foreign exchange gain	322,308	111,560
Others	690,730	530,350
	2,989,790	3,850,924

22. Profit before taxation

This is stated after charging/(crediting) the following :

	Group	
	2013	2012
	US$	US$
Allowance for doubtful debts	(89,947)	12,299
Depreciation of plant and equipment	293,526	327,485
Amortisation of intangible assets	90,824	41,186
Net fair value gain from held-for-trading investments	43,333	–
Foreign exchange loss	188,956	5,129
Agency expenses	233,712	84,368
Rental expenses	894,439	626,729
Hire purchase interest expense	–	21,369
Loss on disposal of plant and equipment	–	42,233
Employee benefit expenses		
- Salaries and bonuses	5,726,105	5,305,634
- Contribution to defined contribution plan	530,571	446,032
- Others	549,924	575,731

23. Taxation

(a) ***Major components of income tax for the year ended 31 December:***

	Group	
	2013	2012
	US$	US$
Current tax	20,372	590,846
Deferred tax	(752,503)	203,220
	(732,131)	794,066
Under provision of current tax in respect of prior year	960	(76,823)
Tax (credit)/expense	(731,171)	717,243

(b) ***Relationship between tax expense and accounting (loss)/profit***

A reconciliation between the tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rate for the years ended 31 December is as follows:

(Loss)/profit before tax	(1,246,199)	4,086,515
Taxation at statutory rate of 17% (2012: 17%)	(211,854)	694,708
Adjustments :		
Effect of differences in tax rates in other countries	(43,385)	38,453
Non-deductible expenses	92,499	284,339
Tax exemption	(99,012)	(166,082)
Income not subject to tax	(16,305)	(102,436)
Deferred tax assets not recognised	31,983	47,235
Benefits from previously unrecognised tax losses	–	(6,594)
Overprovision in respect of prior year	(469,672)	(76,823)
Others	(15,425)	4,443
Tax expense	(731,171)	717,243

24. Related party transactions

Related parties are entities with either common directors or shareholders. Some of the Company's transactions are between related parties on terms determined between the parties, are reflected in these financial statements.

Related party transactions are as follow:

	Group	
	2013	**2012**
	US$	US$
Related companies		
Income:		
Rental income	42,242	19,209
Fees for services rendered	224,759	277,188
Expenses:		
Commission & Insurance Premium	110,538	102,683
Payment towards operating expenses	10,086	99,618
Rental and utility charges of office premises	565,078	531,652
Secretarial fees	18,644	16,775
Travelling expenses	76,805	81,951
Interest payment	17,342	–
Key management remuneration		
Chairman fees	113,596	114,775
Director's fees	137,137	144,900
Salary and bonuses	431,489	383,752
CPF	22,663	22,655
Other benefits	16,720	17,584
	721,605	683,666

During the financial year ended 31 December 2013, the amount of $61,654 (2012: $60,283) of the key management remuneration was recovered from the Citystate Group Pte Ltd.

25. Financial risk management

Financial risk management objectives and policies

The Group is exposed to market risk, including primarily changes in interest rates and currency exchange rates and uses other instruments in connection with its risk management activities. The Group does not hold or issue derivative financial instruments for hedging and trading purposes.

The Group has risk management policies and guidelines which set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

25. Financial risk management (cont'd)

Insurance risk

The Group writes a book of general insurance business comprising mainly Motor, Workmen's Compensation and Property.

The Group purchases reinsurance coverage on both treaty and facultative basis. The Group's net retention varies according to product lines and loss experience.

The risk under insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claim. The principal risk the Group faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

Occurrence risk	–	the possibility that the number of insured events will differ from those expected
Severity risk	–	the possibility that the cost of the events will differ from those expected
Development risk	–	the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

The objective of the Group is to control and minimise insurance risk to reduce volatility of operating profits. The Group manages insurance risk through the following mechanism:

- Guidelines are issued for concluding reinsurance contracts and assuming reinsurance risks.
- Proactive claims handling procedures are followed to investigate and adjust claims, thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Group's exposure to large claims and catastrophes by placing risk with re-insurers providing high security.
- Diversification is accomplished by achieving sufficiently large population or risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk and industry.

The Group relies on its reinsurance arrangements for its liquidity and solvency where large loss arises. Its reinsurance placements are diversified and spread amongst selected reinsurers to avoid over reliance on any single reinsurer.

To mitigate the risk of reinsurance failure, the Group adopts a strict reinsurance management policy that is governed by two key criteria, namely reinsurance usage selection and reinsurance usage concentration. The Group monitors there indicators actively and takes corrective action whenever the need arises.

25. Financial risk management (cont'd)

Insurance risk (cont'd)

The table below sets out the concentration of the general insurance risk as at balance sheet date:

	Group General insurance contract			
	2013		2012	
	US$ Net premium liabilities	US$ Net claims liabilities	US$ Net premium liabilities	US$ Net claims liabilities
By class of business				
Cargo	51,315	112,956	76,258	123,264
Fire	459,943	873,252	490,539	656,510
Motor	5,427,246	14,375,293	5,249,360	12,471,751
Workmen's compensation	2,485,185	12,882,117	5,104,184	11,766,615
Personal accident	186,583	75,058	95,061	18,176
Health	1,073,794	665,490	901,199	467,654
Public liability	424,552	471,399	425,467	400,869
Bonds	2,452,843	475,732	3,214,806	103,580
Engineering	396,254	276,074	352,402	223,501
Professional indemnity	47,472	17,349	115,954	83
Miscellaneous	136,988	142,550	78,751	46,565
	16,142,176	30,267,270	16,103,981	26,278,568

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's investment portfolio. The Group does not use derivative financial instruments to hedge its investment portfolio. The portfolio includes only debt securities with active secondary or resale markets to ensure portfolio liquidity.

Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations as of 31 December 2012 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect the counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

25. Financial risk management (cont'd)

Credit risk (cont'd)

Reinsurance is placed with highly rated reinsurers and concentration of risk is monitored periodically. The Group reviews the creditworthiness of reinsurers before renewing the reinsurance arrangements annually, in accordance to the prevailing reinsurance strategy and guidelines.

The tables below indicate the credit risk exposure of the Group at 31 December 2013 by classifying financial assets according to cash ratings of the counterparties:

2013	AAA	AA	A	Others or not rated	Total
In United States dollars					
Financial assets at fair value through profit and loss	780,722	478,386	36,598	2,322,964	3,618,670
Available-for-sale financial assets					
Equity Securities	–	4,616,742	–	297,847	4,914,589
Debt Securities	–	825,828	–	967,822	1,793,650
Held-to-maturity financial assets	–	2,591,173	–	16,915,937	19,507,110
Due from insured, agents and brokers	–	10	326,259	8,619,117	8,945,386
Due from reinsurers	–	–	–	227,593	227,593
Other receivables	–	–	–	1,633,307	1,633,307
Cash and short-term deposits	–	13,841,812	35,539,952	7,326,651	56,708,415
Total	780,722	22,353,951	35,902,809	38,311,238	97,348,720
Trade and other payables	–	65,010	317,567	10,189,355	10,571,931

2012					
In United States dollars					
Financial assets at fair value through profit and loss	–	–	–	3,632,830	3,632,830
Available-for-sale financial assets	–	5,746,765	818,584	1,321,140	7,886,489
Held-to-maturity financial assets	–	1,229,431	1,526,120	20,060,076	22,815,627
Due from insured, agents and brokers	1,717	10	223,318	8,392,224	8,617,269
Due from reinsurers	–	–	–	11,387	11,387
Other assets		46,129	106,028	1,266,101	1,418,258
Cash and short-term deposits	–	19,834,231	26,816,415	5,987,366	52,638,012
Total	1,717	26,856,566	29,490,465	40,671,124	97,019,872
Trade and other payables	–	138,940	226,622	8,716,510	9,082,072

25. Financial risk management (cont'd)

Foreign currency risk

The Group underwrites its products in several countries and, as a result, is exposed to movements in foreign currency exchange rates.

The Group does not use foreign currency forward exchange contracts or purchased currency options for hedging and trading purposes.

The tables below show the foreign currency exchange position of the Group's financial assets and liabilities by major currencies:

2013	SGD US$	RM US$	USD US$	IDR US$	HKD US$	Others US$	Total US$
Financial assets at fair value through profit and loss							
Equity Securities	3,618,670	–	–	–	–	–	3,618,670
Available-for-sale financial assets	6,412,295	–	–	–	–	295,944	6,708,239
Held-to-maturity financial assets	19,507,111	–	–	–	–	–	19,507,111
Due from insured, agents and brokers	7,261,126	2,413	–	1,477,492	204,356	–	8,945,386
Due from reinsurers	10,300	–	–	217,293	–	–	227,593
Other assets	1,280,469	30,822	–	322,016	–	–	1,633,307
Cash and short-term deposits	48,524,948	109,543	2,937,932	4,892,276	243,716	–	56,708,415
Total	86,614,919	142,778	2,937,932	6,909,077	448,072	295,944	97,348,720
Trade and other payables	8,405,369	3,928	113,681	1,731,952	317,002	–	10,571,931
2012							
Financial assets at fair value through profit and loss	3,632,830	–	–	–	–	–	3,632,830
Available-for-sale financial assets	7,590,543	–	–	–	–	295,946	7,886,489
Held-to-maturity financial assets	22,815,627	–	–	–	–	–	22,815,627
Due from insured, agents and brokers	6,808,229	2,215	89,779	1,687,646	–	29,400	8,617,269
Due from reinsurers	11,387	–	–	–	–	–	11,387
Other assets	1,221,256	1,140	–	195,862	–	–	1,418,258
Cash and short-term deposits	40,485,324	121,260	3,728,284	8,156,326	–	146,818	52,638,012
Total	82,565,196	124,615	3,818,063	10,039,834	–	472,164	97,019,872
Trade and other payables	7,052,981	84,165	200,488	1,579,694	–	164,744	9,082,072

25. Financial risk management (cont'd)

Fair values

The carrying amounts of trade and other receivables, trade and other payables, cash and marketable securities approximate their fair values due to their short-term nature.

Insurance contract liabilities – assumptions and sensitivities

As this is the fifth year the Company is operating its direct general insurance business and there is not sufficient past claims experience as reference, the industry average incurred loss ratios are used as a benchmark and modified according to management expectation. EQ Insurance Company Limited's estimate is reviewed by the external appointed actuary, JP Wall Consulting Partners.

Where else, test on adequacy of PT Asuransi Eka Lloyd's insurance liability as of 31 December 2013 and 2012 is performed by an independent actuary, PT Katsir Imam Sapto Sejahtera Aktuaria.

26. Authorisation for issue

The financial statements of the Company were authorised for issue in accordance with a resolution of the Directors on 23 May 2014.