Company Registration No. 200917889Z

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Annual Consolidated Financial Statements
31 December 2014

Building a better
working world

Citystate Capital Asia Pte. Ltd. and its subsidiaries

General Information

Directors

Leow Siak Fah	(deceased on 14 April 2015)
Leow Tze Wen	
Ho Hak Ean Peter	
Ng Tee Chuan	
Robert Graham Harrison	
Tan Eng Seong Phillip	
Philippe Rochaix	
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 2014.

Directors of the Company

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

Leow Tze Wen	
Ho Hak Ean Peter	
Ng Tee Chuan	
Robert Graham Harrison	
Tan Eng Seong Phillip	
Philippe Rochaix	
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 of directors shareholding 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**
Ordinary shares of the Company – Citystate Capital Asia Pte Ltd				
Leow Siak Fah	–	–	26,675,913	29,819,420
Leow Tze Wen	1,254,377	1,432,511	21,251,015	23,624,135
Ng Tee Chuan	–	–	3,266,191	3,266,191
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.

Options

There were no share options granted by the Company during the financial year.

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

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

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment.

On behalf of the Board,

Leow Tze Wen
Director

Tan Eng Seong Phillip
Director

Singapore
22 April 2015

Statement by Directors

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 Group and the Company as at 31 December 2014 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
22 April 2015

Independent Auditor's Report 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 6 to 61, which comprise the balance sheets of the Group and the Company as at 31 December 2014, 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.

Independent Auditor's Report To the Members of Citystate Capital Asia Pte. Ltd.

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 2014 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

Ernst & Young LLP

Public Accountants and Chartered Accountants
Singapore

22 April 2015

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Balance Sheets
As at 31 December 2014

(In United States dollars)

	Note	Group 2014 US$	Group 2013 US$	Company 2014 US$	Company 2013 US$
Non-current assets					
Property, plant and equipment	4	1,473,875	999,034	4,569	1,297
Investment property	5	1,148,571	1,113,189	–	–
Intangible assets	6	1,700,578	1,952,423	–	–
Investment in subsidiaries	7	–	–	34,121,402	34,121,402
Investment in an associate	8	244,329	238,427	–	–
Investment securities	9	28,120,318	26,215,349	–	–
Other receivables	11	1,021	–	22,125,789	19,650,014
Reinsurers' share of insurance contract liabilities	12	7,132,575	7,367,907	–	–
Deferred tax assets	13	304,086	199,189	–	–
		40,125,353	38,085,518	56,251,760	53,772,713
Current assets					
Investment securities	9	4,482,216	3,618,670	–	–
Prepayments and deposits		599,085	354,968	14,838	15,441
Trade receivables	10	9,310,231	9,237,842	–	–
Other receivables	11	1,286,607	1,278,339	295,229	498,328
Cash and short-term deposits	14	59,558,223	56,708,415	6,087,596	594,904
Loans and receivables		70,155,061	67,224,596	6,382,825	1,093,232
		75,236,362	71,198,234	6,397,663	1,108,673
Current liabilities					
Trade payables	15	6,725,299	7,952,870	–	–
Other payables	16	2,496,387	2,619,077	269,156	365,500
Financial liabilities carried at amortised costs		9,221,686	10,571,947	269,156	365,500
Tax payables		100,117	307,199	–	–
		9,321,803	10,879,146	269,156	365,500
Net current assets		65,914,559	60,319,088	6,128,507	743,173
Non-current liabilities					
Gross insurance contracts liabilities	12	51,813,049	53,877,353	–	–
Employment liability		149,647	85,380	–	–
Deferred tax liabilities	13	326,023	212,462	–	–
		52,288,719	54,175,195	–	–
Net assets		53,751,193	44,229,411	62,380,267	54,515,886
Equity attributable to owners of the Company					
Share capital	17	63,480,675	55,080,675	63,480,675	55,080,675
Accumulated profits/(losses)		7,901,462	5,475,558	(1,100,408)	(564,789)
Other reserves	18	(20,167,268)	(18,123,310)	–	–
		51,214,869	42,432,923	62,380,267	54,515,886
Non-controlling interests		2,536,324	1,796,488	–	–
Total equity		53,751,193	44,229,411	62,380,267	54,515,886

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 2014

(In United States dollars)

	Note	Group 2014 US$	Group 2013 US$
Gross written premium		43,292,714	44,840,454
Reinsurers' share of gross premiums written		(8,797,003)	(10,691,281)
Gross change in reserve for unexpired risk	12(b)	1,169,776	(269,425)
Reinsurers' share of gross change in reserve for unexpired risk	12(b)	(1,023,161)	(470,431)
Net earned premium		34,642,326	33,409,317
Gross claims paid	12(a)	(24,825,318)	(26,835,773)
Reinsurers' share of gross claims paid	12(a)	5,022,182	7,593,621
Gross change in loss reserves		(1,553,866)	(5,736,257)
Reinsurers' share of gross change in loss reserves		1,086,819	837,751
Net claims incurred		(20,270,183)	(24,140,658)
Commission expense		(6,717,660)	(6,664,746)
Commission income		1,924,164	2,294,280
Net commission		(4,793,496)	(4,370,466)
Other underwriting expenses		(1,007,283)	(614,841)
Underwriting profit from direct general insurance		8,571,364	4,283,352
Net underwriting results from reinsurance business (in run off)	19	(462)	(266)
Brokerage income and profit commission	20	1,999,191	2,100,061
Investment and other income	21	2,950,834	2,989,790
Other operating and administrative expenses		(11,282,550)	(10,651,921)
Share of associate's results		6,112	32,785
Profit/(loss) before taxation	22	2,244,489	(1,246,199)
Taxation	23	179,388	731,171
Profit/(loss) for the year		2,423,877	(515,028)
Other comprehensive income - net of tax			
Net gain/(loss) on available-for-sale financial assets		28,076	(87,787)
Foreign currency translation		(2,075,324)	(2,795,988)
Other comprehensive income for the year		(2,047,248)	(2,883,775)
Total comprehensive income for the year		376,629	(3,398,803)
Profit/(loss) for the year attributable to:			
Owners of the Company		2,425,904	(390,195)
Non-controlling interest		(2,027)	(124,833)
		2,423,877	(515,028)
Total comprehensive income attributable to:			
Owners of the Company		381,946	(3,306,233)
Non-controlling interests		(5,317)	(92,570)
Total comprehensive income for the year		376,629	(3,398,803)

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 2014

(In United States dollars)

	Attributable to owners of the Company								
Group	Share capital (Note 17) US$	Merger reserves (Note 19) US$	Fair value reserves (Note 19) US$	Translation reserves (Note 19) US$	Other reserves, total US$	Accumulated profits US$	Total US$	Non-controlling interests US$	Total equity US$
2014									
Balance as at 1 January 2014	55,080,675	(18,531,731)	197,452	210,969	(18,123,310)	5,475,558	42,432,923	1,796,488	44,229,411
Profit for the year	–	–	–	–	–	2,425,904	2,425,904	(2,027)	2,423,877
Other comprehensive income									
Net loss on available-for-sale financial assets	–	–	28,076	–	28,076	–	28,076	–	28,076
Foreign currency translation	–	–	–	(2,072,034)	(2,072,034)	–	(2,072,034)	(3,290)	(2,075,324)
Other comprehensive income for the year, net of tax	–	–	28,076	(2,072,034)	(2,043,958)	–	(2,043,958)	(3,290)	(2,047,248)
Total comprehensive income for the year	–	–	28,076	(2,072,034)	(2,043,958)	2,425,904	381,946	(5,317)	376,629
Share capital contribution by non-controlling interests	–	–	–	–	–	–	–	745,153	745,153
Contribution by and distribution to owners									
Shares issued during the year	8,400,000	–	–	–	–	–	8,400,000	–	8,400,000
Balance as at 31 December 2014	63,480,675	(18,531,731)	225,528	(1,861,065)	(20,167,268)	7,901,462	51,214,869	2,536,324	53,751,193
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)	5,475,558	42,432,923	1,796,488	44,229,411

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 2014

(In United States dollars)

	Share Capital (Note 17) US$	Accumulated losses US$	Total US$
Company			
2014			
Balance 1 January 2014	55,080,675	(564,789)	54,515,886
Loss for the year	–	(535,619)	(535,619)
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	(535,619)	(535,619)
Contribution by and distribution to owners			
Shares issued during the financial year	8,400,000	–	8,400,000
Balance as at 31 December 2014	63,480,675	(1,100,408)	62,380,267
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

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 2014

(In United States dollars)

	Group	
	2014	**2013**
	US$	US$
Cash flows from operating activities:		
Profit/(loss) before taxation	2,244,489	(1,246,199)
Adjustments for :		
(Decrease)/increase in insurance contracts liabilities	(1,828,972)	5,294,999
Gain on disposal of property, plant and equipment	(36,955)	(12,136)
Depreciation of plant and equipment	341,243	293,526
Depreciation of investment property	53,091	–
Impairment of goodwill	127,520	–
Amortisation of intangible assets	85,411	90,824
Amortisation of premium on held-to-maturity investments, net	(281,250)	64,675
Write-back of doubtful trade receivable, net	(205)	(108,383)
Interest income	(1,666,441)	(1,517,560)
Dividend income from investment securities	(415,237)	(443,139)
Net unrealised (gain)/loss on held-for-trading investments	(267,102)	43,333
Employee benefit expenses	69,250	–
Share of associate's results	(6,112)	(32,785)
Operating cash flows before changes in working capital	(1,581,270)	2,427,155
Changes in working capital		
Decrease in restricted cash	514,478	1,788,748
Decrease/(increase) in receivables	132,699	(553,232)
(Decrease)/increase in payables	(1,350,261)	104,373
Cash (used in)/generated from operations	(2,284,354)	3,767,044
Income tax paid	(37,222)	(403,571)
Net cash (used in)/generated from operating activities	(2,321,576)	3,363,473
Cash flows from investing activities:		
Net cash inflow on acquisition of subsidiary	–	202,911
Purchase of property, plant and equipment	(981,009)	(490,003)
Purchase of investment property	(114,701)	(1,113,188)
Proceeds from disposal of property, plant and equipment	139,605	26,448
Proceeds from disposal of investment securities - net	(3,737,169)	3,146,686
Interest received	1,176,276	1,551,011
Dividend received from investment securities	413,710	443,139
Withdrawal of/(placement in) long duration bank deposits	7,274,969	(8,318,518)
Net cash generated from/(used in) investing activities	4,171,681	(4,551,514)
Cash flows from financing activities:		
Issuance of shares	8,400,000	421,396
Contribution by non-controlling interest	745,153	–
Net cash generated from financing activities	9,145,153	421,396
Net increase/(decrease) in cash and cash equivalents	10,995,258	(766,645)
Effect of exchange rate changes on cash and cash equivalents	(355,998)	(1,692,722)
Cash and cash equivalents at beginning of year	9,444,374	11,903,741
Cash and cash equivalents at end of year (Note 14)	20,083,634	9,444,374

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 7 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 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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*
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 16 *Property, Plant and Equipment and FRS 38 Intangible Assets*	1 July 2014
(d) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
FRS 115 Revenue from Contracts with Customers	1 January 2017
FRS 109 Financial Instruments	1 January 2018

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.

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

2.4 *Basis of consolidation*

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. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Business combinations and goodwill

Business combinations 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.

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 profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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. Summary of significant accounting policies (cont'd)

2.5 *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 owners of the Company.

2.6 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.7 *Associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from associates reduce the carrying amount of the investment. 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 associate are eliminated to the extent of the interest in the 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.

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

2.7 Associates (cont'd)

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.

2.8 *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.

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

2.8 ***Foreign and functional currency (cont'd)***

(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.

2.9 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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:

Leasehold land and building	-	20 years
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.

2.10 ***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.

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

2.10 *Investment property (cont'd)*

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 2.9 up to the date of change in use.

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.

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 2.8.

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

2.11 *Intangible assets (cont'd)*

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.

(a) ***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.

(b) ***Customer relationships***

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

2.12 *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.

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

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

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.

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.

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.

2.13 *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.

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

2.13 ***Financial assets (cont'd)***

Subsequent measurement (cont'd)

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

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.

(b) ***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.

(c) ***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.

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

2.13 ***Financial assets (cont'd)***

Subsequent measurement (cont'd)

(d) ***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.

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.

2.14 ***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:

(a) ***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.

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

2.14 *Financial liabilities (cont'd)*

Subsequent measurement (cont'd)

(a) ***Financial liabilities at fair value through profit or loss (cont'd)***

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.

(b) ***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.

2.15 *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.

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

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

(a) *Financial assets carried at amortised cost (cont'd)*

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.

(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.

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

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

(c) ***Available-for-sale financial assets (cont'd)***

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.

2.18 *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. Summary of significant accounting policies (cont'd)

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 marine cargo and treaty business is calculated using either 25% and 40% of net written premiums respectively.

Premium deficiency reserves are derived using actuarial methods on loss statistics and are recognised 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, 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 on other acquisition cost 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 recognised 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.

2.20 *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)

2.21 *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) ***Premium income***

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. Interest income is accounted for on an accrual basis using the effective interest method. Profits or losses on disposal of investments are taken to profit or loss.

2.22 *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.

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.

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

2.22 *Taxes (cont'd)*

(b) *Deferred tax*

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)

2.22 *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.

2.23 *Leases*

(a) ***As lessee***

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.

(b) ***As lessor***

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

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

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 *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.

2.26 *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.

3. 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:

3. Significant accounting judgements, estimates and assumptions (cont'd)

Judgements made in applying accounting policies (cont'd)

(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 12 to the financial statements.

The insurance contract liabilities are determined by the approved actuary at the best central estimates for the year ended 31 December 2014. An additional provision of approximately US$3,287,000 (2013: US$3,456,500) is required if the insurance contract liabilities are calculated at a 75% level of sufficiency.

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.

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.

The table below is intended to illustrate the level of uncertainty within the claims reserves:-

Two scenarios are shown:

(i) The impact (based on the actuarial model) of increasing claims provision from the level that provides the best estimate to the level that provides a 75% level of assurance.

(ii) The impact of increasing all individually estimated case reserves by 5% illustrating the sensitivity of the claims provision to the individual estimates formulated by loss adjusters.

	Increase/(decrease)	
	net claims liabilities US$'000	profit before tax US$'000
2014		
Increase claims provision from best estimate to 75% adequacy level	3,435	(3,435)
Increase reported claims case reserves by 5%	900	(900)

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

Judgements made in applying accounting policies (cont'd)

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

	Increase/(decrease) net claims liabilities US$'000	Increase/(decrease) profit before tax US$'000
2013		
Increase claims provision from best estimate to 75% adequacy level	3,487	(3,487)
Increase reported claims case reserves by 5%	930	(930)

(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 2014 and 2013.

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 8 and 25.

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

Key sources of estimation uncertainty (cont'd)

(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 10 to the financial statements.

(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.

4. Plant and equipment

Group	Leasehold land US$	Leasehold building US$	Furniture and fittings US$	Office equipment and computers US$	Office renovation US$	Motor vehicles US$	Total US$
Cost							
At 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 and 1 January 2014	–	–	235,897	1,282,923	293,722	432,433	2,244,975
Additions	426,450	90,019	78,590	194,580	66,765	124,605	981,009
Disposals	–	–	(2,708)	(52,580)	–	(221,866)	(277,154)
Foreign currency translation	(19,637)	(4,146)	(12,369)	(61,232)	(16,842)	(14,867)	(129,093)
At 31 December 2014	406,813	85,873	299,410	1,363,691	343,645	320,305	2,819,737
Accumulated depreciation							
At 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 and 1 January 2014	–	–	127,588	830,483	214,672	73,198	1,245,941
Charge for the year	13,834	3,376	28,512	182,399	36,440	76,682	341,243
Disposals	–	–	(1,819)	(51,877)	–	(120,808)	(174,504)
Foreign currency translation	(631)	(156)	(6,034)	(44,271)	(11,818)	(3,908)	(66,818)
At 31 December 2014	13,203	3,220	148,247	916,734	239,294	25,164	1,345,862
Net carrying amounts:							
As at 31 December 2014	393,610	82,653	151,163	446,957	104,351	295,141	1,473,875
As at 31 December 2013	–	–	108,309	452,440	79,050	359,235	999,034

4. Plant and equipment (cont'd)

Company	Furniture US$	Computer US$	Motor vehicles US$	Total US$
Cost				
At 1 January 2013	–	1,243	30,483	31,726
Additions	–	2,646	–	2,646
Disposal	–	–	(30,483)	(30,483)
At 31 December 2013 and 1 January 2014	–	3,889	–	3,889
Additions	4,651			4,651
Disposal	–	–	–	–
At 31 December 2014	4,651	3,889	–	8,540
Accumulated depreciation				
At 1 January 2013	–	1,296	–	1,296
Charge for the year	–	1,296	–	1,296
At 31 December 2013 and 1 January 2014	–	2,592	–	2,592
Charge for the year	290	1,089	–	1,379
At 31 December 2014	290	3,681	–	3,971
Net carrying amounts:				
As at 31 December 2014	4,361	208	–	4,569
As at 31 December 2013	–	1,297	–	1,297

Group

The leasehold land and building held by the Group as at 31 December 2014 is as follows:

Description and Location	Existing use	Tenure	Unexpired lease term
Jalan. P.B. Sudirman II No 4 Denpasar Bar. Kota Denpasar, Bali 80232, Indonesia	Commercial offices	Leasehold	30 years

5. Investment property

Group	2014 US$	2013 US$
Balance sheet:		
Cost		
At 1 January	1,113,189	–
Additions	114,701	1,299,307
Exchange differences	(28,672)	(186,118)
At 31 December	1,199,218	1,113,189
Accumulated depreciation		
At 1 January	–	–
Charge for the year	53,091	–
Exchange differences	(2,444)	–
At 31 December	50,647	–
Net carrying amount		
As at year ended 31 December	1,148,571	1,113,189
Statement of comprehensive income:		
Rental income from investment properties:		
- Minimum lease payments	42,728	–
Direct operating expenses arising from:		
- Rental generating properties	53,091	60,383

Investment property is stated at cost less depreciation. The fair value of the investment property held by the Group as at 31 December 2014 is approximately US$1,706,250. The fair valuations was performed by independent valuers with recognised and relevant professional qualification and experience in the location and category of property being valued.

The Group has no restriction on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property of for repairs, maintenance or enhancements.

The investment property held by the Group as at 31 December 2014 is as follows:

Description and Location	Existing use	Tenure	Unexpired lease term
Office building H.R Rasuna Said Kav. C-21, Kuningan Jakarta, Indonesia	Commercial office	Leasehold	17 years

6. Intangible assets

Group	Goodwill US$	Brand US$	Customer relationship US$	Total US$
Cost				
At 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 and 1 January 2014	970,391	682,903	422,028	2,075,322
Exchange differences	(23,951)	(14,349)	(4,046)	(42,346)
At 31 December 2014	946,440	668,554	417,982	2,032,976
Accumulated amortisation and impairment				
At 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 and 1 January 2014	–	–	122,899	122,899
Amortisation for the year	–	–	85,411	85,411
Impairment loss for the year	127,520	–	–	127,520
Exchange difference	–	–	(3,432)	(3,432)
At 31 December 2014	127,520	–	204,878	332,398
Net carrying amounts:				
As at 31 December 2014	818,920	668,554	213,104	1,700,578
As at 31 December 2013	970,391	682,903	299,129	1,952,423

Brand and customer relationships

Brand relates to the "Asuransi Eka Lloyd" brand name for the Group's fire and motor insurance business that was acquired as part of the business combination. The brand is estimated to have an indefinite useful life.

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. The useful life is estimated to be 5 years.

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

6. 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 three cash-generating units ("CGU") for impairment testing. The carrying amounts of goodwill, brands and customer relationship allocated to the CGU are as follows:

	Insurance brokers (Singapore)		Insurance brokers (Hong Kong)		General insurance underwriting		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	US$	US$	US$	US$	US$	US$	US$	US$
Goodwill	231,585	242,929	–	127,521	587,335	599,941	818,920	970,391
Brand	–	–	–	–	668,554	682,903	668,554	682,903
Customer relationship	–	–	137,735	183,649	75,370	115,480	213,105	299,129

The recoverable amounts of the CGUs 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:

	Insurance brokers (Singapore)		Insurance brokers (Hong Kong)		General insurance underwritings	
	2014	2013	2014	2013	2014	2013
Pre-tax discount rates	13 - 14%	13 - 14%	11 - 13%	11 - 13%	13 - 14%	13 - 14%
Growth rates	0 - 20%	0 - 20%	0 - 15%	0 - 15%	0 - 20%	0 - 20%

Key assumptions used in the value in use calculations

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margin – Gross margins are based on average values achieved in the five years preceding the start of the budgeted period. These are increased over the budget period for anticipated efficiency improvements. An increase of an average of 5%, 15%, and 20% per annum was applied for insurance brokers, insurance agency and general insurance underwritings, respectively.

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 the costs of debt and equity.

Growth rates – The forecasted growth rates are based on the management's assessment on the future business plan.

6. Intangible assets (cont'd)

Sensitivity to changes in assumptions

With regards to the assessment of value in use for insurance brokers and general insurance underwritings, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount.

For insurance agency, the carrying amount have been impaired down to the estimated recoverable amount and, consequently, any adverse change in a key assumption would result in a further impairment loss. The implication of the key assumption for the recoverable amount is discussed below:

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 the estimated growth rate of 0 - 20% (2013: 0 - 20%). A reduction in the growth rate would result in further impairment.

Impairment loss recognised

During the financial year, an impairment was recognised to fully write down the carrying amounts of goodwill attributable to Insurance brokers (Hong Kong). The impairment loss of US$127,520 (2013: Nil) has been recognized in profit or loss under the line item "other operating and administration expenses".

7. Investment in subsidiaries

Company	**2014** US$	**2013** US$
Shares, at cost	34,121,402	34,121,402

(a) *Composition of the Group*

The Group has the following investment in subsidiaries.

Name	**Country of incorporation**	**Principal activities**	**% of ownership interest 2014**	**% of ownership interest 2013**
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

7. Investment in subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

Name	Country of incorporation	Principal activities	% of ownership interest 2014	2013
Held through Citystate Risk Solutions Pte. Ltd.:				
Newstate Stenhouse (S) Pte Ltd [i]	Singapore	Insurance brokers	100	100
Citystate Risk Management (L) Bhd [ii]	Malaysia	Insurance brokers	100	100
Alpha Momentum Sdn Bhd [iv]	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	100
Newstate Stenhouse Agency Limited [iv]	Hong Kong	Insurance Agency	100	100
Newstate Stenhouse Insurance Services Limited [ii]	Hong Kong	Insurance brokers and consultants	100	100
CRS Insurance Agency Pte Ltd [i]	Singapore	Insurance Agency	100	100
Held through Citystate Insurance Holdings Pte. Ltd:				
EQ Insurance Company Limited [i]	Singapore	General insurance underwriting	100	100
PT CCA Indonesia [v]	Indonesia	Investment holdings	50	50
Held through PT CCA Indonesia:				
PT Adicahya Bintang Semesta [v]	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
v. Not required to be audited

(b) *Interest in subsidiary with material non-controlling interest (NCI)*

The Group has the following subsidiary that has NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Loss allocated to NCI during the reporting period US$	Accumulated NCI at the end of reporting period US$	Dividends paid to NCI US$
PT Asuransi Eka Lloyd Jaya					
31 December 2014	Indonesia	22%	(2,027)	2,536,324	–
31 December 2013	Indonesia	22%	(124,833)	1,796,488	–

7. Investment in subsidiaries (cont'd)

(c) ***Summarised financial information about subsidiaries with material NCI***

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiary with material non-controlling interest is as follows:

	PT Asuransi Eka Lloyd Jaya	
	2014	**2013**
Summarised balance sheets	US$	US$
Current		
Assets	9,280,900	7,186,634
Liabilities	(1,127,081)	(1,739,069)
Net current assets	8,153,819	5,447,565
Non-current		
Assets	3,191,119	4,785,853
Liabilities	(2,584,501)	(3,205,349)
Net non-current assets	606,618	1,580,504
Net assets	8,760,437	7,028,069
Summarised statement of comprehensive income		
Revenue	4,750,855	5,457,152
Loss before income tax	(83,431)	(819,416)
Income tax credit	114,348	296,923
Profit/(loss) after tax, representing total comprehensive income	30,917	(522,493)

8. Investment in an associate

Group	**2014**	**2013**
	US$	US$
Shares, at cost	203,977	203,977
Share of post-acquisition reserves	58,116	52,004
Foreign currency translation	(17,764)	(17,554)
	244,329	238,427

8. Investment in an associate (cont'd)

Name	Country of incorporation	Principal activities	% of ownership interest 2014	2013
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:

	2014 US$	2013 US$
Assets and liabilities:		
Current assets	413,350	314,728
Non-current assets	127,750	92,842
Total assets	541,100	407,570
Current liabilities	167,917	49,106
Non-current liabilities	8,451	14,491
Total liabilities	176,368	63,597
Results:		
Brokerage income	410,957	334,486
Profit for the year	150,871	136,482

9. Investment securities

Group	2014 US$	2013 US$
Current:		
Held for trading investments		
- Equity instruments (quoted)	4,467,726	3,618,670
Available-for-sale financial assets		
- Equity instruments (unquoted)	14,490	–
Total current investment	4,482,216	3,618,670

9. Investment securities (cont'd)

Group	**2014** US$	**2013** US$
Non-current:		
Available-for-sale financial assets		
- Equity instruments (quoted)	4,433,520	4,616,742
- Equity instruments (unquoted)	297,757	297,847
- Bonds (quoted)	1,699,129	1,793,650
	6,430,406	6,708,239
Held-to-maturity investments		
- Bonds (quoted)	20,179,575	17,452,807
- Bonds (unquoted)	1,510,337	2,054,303
	21,689,912	19,507,110
Total non-current investment	28,120,318	26,215,349
Total Investment securities	32,602,534	29,834,019

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$
2014				
Financial assets:				
Held for trading investments				
– Equity instruments (quoted)	4,467,726	–	–	4,467,726
Available-for-sale financial assets				
– Equity instruments (quoted)	4,433,520	–	–	4,433,520
– Bonds (quoted)	1,699,129	–	–	1,699,129
At 31 December 2014	10,600,375	–	–	10,600,375

9. 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)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$	US$	US$	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

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.

9. 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:

	2014		2013	
Group	**Carrying value** US$	**Market value** US$	**Carrying value** US$	**Market value** US$
Quoted investment				
Corporate bonds, at cost	20,214,605	16,764,517	17,794,538	17,585,695
Less: Amortisation of premiums	(35,029)	–	(341,731)	–
	20,179,576	16,764,517	17,452,807	17,585,695
Unquoted investments				
Corporate bonds, at cost	1,510,337	2,000,517	2,042,884	2,098,509
Less: Amortisation of discounts	–	–	11,419	–
	1,510,337	2,000,517	2,054,303	2,098,509

10. Trade receivables

	Group	
	2014 US$	**2013** US$
Due from insured, agents, brokers and reinsurers	9,321,935	8,945,386
Due from cedants	232,145	331,162
Deposits of retrocessionairies	9,818	227,593
	9,563,898	9,504,141
Less : Allowance for doubtful receivables	(253,667)	(266,299)
	9,310,231	9,237,842

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	
	2014 US$	**2013** US$
Receivables past due but not impaired:		
61 – 90 days	2,662,301	1,829,574
91 – 120 days	879,733	566,557
More than 120 days	523,830	398,773
	4,065,864	2,794,904

10. Trade receivables (cont'd)

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	
	2014	**2013**
	US$	US$
Trade receivables – nominal amount	253,667	266,299
Movement in allowance accounts:		
At 1 January	266,299	366,424
Charge for the year	2,543	4,017
Write-back for the year	(2,748)	(112,400)
Foreign currency translation	(12,427)	8,258
At 31 December	253,667	266,299

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	7,825,327	7,336,276
Indonesia Rupiah	1,163,241	1,694,785
Malaysian Ringgit	188	2,412
Hong Kong Dollar	90,557	204,356

11. Other receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	US$	US$	US$	US$
Current receivables:				
Tax recoverable	115,131	45,009	–	–
Accrued interest income	415,701	398,360	1,691	–
Input tax	304,350	394,403	–	–
Due from related parties	111,583	207,050	157,032	148,420
Due from subsidiaries	–	–	86,506	299,908
Others	339,842	233,517	50,000	50,000
	1,286,607	1,278,339	295,229	498,328

11. Other receivables (cont'd)

	Group 2014	Group 2013	Company 2014	Company 2013
	US$	US$	US$	US$
Non-current other receivables:				
Security deposit	1,021	–	–	–
Due from subsidiaries	–	–	22,125,789	19,650,014
	1,021	–	22,125,789	19,650,014
Total other receivables	1,287,628	1,278,339	22,421,018	20,148,342

The amount due from subsidiaries and related parties (current) 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.

12. Insurance contract liabilities and reinsurance assets

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2014			
Claims reported and loss adjustment expenses	21,698,399	(3,576,719)	18,121,680
Claims incurred but not reported	11,329,393	(38,638)	11,290,755
	33,027,792	(3,615,357)	29,412,435
Premium liabilities	18,785,257	(3,517,218)	15,268,039
Total	51,813,049	(7,132,575)	44,680,474
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

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

(a) *Claims and loss adjustment expenses*

Group	Gross US$	Recoverable from reinsurers US$	Net US$
2014			
Notified claims	22,047,048	(2,585,709)	19,461,339
Incurred but not reported	11,002,589	(96,658)	10,905,931
Total at beginning of year	33,049,637	(2,682,367)	30,367,270
Cash paid for claims settled in the year	(24,825,318)	5,022,182	(19,803,136)
Increase in liabilities	26,379,646	(6,109,001)	20,270,645
Foreign currency translation	(1,576,173)	153,829	(1,422,344)
Total at end of year	33,027,792	(3,615,357)	29,412,435
Notified claims	21,698,399	(3,576,719)	18,121,680
Incurred but not reported	11,329,393	(38,638)	11,290,755
	33,027,792	(3,615,357)	29,412,435
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	(26,835,773)	5,835,754	(20,746,554)
Increase in liabilities	33,189,703	(7,356,340)	25,833,363
Foreign currency translation	(913,010)	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

The table below shows the development of claims over a period of time on a net of reinsurance basis. It shows the cumulative incurred and notified claims, for each successive accident year at each balance sheet date, together with cumulative claims, payments and total IBNR claims as at the current balance sheet date.

Claims development is shown for the last five accident years, with the liability held as at the current balance sheet date for accident years 2009 and prior and IBNR claims being shown as a separate item.

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

(a) *Claims and loss adjustment expenses (cont'd)*

Accident Year	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
End of accident year	–	1,042	842	1,257	655	3,796
1 year later	6,389	9,993	10,468	14,144	12,287	53,281
2 years later	8,680	14,637	15,339	16,383	–	55,039
3 years later	11,944	16,262	15,204	–	–	43,410
4 years later	12,989	16,047	–	–	–	29,036
5 years later	13,348	–	–	–	–	13,348
Current estimate of cumulative claims	13,580	16,980	16,095	17,825	12,942	77,422
Cumulative payments to date	(12,712)	(15,138)	(13,627)	(13,113)	(5,280)	(59,870)
Liability recognised in the balance sheet	868	1,842	2,468	4,712	7,662	17,552
Outstanding liability pertaining to accident year 2009 and before						570
IBNR						11,290
						29,412

(b) *Premium liabilities*

Group	**Gross**	**Recoverable from reinsurers**	**Net**
	US$	US$	US$
2014			
At beginning of the year	20,827,716	(4,685,540)	16,142,176
(Decrease)/increase during the year	(1,169,776)	1,023,161	(146,615)
Foreign currency translation	(872,683)	145,161	(727,522)
At end of the year	18,785,257	(3,517,218)	15,268,039
2013			
At beginning of the year	21,183,145	(5,079,164)	16,103,981
Increase during the year	269,425	470,431	739,856
Foreign currency translation	(624,854)	(76,807)	(701,661)
At end of the year	20,827,716	(4,685,540)	16,142,176

13. Deferred taxation

Group	Balance sheet 2014 US$	Balance sheet 2013 US$	Profit and loss account 2014 US$	Profit and loss account 2013 US$
Deferred tax assets				
Unutilised tax losses	268,998	165,928	127,761	(165,928)
Post-employment benefit	37,412	21,345	17,898	(21,345)
An excess of net book value over tax written down value of property, plant and equipment	(9,870)	–	(9,870)	–
Other items	7,546	11,916	(4,370)	(11,916)
Total deferred tax assets	304,086	199,189		
Deferred tax liabilities				
Insurance contract liabilities at best estimates	–	–	–	(443,942)
Unearned premium reserves	–	–	–	(77,391)
An excess of net book value over tax written down value of property, plant and equipment	(43,131)	(68,256)	23,014	10,748
Revaluations to fair value:				
- Fixed income loan stock	(60,653)	24,128	(84,781)	–
- Equity shares	(107,721)	(67,417)	(40,304)	–
Other item	(66,452)	(64,269)	(2,183)	(22,824)
Revaluation to fair value:				
- Available-for-sale financial assets	(48,066)	(44,648)	(3,418)	(19,905)
Total deferred tax liabilities	(326,023)	(212,462)		
Deferred tax (Note 23)			23,747	(752,503)

14. Cash and short-term deposits

Cash and short-term deposits comprise the following:

	Group 2014 US$	Group 2013 US$	Company 2014 US$	Company 2013 US$
Short-term bank deposits	52,319,263	51,754,916	5,906,887	–
Cash and bank balances	7,238,960	4,953,499	180,709	594,904
Cash and short term deposits	59,558,223	56,708,415	6,087,596	594,904

14. Cash and short-term deposits (cont'd)

	Group		Company	
	2014	2013	2014	2013
	US$	US$	US$	US$
Cash and short term deposits	59,558,223	56,708,415	6,087,596	594,904
Less :				
- Deposits held on behalf of policyholders in respect of insurance business	(1,863,365)	(2,263,925)	–	–
- Restricted for Insurance Broking Premium Account	(742,809)	(856,727)	–	–
- Long duration bank deposits excluding those held on behalf of policyholders	(36,868,415)	(44,143,389)	–	–
Restricted cash	(39,474,589)	(47,264,041)	–	–
Cash and cash equivalents included in the consolidated cash flow statements	20,083,634	9,444,374	6,087,596	594,904

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

	Group		Company	
	2014	2013	2014	2013
	US$	US$	US$	US$
Singapore dollar	43,153,250	48,524,831	175,682	480,048
Malaysian Ringgit	78,793	109,543	–	–
Indonesia Rupiah	7,226,113	4,892,276	–	–
Hong Kong Dollar	188,197	243,716	–	–

15. Trade payables

	Group	
	2014	2013
	US$	US$
Cash collateral placed by policyholders	1,925,817	2,266,115
Due to insured, agents, brokers and reinsurers	2,466,299	2,689,666
Amount due to reinsurers	2,002,779	2,652,727
Amount due to ceding companies	77,754	77,278
Cedant deposits	130,159	136,535
Amounts due to retrocessionaires	122,491	130,549
	6,725,299	7,952,870

15. Trade payables (cont'd)

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

	Group 2014 US$	Group 2013 US$
Singapore Dollar	5,507,052	6,124,713
Malaysian Ringgit	892	2,189
Indonesia Rupiah	570,084	1,564,039
Hong Kong Dollar	98,638	261,929

16. Other payables

	Group		Company	
	2014 US$	2013 US$	2014 US$	2013 US$
Provisions	1,508,381	1,385,033	–	–
Accrued expenses	133,493	222,075	166,934	65,176
Output GST	493,569	588,063	–	–
Due to related parties	76,486	74,591	80,258	51,312
Due to a subsidiary	–	–	–	157,886
Others	284,458	349,315	21,964	91,126
	2,496,387	2,619,077	269,156	365,500

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 2014 US$	Group 2013 US$	Company 2014 US$	Company 2013 US$
Singapore dollar	2,186,451	2,280,672	77,222	272,937
Malaysian Ringgit	807	1,739	–	–
Indonesia Rupiah	179,921	167,913	–	–
Hong Kong Dollar	48,530	55,073	–	–

17. Share capital

	Group and Company			
	2014		2013	
	No. of Shares	US$	No. of shares	US$
Issued and fully-paid ordinary shares :-				
At 1 January	56,334,237	55,080,675	55,912,841	54,659,279
Issuance of shares	8,000,000	8,400,000	421,396	421,396
At 31 December	64,334,237	63,480,675	56,334,237	55,080,675

During the financial year ended 31 December 2014, the Company issued 8,000,000 ordinary shares for cash consideration of US$8,400,000.

17. Share capital (cont'd)

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.

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	
	2014	2013
	US$	US$
Claims	(1,651)	–
Loss reserves :		
At beginning of financial year	471,813	472,227
Foreign currency translation	(5,957)	(680)
At end of financial year	(467,969)	(471,813)
Incurred claims	(462)	(266)
Net underwriting profit	(462)	(266)

20. Brokerage income and profit commission

	Group	
	2014	2013
	US$	US$
Brokerage income is analysed as follows:		
Brokerage income	1,816,740	1,948,727
Profit commission	182,451	151,334
	1,999,191	2,100,061

21. Investment and other income

	Group 2014 US$	Group 2013 US$
Interest income on :		
- short-term bank deposits	832,993	740,278
- government securities and fixed interest securities/ structured deposits	833,448	777,282
Dividend income	415,237	443,139
Rental Income	42,728	–
Net unrealised gain on held-for-trading investments	267,102	–
Gain on disposal of property, plant and equipment	36,955	16,053
Foreign exchange gain	319,587	322,308
Others	202,784	690,730
	2,950,834	2,989,790

22. Profit/(loss) before taxation

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

	Group 2014 US$	Group 2013 US$
Director's fee	395,675	317,980
Chairman's fee	170,369	114,610
Allowance for doubtful trade receivable	2,543	4,017
Write-back of allowance for doubtful trade receivable	(2,748)	(112,400)
Depreciation on property, plant and equipment	341,243	293,526
Depreciation on investment property	53,091	–
Gain on disposal of property, plant and equipment	(36,955)	–
Amortisation of premium on held-to-maturity investment	281,250	136,772
Amortisation of intangible assets	85,411	90,824
Impairment of goodwill	127,520	–
Net urealised loss on held-for-trading investments	–	43,333
Foreign exchange (gain)/loss	(75,933)	188,956
Agency expenses	53,718	233,712
Rental expenses	1,041,350	894,439
Employee benefit expenses		
- Salaries and bonuses	6,100,541	5,726,105
- Contribution to defined contribution plan	560,311	530,571
- Others	655,005	549,924

23. Taxation

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

	Group 2014 US$	Group 2013 US$
Current tax	90,740	20,372
Deferred tax	23,747	(752,503)
	114,487	(732,131)
(Over)/under provision of current tax in respect of prior year	(293,875)	960
Tax credit	(179,388)	(731,171)

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

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

	Group 2014 US$	Group 2013 US$
Profit/(loss) before tax	2,244,489	(1,246,199)
Taxation at statutory rate of 17% (2013: 17%)	381,563	(211,854)
Adjustments :		
Effect of differences in tax rates in other countries	(7,706)	(43,385)
Tax effect of non-taxable income	(140,945)	(16,305)
Tax effect of non-deductible expenses	61,156	92,499
Enhanced Allowance	(4,062)	–
Tax exemption	(166,280)	(99,012)
Deferred tax assets not recognised	–	31,983
Utilisation of previous years' tax losses	(74,223)	–
Overprovision in respect of prior year	(255,151)	(469,672)
Others	26,260	(15,425)
Tax expense	(179,388)	(731,171)

In 2013, the Company has unutilised tax losses of approximately $548,839 available for offset against future taxable profits. No deferred tax benefit has been recognised on these tax losses due to uncertainty of its recoverability against future taxable profits. The use of these tax losses is subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation. In 2014, all prior year's tax losses have been fully utilized and the unrecognised deferred tax benefit has been applied since the Company has taxable income and has met the qualifying conditions of the income tax act.

24. Related party transactions

An entity or individual is considered a related party of the Company for the purposes of the financial statements if (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Company or vice versa; or (ii) it is subject to common control or common significant influence.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties who are not members of the Company took place during the year at terms agreed between the parties:

	Group	
	2014	**2013**
	US$	US$
Related companies		
Income:		
Rental income	66,896	42,242
Fees for services rendered	340,884	224,759
Expenses:		
Commission & Insurance Premium	161,658	110,538
Payment towards operating expenses	3,069	10,086
Rental and utility charges of office premises	664,695	565,078
Secretarial fees	17,719	18,644
Travelling expenses	163,225	76,805
Interest payment	19,708	17,342
Key management remuneration		
Chairman fees	170,369	113,596
Director's fees	170,612	137,137
Salary and bonuses	338,235	431,489
CPF	17,583	22,663
Other benefits	16,056	16,720
	712,855	721,605

During the financial year ended 31 December 2014, the amount of $61,419 (2013: $61,654) 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 2014		2013	
	US$ Net premium liabilities	US$ Net claims liabilities	US$ Net premium liabilities	US$ Net claims liabilities
By class of business				
Cargo	60,264	99,089	51,315	112,956
Fire	589,652	869,240	459,943	873,252
Motor	6,148,711	13,005,565	5,427,246	14,375,293
Workmen's compensation	4,822,491	12,512,681	2,485,185	12,882,117
Personal accident	232,044	144,802	186,583	75,058
Health	1,041,890	870,273	1,073,794	665,490
Public liability	456,505	590,799	424,552	471,399
Bonds	1,353,373	671,976	2,452,843	475,732
Engineering	401,170	464,397	396,254	276,074
Professional indemnity	2,139	29,311	47,472	17,349
Trade Credit	20,122	10	–	–
Miscellaneous	139,678	154,292	136,988	142,550
	15,268,039	29,412,435	16,142,176	30,267,270

Insurance contract liabilities - assumptions and sensitivities

As this is the sixth year the Company is operating its direct general insurance business, its claims reserving and review processes had improved to capture the latest available information and speed up claims settlements. The case estimates are 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 2014 is performed by an independent actuary, PT Dayamandiri Dharmakonsilindo.

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. The Group does not have significant exposure to fluctuations in interest rates since almost all of its debt and securities are held until maturity.

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the Singapore Exchange Securities Trading Limited (SGX-ST) in Singapore and are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

25. Financial risk management (cont'd)

Market price risk (cont'd)

The Group's objective is to manage investment returns and equity price risk using investment grade shares with steady dividend yields. The Group's policy is to limit its interest in the held-for-trading equity shares to 20% (2013: 20%) of its entire investment portfolio.

At the balance sheet date, if the market prices of the equity investments had been 5% (2013: 5%) higher/lower with all other variables held constant, the Group's profit before tax would increase/decrease by US$233,436 (2013: US$180,244) as the Group held some equity investments classified as held for trading. The Group's equity would have been US$553,863 (2013: US$499,541) higher/lower, arising as a result of an increase/decrease in the fair value of held for trading and available-for-sale equity instruments.

The method used for deriving sensitivity analysis and significant variables did not change from the previous year.

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:

2014	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	4,467,726	–	–	–	–	–	4,467,726
Available-for-sale financial assets	6,134,462	–	–	14,490	–	295,945	6,444,897
Held-to-maturity financial assets	21,193,003	–	496,908	–	–	–	21,689,911
Due from insured, agents and brokers	6,062,087	188	230,918	1,163,241	90,557	–	7,546,991
Due from reinsurers	1,763,240	–	–	–	–	–	1,763,240
Cash and short-term deposits	43,097,445	78,793	8,967,675	7,226,113	188,197	–	59,558,223
Other assets	1,564,597	341	1,692	302,227	16,835	–	1,885,692
Total	84,282,560	79,322	9,697,193	8,706,071	295,589	295,945	103,356,680
Trade and other payables	7,693,504	1,699	629,310	750,005	147,168	–	9,221,686

25. Financial risk management (cont'd)

Foreign currency risk (cont'd)

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	19,507,110	–	–	–	–	–	19,507,110
Due from insured, agents and brokers	7,261,126	2,412	–	1,477,492	204,356	–	8,945,386
Due from reinsurers	10,300	–	–	217,293	–	–	227,593
Cash and short-term deposits	48,524,948	109,543	2,937,932	4,892,276	243,716	–	56,708,415
Other assets	1,280,469	30,822	–	322,016	–	–	1,633,307
Total	86,614,918	142,777	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

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the SGD, IDR, HKD and Others, exchange rates against the respective functional currencies of the Group, with all other variables held constant.

	Profit before tax 2014 US$	Profit before tax 2013 US$
SGD/USD		
strengthened 5% (2013:5%)	(3,196,027)	(2,829,064)
weakened 5% (2013:5%)	3,196,027	2,829,064
IDR/USD		
strengthened 5% (2013:5%)	(567,198)	(351,338)
weakened 5% (2013:5%)	567,198	351,338
HKD/USD		
strengthened 5% (2013:5%)	(8,961)	(7,154)
weakened 5% (2013:5%)	8,961	7,154

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 2013 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

25. Financial risk management (cont'd)

Credit risk (cont'd)

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.

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 2014 by classifying financial assets according to cash ratings of the counterparties:

	AAA	AA	A	Others or not rated	Total
2014					
In United States dollars					
Financial assets at fair value through profit and loss	848,356	896,013	37,743	2,685,614	4,467,726
Available-for-sale financial assets					
Equity Securities	–	4,433,520	–	312,248	4,745,768
Debt Securities	–	755,168	–	943,961	1,699,129
Held-to-maturity financial assets	377,739	3,398,621	–	17,913,551	21,689,911
Due from insured, agents and brokers	–	–	–	7,546,991	7,546,991
Due from reinsurers	–	–	1,717,348	45,892	1,763,240
Other assets	–	–	–	1,885,692	1,885,692
Cash and short-term deposits	5,329,942	18,020,829	33,931,289	2,276,163	59,558,223
Total	6,556,037	27,504,151	35,686,380	33,610,112	103,356,680
Trade and other payables	–	93,772	1,274,565	7,853,349	9,221,686
2013					
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 assets	–	–	–	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

25. Financial risk management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As at the balance sheet date, all of the Company's financial liabilities will mature within one year. The following table sets out the carrying amount, by maturity of the Company's financial assets.

	Less than 1 year	**2 years – 5 years**	**Over 5 years**	**Total**
	US$'000	US$'000	US$'000	US$'000
Investment securities				
31 December 2014	6,753	9,560	16,290	32,603
31 December 2013	3,619	12,374	13,841	29,834

26. Fair value of financial instruments

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.

27. Capital Management

The Group has established a capital management policy to ensure that the Group maintains adequate capital to support business growth, taking into consideration regulatory requirements, and the underlying risks of the Group's business and operations. Capital includes equity attributable to the owners of the Group less the available-for-sale investment reserves.

The Group's capital management processes include the following key measures:

- observing an established dividend policy, which aims to support the Group's business needs, comply with regulatory requirements and reward shareholders reasonably;
- setting appropriate risk limits to control the Group's exposure in the underlying risks of its business and operations;
- investing the Group's funds in liquid and marketable securities and following an appropriate asset allocation strategy to maintain high liquidity and achieve the Group's objective in growth and preservation of capital; and
- stress-testing the Group's financial conditions and capital adequacy under various stress scenarios to assess and enhance the Group's financial stability.

27. Capital Management (cont'd)

The Group is also required to maintain a minimum amount of capital and solvency requirements as prescribed under the Singapore Insurance Act (Chapter 142) and relevant Regulations. The Group has complied with such requirements during the financial year. The Group monitors its capital level on a regular basis to assess whether the capital adequacy requirements have been met.

The Group has no borrowings, contingent liabilities and loan capital as at 31 December 2014. There was no change in the Group's capital management objectives, policies and processes during the years ended 31 December 2014 and 31 December 2013.

28. Contingent liabilities - Litigation

In respect of insurance agreements entered into in the normal course of business, the Group will face legal actions and has contingent liabilities arising thereon, where proceedings have been brought on behalf of various alleged classes of claimants and certain of these claimants seek damages of unspecified amounts. Whilst the outcome of such matters cannot be predicted with certainty, it is the opinion of the management that the ultimate outcome of such litigation will not have a material adverse impact on the Group's financial conditions, results of operations or cash flows.

29. Authorisation for issue

The financial statements of the Company were authorised for issue in accordance with a resolution of the Directors on 22 April 2015.