Master File

Company Registration No. 200917889Z

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Annual Consolidated Financial Statements
31 December 2013

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Building a better
working world

Citystate Capital Asia Pte. Ltd. and its subsidiaries

General Information

Directors

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

Company Secretaries

Sharimala Rasanayagam
Sim Siew Kiang

Registered Office

No 36 Club Street #01-01
Singapore 069469

Auditor

Ernst & Young LLP

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

Directors of the Company

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

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

Directors' interests in shares and debentures

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

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

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

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

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

Auditor

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

On behalf of the Board,

Leow Tze Wen
Director

Tan Eng Seong Phillip
Director

Singapore
23 May 2014

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 Company, and the Company and its subsidiaries (collectively, the "Group") as at 31 December 2013 and the results of the business, changes in equity and cash flow of the Group and the changes in equity of the Company for the financial year then ended; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Leow Tze Wen
Director

Tan Eng Seong Phillip
Director

Singapore
23 May 2014

Citystate Capital Asia Pte. Ltd. and its subsidiaries

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

Report on the financial statements

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

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
Singapore
2 3 MAY 2014

Citystate Capital Asia Pte. Ltd. and its subsidiaries

Balance Sheets as at 31 December 2013

(In United States dollars)

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

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

Citystate Capital Asia Pte. Ltd. and its subsidiaries

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

(In United States dollars)

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

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

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

(In United States dollars)

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

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

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

(In United States dollars)

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

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

(In United States dollars)

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

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

(In United States dollars)

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

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

Citystate Capital Asia Pte. Ltd. and its subsidiaries

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

(In United States dollars)

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

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

1. Corporate Information

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

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

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

2.2 *Changes in accounting policies*

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

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

2.3 *Standards issued but not yet effective*

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

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

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

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

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

FRS 112 *Disclosure of interests in Other Entities*

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

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

2.4 *Significant accounting judgements, estimates and assumptions*

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

Judgements made in applying accounting policies

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

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

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

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

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

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

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

Judgements made in applying accounting policies (cont'd)

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

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

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

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

Key sources of estimation uncertainty

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

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

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

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

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

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

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

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

Key sources of estimation uncertainty (cont'd)

(c) ***Taxes***

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

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

2.5 ***Basis of consolidation***

Basis of consolidation from 1 January 2010

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

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

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

Business combinations from 1 January 2010

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

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

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

2.5 *Basis of consolidation (cont'd)*

Business combinations from 1 January 2010 (cont'd)

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

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

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

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

Business combinations involving entities under common control

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

2.6 *Transactions with non-controlling interests*

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

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

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

2.7 *Subsidiaries*

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

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

2.8 *Associates*

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

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

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

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

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

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

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

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

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