CORPORATE DATA

DIRECTORS

DR. A.K. SAXENA

MR. G. SRINIVASAN

MR. IYENGAR V. GOPALAN

Mr. R. RAVINDRA KUMAR

CHIEF-EXECUTIVE

Mr. R. Ravindra Kumar

SECRETARY

Mr. Gerard Seah Jim Hong

REGISTERED OFFICE

64 Cecil Street
#04-02 IOB Building
Singapore 049711

AUDITOR

Ernst & Young LLP

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CHAIRMAN'S STATEMENT

It gives me pleasure to present the Company's Twenty Seventh Annual Report and Audited Accounts for the year ending 31st December 2014.

Global economic growth during the year 2014 was marginal and lower than expectations. Also sharp decline in oil prices in the year 2014 affected the rate of growth for oil exporting countries. In the year 2015 the world economy is estimated to grow moderately. While U.S. economy showed momentum and U.S.Dollar strengthened during the year, Eurozone still making efforts for economic recovery. Growth of emerging markets and developing countries was subdued and is expected to be stable in the year 2015.

Insurance Industry globally experienced lesser catastrophe losses during the year 2014 as compared to the earlier year. Overall insurance rates in Asia have been stable and Asia remained a buyer's market in 2014.

Singapore's GDP growth was recorded as 2.9% for the year 2014 which was within the estimated range. Singapore General Insurance Industry's Premium for the year 2014 was reported as SGD 4.7 Billion which indicated a rise of 1.9% than previous year. Singapore Equity market index showed a marginal increase and interest rates declined further during the year 2014.

PREMIUM INCOME

In order to keep pace with the changing market conditions, the company focused more on Singapore Business and also strategized change in the mix of classes of business. As a result, the gross premium income recorded was S$ 194.21 million in 2014 as against S$ 188.32 million in 2013 showing an increase of 3.12% with increase of 7.31% in Singapore business. Despite the competition and soft market conditions in the region, the company has attained a respectable top line and was ranked 10th in Singapore market.

INVESTMENT INCOME

The Company's investment income including profit arising from sale of investments was S$ 37.43 million during 2014 as against S$ 20.61 million in the preceding year. Gloomy interest rates globally has affected the interest income marginally, although sustained investments in better yielding assets has maintained the investment income at a good level. Also an extraordinary sale of equity has resulted in higher profit on sale of investments.

OPERATING RESULTS

The Company put up a profitable performance for the twenty-seventh consecutive year. The Company posted a profit before tax of S$ 43.89 million which is second highest in the history of the company, which works out to 34.9% of the net premium written during the year and a profit after tax of S$ 37.28 million.

FOREIGN EXCHANGE GAIN/LOSS

There was a foreign exchange gain of S$ 6.33 million during 2014 mainly due to strengthening of U.S dollar vs Singapore dollar.

DIVIDEND

The Board of Directors has recommended a first and final dividend of 7.5% on the paid up capital of S$50 million for the Financial Year 2014.

SHAREHOLDERS' FUND

The capitalization of the Company has further improved as the Shareholders' Funds including the free reserves

CHAIRMAN'S STATEMENT

have risen to S$ 377.75 million as at 31st December 2014 as against S$ 344.23 million as at 31st December 2013, an increase of 9.74 % in 2014.

TECHNICAL RESERVES

Total Technical Reserve as at 31st December 2014 was S$ 281.24 million as against S$ 266.32 million as on 31st December 2013. The ratio of Technical Reserves to Net Earned Premium stood at 229.3% as at 31st December 2014 as against 225.9% as on 31st December 2013.

TOTAL ASSETS

The total assets of the Company as at 31st December 2014 stood at S$ 779.44 million inclusive of increase in market value of investment assets, against the total assets of S$ 740.84 million as at 31st December 2013.

RATING OF THE COMPANY

I am pleased to inform that **Standard & Poor's** has reaffirmed the rating of the company to **A- with stable outlook,** for long term insurer financial strength and counter party credit. The company was also rated on ASEAN Regional Scale at **axAA.** These ratings reflect the Company's strong underwriting performance and capital position.

LOOKING AHEAD

Global economy outlook is expected to be steady with moderate growth in the year 2015. Singapore's economic growth is estimated to remain in the range of 2% to 4%, for the year 2015. General Insurance business in Singapore is generally profitable, however premium growth in Singapore market is expected to be more or less same in the year 2015.

Going forward, Company aims to further improve its market share in Singapore and also continue to explore new opportunities in the region. In the process, the Company intends to continue writing quality business and also to build long term relationships with clients, brokers and agents. With all the inherent strengths of the Company including the experienced Professional Management Team in place, we are confident that the Company will give improved performance in the years to come.

VOTE OF THANKS

I would like to express my sincere appreciation to all my colleagues on the Board for their valuable contributions in conducting the affairs of the Company. At the same time I am thankful to Mr. A. V. Girija Kumar for his input during his tenure as Director of the Company.

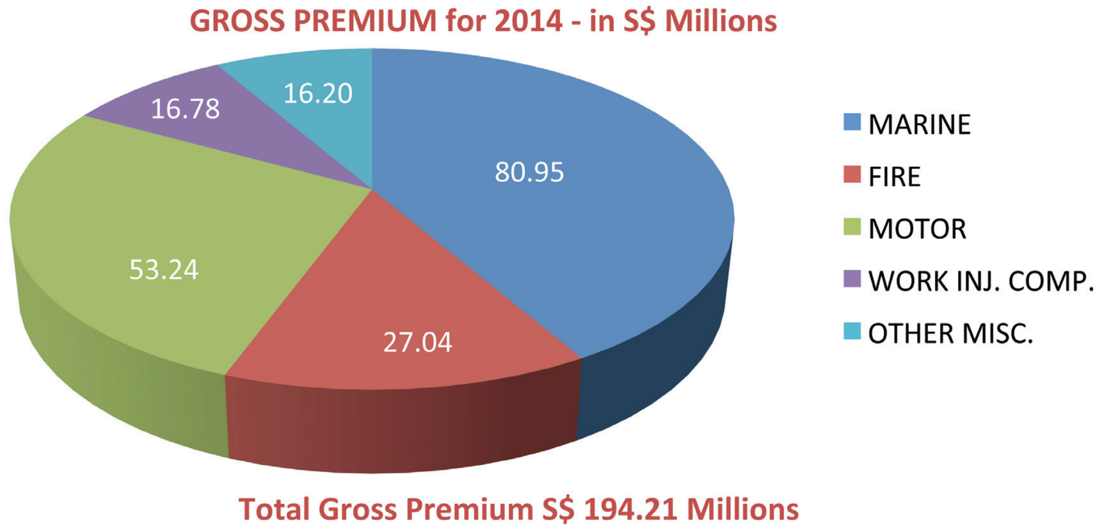
I would like to thank all our clients, cedants, brokers, agents and reinsurers for the trust and confidence that they placed in the Company and I am sure that the Company can continue to count on their support in future years as well. In turn, the Company will strive in every way to maintain excellence in the level of service it renders in all areas of its activities.

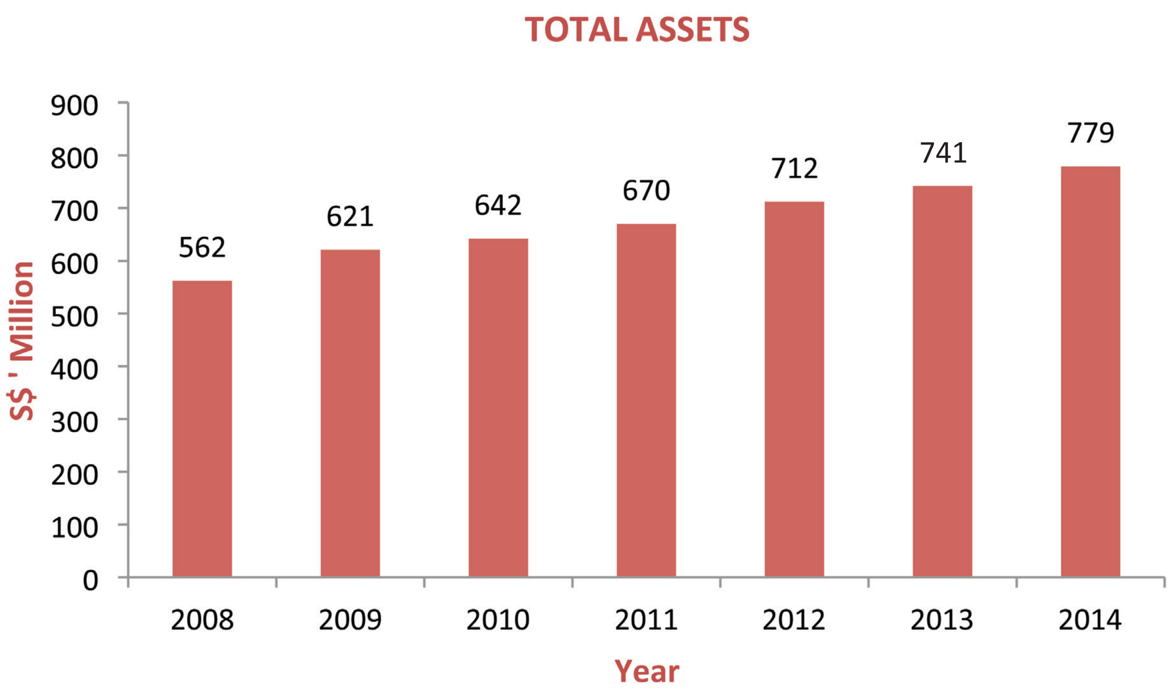
It is my pleasure to acknowledge that without the dedication and hard work of the team of officers and members of the staff, the Company would not have been able to achieve the profitable results during 2014. On my own behalf and also on behalf of the members of Board, I wish to place on record our appreciation of their contribution. Finally, I want to express my gratitude, on behalf of the Board, to the Monetary Authority of Singapore (MAS) for their leadership and consultative regulatory style in fostering a free market environment.

AK Saxena

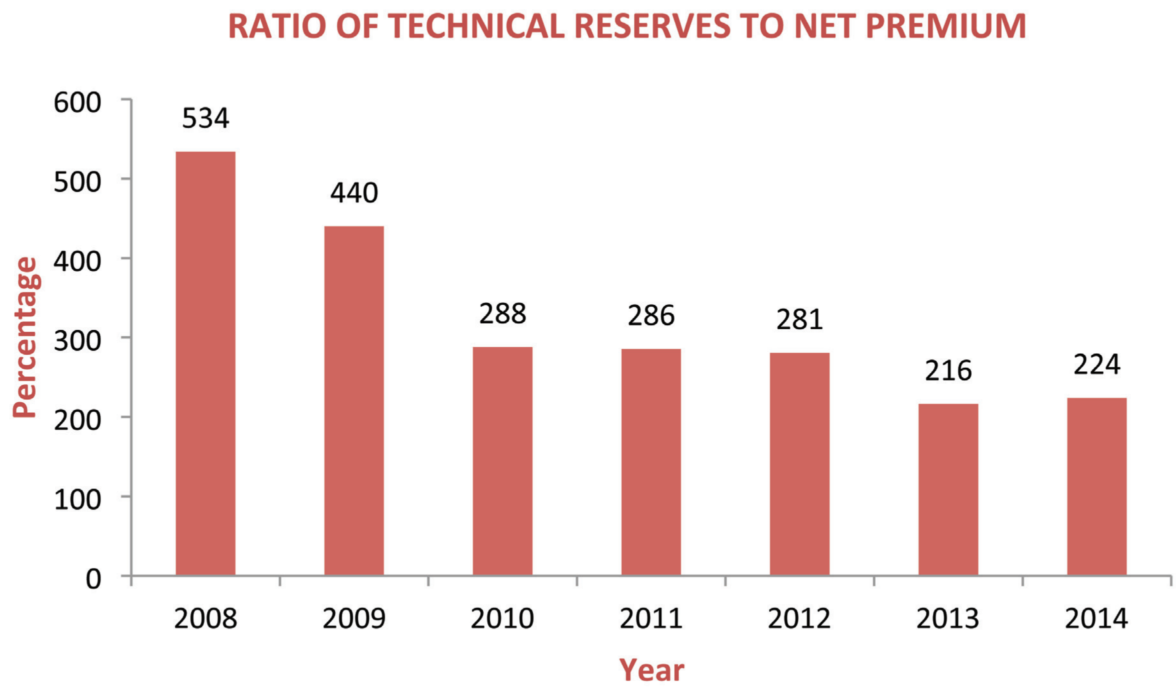
Dr. A.K. Saxena
Chairman

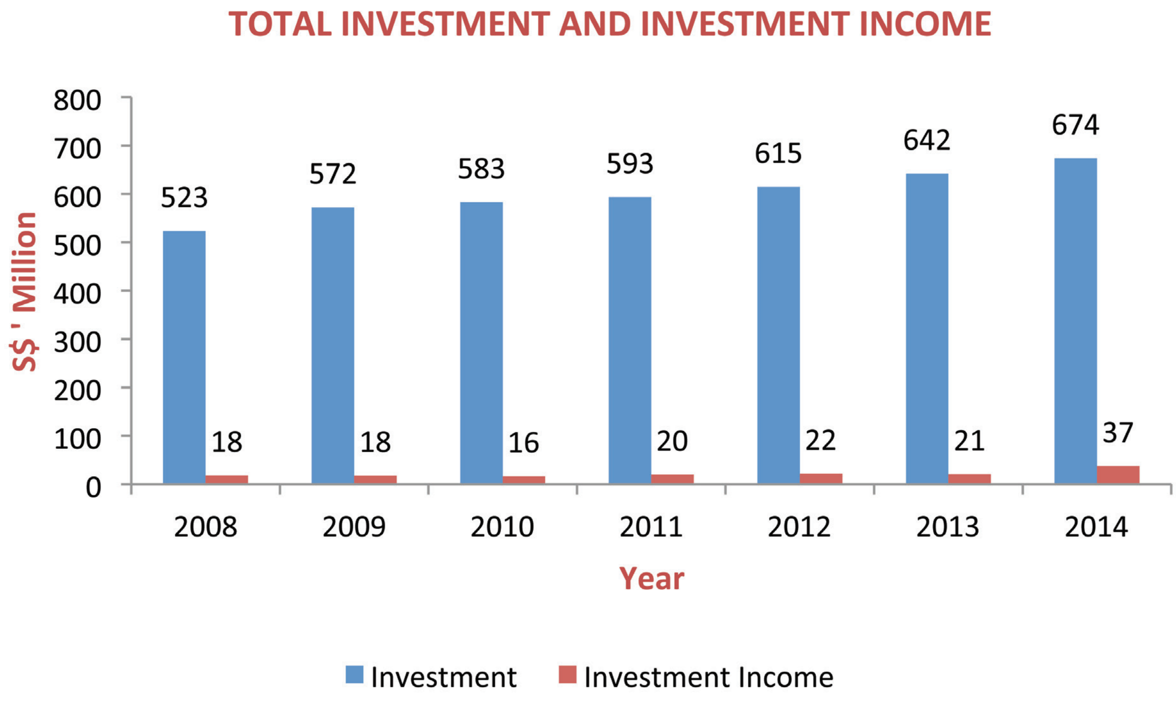
FINANCIAL HIGHLIGHTS





FINANCIAL HIGHLIGHTS





CORPORATE GOVERNANCE

The Board is committed to good corporate governance and has adopted policies pursuant to the principles and guidelines in the Guidelines on Corporate Governance for Financial Holdings Companies, Banks, Director Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (the "Guidelines") issued by the Monetary authority of Singapore and the Insurance (Corporate Governance) Regulations 2013 (the "Regulations") issued on 3 April 2013.

The Board is supported by two Board committees, namely the Audit Committee ("AC") and the investment Committee ("IC") to facilitate the effective oversight of the Company and supervision of management. These Board Committees meeting regularly to consider the matters within their respective terms of reference and their deliberations and recommendations are minuted and communicated to the Board.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle:

1 Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is responsible for the management and direction of the Company's business including the following:

1. to set the Company's overall business strategy, and financial and business objectives;
2. to monitor the performance and prospects of the Company;
3. to oversee the implementation of the Board’s strategies and policies;
4. to review and approve all significant matters involving the Company including the following:

    a. major transactions and business decisions;
    b. quarterly financial accounts;
    c. annual report and audited accounts;
    d. annual budget and business plan;
    e. declaration of interim dividends and proposal of final dividend;
    f. convening of shareholders’ meetings; and
    g. approval of corporate strategy;

5. to set and approve levels of risk tolerance and risk management policies;
6. to oversee management in the design, implementation and monitoring of the risk management and internal control systems;
7. to review the adequacy and effectiveness of the Company’s internal controls including compliance, operational, financial, IT controls and risk management systems in an effort to safeguard shareholders’ interest and the Company’s assets;
8. to review the qualifications, experience, suitability and, where applicable, independence or otherwise of any person to be appointed as a Director or senior executive, and to make such an appointment or approve any such appointment, as the case may be;

CORPORATE GOVERNANCE

9. to review the dismissal or resignations of Directors and senior executives;
10. to oversee the general compensation of the Company's employees with a goal to motivate, recruit and retain the Company's employees and Directors through competitive compensation and progressive policies; and
11. to review and consider if related party transactions are on an arms length basis, as well as potential conflicts of interest;

The Board meets regularly and as warranted by particular circumstances, as deemed appropriate by the Board members. The Board has delegated authority to the AC and the IC in accordance with their respective terms of reference.

The Directors' attendances at the Board and committee meetings for FY 2014 are as shown below:

	Board	AC	IC
Number of Meetings held	5	5	4
Members	Number of meetings attended		
Ramunni Ravindra Kumar	5	-	4
Ajit Kumar Saxena	5	5	4
Gopalan Srinivasan	5	5	4
Iyengar Vijaykumar Gopalan	4	4	3
Sri Rama Chandra Prasad Nalam (resigned on 28 February 2014)	1	1	-
Angara Venkata Girija Kumar	1	1	1

Board approval is required for all significant matters involving the Company including the following:

a. major transactions and business decisions;
b. quarterly financial accounts;
c. annual report and audited accounts;
d. annual budget and business plan;
e. declaration of interim dividends and proposal of final dividend;
f. convening of shareholders' meetings; and
g. corporate strategy.

The Board does not, at present, provide any orientation and training for new and existing Directors. This is because all Directors already have prior experience as managing directors, directors and/or chief executives of their respective companies. However, the Board is considering the provision of orientation and training, as appropriate, for new and existing Directors who do not have any experience in the insurance industry, and to provide regular training, from to time, on relevant new laws, regulations and changing commercial risks.

CORPORATE GOVERNANCE

The Board is also responsible for the appointment and removal of senior management, and ensures that the roles, responsibilities, accountability and reporting relationships of senior management and key persons in control job functions, are clearly stated and documented. Any delegation of authority from the Board to the senior management is formally documented and clear.

The Board sets the corporate values of the Company to promote and maintain a high level of professional conduct of the business both for internal dealings and external transactions. Such corporate values discourage excessive risk taking and promote open discussion between the Board and management. The Board also ensures that senior management formulates policies and processes to promote fair practices and high standards of business conduct by staff. The Company has in place clear complaint handling procedures, which are communicated to customers, to ensure that all complaints are dealt with professionally, fairly, promptly and diligently.

BOARD COMPOSITION AND GUIDANCE

Principle:

2 ***There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

In FY 2014, the composition of the Board was as follows:

Ajit Kumar Saxena	Chairman, Non-Executive and Non-Independent
Ramunni Ravindra Kumar	Managing Director, Chief Executive, Executive and Non-Independent
Gopalan Srinivasan	Non-Executive and Non-Independent
Iyengar Vijaykumar Gopalan	Non-Executive and Independent
Sri Rama Chandra Prasad Nalam (Resigned on 28 February 2014)	Non-Executive and Non-Independent
Angara Venkata Girija Kumar	Non-Executive and Non-Independent

At present, the Board has One Independent Director. However, under the Regulations, at least one-third of the Directors on the Board must be Independent Directors. This requirement must be complied with not later than the day on which the first annual general meeting of the Company is held or required to be held for the year 2016. The Board is in the process of identifying a suitable candidate for appointment as an Independent Director before the annual general meeting for the year 2016.

The Board is of the view that its present size is appropriate for the Company given the scope and nature of its operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees. The Directors, as a group are able to provide an appropriate balance and diversity of skills, experience and knowledge of the Company, as well as core competencies such as accounting, finance, business and management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

CORPORATE GOVERNANCE

The Non-Executive Directors, who constitute a majority of the Board, constructively challenge and help develop proposals on strategy and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

In addition to the AC (whose terms of reference and activities are described under Principle 12 below), the Board established the IC on 3 February 2014, with the following terms of reference:

1. to provide oversight and guidance to management in the management of the Company's investment portfolio and compliance with applicable regulations;
2. to recommend to the Board for approval of Investment Policy, ALM policy and short term and long term Investment plans
3. to conduct periodic meetings with management to discuss key investment issues and to review the Company's investment portfolio and performance;
4. to monitor the progress and development of the investment decisions taken by management;
5. to determine the strategic direction and to identify suitable investment opportunities;
6. to periodic review investment activities conducted by management;
7. to ensure judicious management of the investment portfolio in line with the risk appetite of and tolerance limits set by the Board in order that there will always be adequate liquidity to support the underwriting activities; and
8. to approve investment proposals submitted by management as required under established procedure.

The composition of the IC is set out under Principle 4 below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle:

3 There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman and Chief Executive are separate persons. There is a clear division of responsibilities between the Non-Executive Chairman and the Chief Executive who are not related. The Chief Executive is responsible for the day-to-day operations of the Company. The Chairman is responsible for providing leadership to the Board and for facilitating effective communication between the Board and management, among the Directors and with shareholders.

Once the number of Independent Directors is increased to one third of the Board by the date of the first annual general meeting of the Company in 2016, as required by the Regulations, the Board will appoint a Lead Independent Director.

CORPORATE GOVERNANCE

BOARD MEMBERSHIP

Principle:

4 There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Board is responsible for the selection and appointment of Directors. Due to the relatively small size of the Board, there is no separate Nominating Committee of the Board. The selection process for the appointment of Directors to the Board is initiated by the shareholders. In making the appointment, the Board takes into consideration educational background and experience, including experience within the insurance industry, of the nominee. The Board also considers whether the nominee is a fit and proper person and is qualified for the office taking into account the nominee's track record, age, experience, capabilities, skills and such other relevant facts as may be determined by the Board. The Board will also review on an annual basis that each existing Director remains qualified for the office based on these criteria.

A Director appointed by the Board shall retire from office at the close of the next annual general meeting of the Company, but shall be eligible for re-election. A Director re-elected at the next annual general meeting continues in office until he vacates his office in accordance with the articles of association of the Company.

The Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its related corporations, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, are as follows:

CORPORATE GOVERNANCE

Name of Director	Status	Board Committees	Date of first appointment / Date of last re-appointment	Directorships or chairmanships both present and those held over the preceding 3 years in other listed companies & other principal commitments
Ramunni Ravindra Kumar, Managing Director and Chief Executive	Executive & Non-Independent, Managing Director and Chief Executive	Member of IC	1 October 2013 / 16 June 2014	Nil
Ajit Kumar Saxena, Director	Non-executive & Non-Independent, Chairman of the Board	Member of AC and Chairman of IC	20 September 2012 / 28 June 2013	Chairman and Managing Director of The Oriental Insurance Co. Ltd, Director of GIC Housing Finance Ltd and Director of Health Insurance TPA of India Ltd, Member of the Governing Board of the National Insurance Academy of India.
Gopalan Srinivasan	Non-executive & Non-Independent	Member AC and IC	19 March 2013 / 28 June 2013	Chairman and Managing Director of The New India Assurance Company Limited, Director of GIC Housing Finance Limited, Director of Prestige Assurance Plc, Chairman of The New India Assurance Co. (Trinidad & Tobago) Ltd.
Sri Rama Chandra Prasad Nalam	Non-executive & Non-Independent	Member of AC	28 August 2009 / 21 June 2010 (resigned on 28 February 2014)	Director, National Insurance Co. Ltd, Director, GIC Housing Finance Co. Ltd, Director, General Insurance Corporation of India (GIC Re).
Angara Venkata Girija Kumar	Non-executive & Non-Independent	Member of AC and IC	9 June 2014 / 16 June 2014 (resigned on 17 March 2015)	Director of ITC Ltd, Chairman and Managing Director of National Insurance Co. Ltd, Director of Health Insurance TPA of India Ltd.
Iyengar Vijaykumar Gopalan	Non-executive & Independent	Chairman of AC and Member of IC	24 August 2009 / 21 June 2010	Chairman and Managing Director of Agrocorp International Pte Ltd

None of the Directors holds any shares in the Company except for Mr Ramunni Ravindra Kumar who holds 2 ordinary shares on trust for General Insurance Corporation of India.

CORPORATE GOVERNANCE

The Board reviews the nominations, and reasons for resignations of key appointment holders, namely the Directors, Chief Executive, Senior Manager (Finance), Chief Risk Officer and appointed actuary. In addition, it ensures that there are adequate policies and procedures relating to the engagement, dismissal and succession of the senior management, and is actively involved in such processes.

The Board is of the view that each of the Directors has been able to devote adequate time and attention to the affairs of the Company, after taking into account their respective principal commitments. The Board has not determined the maximum number of listed company board representations which a Director may hold. The Board does not have any alternate Directors.

BOARD PERFORMANCE

Principle:

5 There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Board does not have a formal process for assessing its effectiveness as a whole and the contributions by each Director. The relatively small size of the Board facilitates greater interaction between the Directors and facilities the informal evaluation of the Board's overall performance as well as the contributions of each Director.

ACCESS TO INFORMATION

Principle:

6 In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Directors are provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities. The Directors have separate and independent access to the company secretary. The company secretary attends all Board and Board Committee meetings.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle:

7 ***There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.***

The Board does not have a separate Remuneration Committee for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. This function is carried out by the Board itself. In formulating these policies the Board seeks to ensure that the policies are in line with the strategic objective and corporate values of the Company and do not give rise to conflicts between the objectives of the Company and the interests of individual Directors and senior management. No Director is involved in deciding his own remuneration.

LEVEL AND MIX OF REMUNERATION

Principle:

8 ***The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

The level and structure of remuneration are aligned with the long-term interest and risk policies of the Company, and are appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company.

DISCLOSURE ON REMUNERATION

Principle:

9 ***Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

The Board sets out the remuneration guidelines and reviews the remuneration framework of the Company. The Company adopts a remuneration policy that is primarily performance based taking into account each person’s job responsibilities and function and market conditions. The remuneration for employees of the Company comprises a fixed component and a performance-related variable component in an effort to link

CORPORATE GOVERNANCE

rewards to corporate and individual performance and align the interests with those of shareholders. In setting the remuneration packages, the Company takes into consideration the Company's and the individual's performance, as well as the contribution to the revenue and profitability.

The remuneration policies are in line with the strategic objectives and corporate values of the Company, and do not conflict with the Company's objectives and directions. The remuneration practices do not create incentives for excessive or inappropriate risk-taking behaviour.

No Director decides his own remuneration. The Directors' fees proposed by the Board are subject to shareholders' approval at the Company's annual general meeting.

The Company believes that it is not in its best interest to disclose the precise remuneration of the Directors and key management personnel due to the highly competitive market for talent. Details of management expenses including compensation of key management personnel, salaries and Directors' fees are set out in the Company's Financial Statements. The Company does not employ any immediate family members of any Director or the Chief Executive.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle:

10 ***The Board should present a balanced and understandable assessment of the company's performance, position and prospects.***

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects as well as other price sensitive public reports to shareholders of the Company on a prompt basis. These principles guide the presentation of the Company's annual financial statements and quarterly financial statements. The Board is provided with regular management reports that present a balanced and understandable assessment of the Company's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle:

11 ***The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

The Board determines the Company's risk tolerance and policies and oversees management in the design, implementation and monitoring of the internal controls. The Board exercises oversight on management through the AC on the adequacy and effectiveness of the Company's systems of internal controls in

CORPORATE GOVERNANCE

compliance, operational, financial, IT and risk management. The AC reviews regularly with management and auditors, both internal and external, the continued development in the measures taken by management to further strengthen internal controls.

Management, with the assistance of a reputable external consultancy firm, is reviewing the existing risk management framework with a view to ensuring that with suitable strengthening in the practices, the Company will meet with the regulatory requirement on Enterprise Risk Management for Insurers (MAS Notice 126 issued on 2 April 2013). The on-going review of the Company's risk management framework is intended to assist the Board in (a) identifying significant risks, as well as determining the Company's levels of risk tolerance and risk policies; and (b) overseeing the design, implementation and monitoring of the Company's risk management and internal control systems.

The AC assists the Board in carrying out its risk governance functions to ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. The AC also assists the Board to determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The Board has appointed a Chief Risk Officer to assist the AC in carrying out its responsibilities in relation to risk governance.

The Internal Auditor is tasked to perform independent reviews of risks and controls to provide reasonable assurance to the AC and the Board that such risks have been adequately addressed and controls are operating. The external auditors report to management and the AC on significant weaknesses in the Company's internal controls which come to their attention during the course of their statutory audit.

Based on the Company's existing framework of management controls, risk management systems, internal control policies and procedures, as well as reviews performed by the management, the external and internal auditors, the Board, with the concurrence of the AC, is of the opinion that internal controls of the Company addressing financial, operational, compliance and information technology risks are adequate as at 31 December 2014.

The Board has also received from the Chief Executive and the Senior Manager (Finance), assurances that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and that the Company has in place adequate risk management and internal control systems.

AUDIT COMMITTEE

Principle:

12 The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties

The AC is made up entirely of Non-Executive Directors and has 1 Independent Director. The composition of the AC is set out under Principle 4 above.

CORPORATE GOVERNANCE

The responsibilities of the AC are as follows:

1. to assist the Board in overseeing the risk governance in the Company to ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and to assist the Board to determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives; and
2. with the assistance of the management and the internal and external auditors, to review and report to the Board on the effectiveness and adequacy of the Company's internal controls including financial, operational, compliance and information technology controls, put in place to address the key financial, operational, information technology and compliance risks affecting the Company's operations.
3. to ensure compliance with legal and regulatory requirements and review reports received from regulators, and to review legal and regulatory matters that may have material impact on the financial statements and reports received from regulators;
4. to review the financial accounts of the Company each quarter and for each financial year prior to their submission to the Board for adoption;
5. to review the adequacy of the internal audit function;
6. to review and approve the audit scope/plans of the external and internal auditors, the results of the auditors' examinations and evaluation of the Company's system of internal accounting controls, and the management's response to their recommendations;
7. to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
8. to nominate external auditors for appointment/re-appointment and to review the external audit fees and recommend to the Board for approval;
9. to evaluate external auditors' objectivity and independence including the provision of non-audit services;
10. to report to the Board regularly on the exercise of its duties, identifying matters which it considers require action or improvement, and making recommendations as to the steps to be taken;
11. to review the assistance and co-operation given by the Company's officers to the external and internal auditors; and
12. to investigate any matter within its terms of reference, with full access to and co-operation by management and reasonable resources (including obtaining professional advice) for the proper discharge of its functions.

The AC has reviewed and approved all audit and non-audit fees paid to the external auditors for FY 2014. The Company does not presently have a whistle-blowing policy and procedures for raising such concerns.

During FY 2014, the AC carried out the following activities:

(a) reviewed quarterly unaudited and full-year audited financial statements of the Company, as well as the quarterly business reports of the Company, and recommended such reports to the Board for approval;
(b) reviewed the adequacy and effectiveness of the Company's risk management and internal control systems;
(c) reviewed and approved the annual audit plan of the external auditors;
(d) reviewed the report of the external auditors pursuant to their statutory audit;
(e) reviewed and approved the internal audit plan of the internal auditor;
(f) reviewed the reports of the internal auditor pursuant to the internal audit plan;
(g) reviewed the annual re-appointment of the external auditors and internal auditor and determined their remuneration, and made a recommendation for Board approval; and

CORPORATE GOVERNANCE

(h) met with the external auditors once without the presence of management

The AC keeps abreast of changes to accounting standards and issues which have a direct impact on financial statements through the presentation made by the external auditors of their annual audit plan as well as through the report presented by the external auditors pursuant to their annual statutory audit.

INTERNAL AUDIT

Principle:

13 The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has an internal audit function that is adequately resourced and independent of the activities it audits. The Internal Auditor reports to the AC which reviews his internal audit plan and reports, approves his terms of appointment and remuneration, ensures that he is adequately resourced and assisted by management.

The Internal Auditor plans his audit schedule in consultation with, but independent of, the management. The internal audit plan is submitted to the AC for approval prior to implementation. The Internal Auditor presents quarterly reports to the AC and the AC reviews the activities of the Internal Auditor and meets with the Internal Auditor to approve his plans and to review his reports. The AC also ensures that the Internal Auditor has the necessary resources to perform his functions adequately.

The AC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied that the Internal Auditor is adequately resourced and has the relevant qualifications and experience and has the appropriate standing and independence within the Company to fulfil his mandate. The AC is also of the view that the Internal Auditor has unfettered access to all the Company’s documents, records, properties and personnel including access to the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle:

14 Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights as set out in the Company's articles of associations and under applicable law, and continually reviews and updates such governance arrangements.

CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

Principle:

15 Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company actives engage its shareholders and communicates effectively and fairly with shareholders. Shareholders are provided with notices of all general meetings in a timely manner together with any relevant documents which are required to be provided to shareholders.

CONDUCT OF SHAREHOLDER MEETINGS

Principle:

16 Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are entitled to attend and vote at all general meetings through their proxies or corporate representatives.

RELATED PARTY TRANSACTIONS

Principle:

17 The Board should ensure that the Financial Institution’s related party transactions are undertaken on an arm’s length basis.

The Board reviews all related party transactions to ensure that they are undertaken on an arm's length basis. Material related party transactions are disclosed in the Company's Financial Statements.

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2014.

Directors

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

Dr. A.K. Saxena
Mr. G. Srinivasan
Mr. Iyengar V. Gopalan
Mr. R. Ravindra Kumar

Directors interest in shares or debentures

No director who held office at the end of the financial year had an interest in shares or debentures of the Company or related corporations, according to the Register required to be kept under Section 164 of the Singapore Companies Act, Cap. 50.

Arrangements to enable directors to acquire benefits

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

Directors' contractual benefits

Since the end of the previous financial year, no directors have received or have become entitled to receive benefits under contracts made by the company or a related corporation with the director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest, except for Directors' fees as disclosed in Note 15 of Notes to Financial Statements.

Options

During the financial year, there were no shares issued by virtue of any exercise of option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under option.

DIRECTORS' REPORT

Audit committee

The audit committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50. It reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors.

The AC convened four meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Dr. A.K. Saxena
Chairman

R. Ravindra Kumar
Director

Singapore
23 March 2015

STATEMENT BY DIRECTORS

We, Dr. A.K. Saxena and R. Ravindra Kumar, being two of the directors of India International Insurance Pte Ltd, do hereby state that, in the opinion of the directors:

(i) the accompanying balance sheet, statement of comprehensive income, revenue account, statement of changes in equity and cash flow statement together with notes thereto, are drawn up so as to give true and fair view of the state of affairs of the Company as at 31 December 2014 and the results of the business and changes in equity and cash flows of the Company for the year ended on that date; 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 of directors:

Dr. A. K. Saxena
Chairman

R. Ravindra Kumar
Director

Singapore
23 March 2015

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

To the members of India International Insurance Pte Ltd

Report on the financial statements

We have audited the accompanying financial statements of India International Insurance Pte Ltd (the "Company") set out on pages 5 to 59, which comprise the balance sheet as at 31 December 2014, the statement of comprehensive income, revenue account, statement of changes in equity and cash flow statement 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 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

For the financial year ended 31 December 2014

To the members of India International Insurance Pte Ltd

Opinion

In our opinion, the financial statements 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 Company as at 31 December 2014 and the results, changes in equity and cash flows 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 have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore

23 March 2015

BALANCE SHEET

As at 31 December 2014

	Notes	2014 S$	2013 S$
Assets			
Fixed assets	4	633,252	575,917
Investment property	6	8,959,964	9,003,321
Financial assets			
Held-to-maturity	5	229,954,914	189,592,443
Available-for-sale	5	105,836,681	115,784,515
Mortgage loans	5	2,800,000	2,800,000
Reinsurers' share of technical reserves			
Reserve for unexpired risks	11	14,161,382	17,129,432
Deferred acquisition costs	11	(4,246,706)	(3,484,143)
Loss reserves	12	167,424,293	206,086,550
Amount retained by ceding companies		261,709	272,203
Balances due from policyholders, agents and reinsurers	7	93,264,412	84,554,186
Prepayments		124,162	98,680
Other debtors	8	8,947,291	7,860,598
Cash on deposits	9	326,272,059	324,935,825
Cash and bank balances	9	2,385,506	5,362,333
Total Assets		**956,778,919**	**960,571,860**
Equity & Liabilities			
Equity attributable to owners of the Company			
Share capital	13	50,000,000	50,000,000
Retained earnings		327,757,550	294,228,695
Fair value adjustment reserve	20	22,324,561	29,465,433
Total Equity		**400,082,111**	**373,694,128**
Liabilities			
Technical reserves			
Reserve for unexpired risks	11	85,079,518	86,011,141
Deferred acquisition cost	11	(12,206,428)	(12,292,562)
Loss reserves	12	385,708,720	412,334,010
Provision for deferred taxation	18	4,279,404	5,884,963
Tax payables	18	6,477,214	4,364,799
Balances due to agents	10	286,983	109,745
Balances due to reinsurers	10	73,633,815	78,420,834
Other creditors & accruals	10	13,437,582	12,044,802
Total Liabilities		**556,696,808**	**586,877,732**
Total Equity & Liabilities		**956,778,919**	**960,571,860**

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

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Notes	2014		2013	
		S$	S$	S$	S$
Gross premiums			194,213,528		188,321,333
Underwriting profit			2,932,650		3,813,998
Investment and interest income	16		17,942,213		18,675,199
Gain on sale of investments	20		19,491,192		1,934,861
Other income	17		539,065		599,963
			40,905,120		25,024,021
Loss on sale of fixed assets		-		(5,044)	
Provision for bad and doubtful debts		(3,447,557)		(49,973)	
Write back/ (provision) of diminution in value of investments	20	154,462		(995,002)	
Gain on exchange		6,329,280		7,579,883	
Depreciation on investment property		(43,357)	2,992,828	(44,469)	6,485,396
Profit before taxation			43,897,948		31,509,417
Taxation expenses	18		(6,619,093)		(4,268,600)
Net profit after taxation			37,278,855		27,240,817
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Net (loss)/gain on available-for-sale financial assets			(8,755,112)		3,521,095
Income tax relating to available-for-sale financial assets	18		1,614,240		(701,752)
Other comprehensive income for the year, net of tax			(7,140,872)		2,819,343
Total comprehensive income for the year			30,137,983		30,060,160

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

REVENUE ACCOUNT

For the financial year ended 31 December 2014

	Note	TOTAL 2014 S$	TOTAL 2013 S$	FIRE 2014 S$	FIRE 2013 S$
Underwriting income					
Gross premiums less return premiums		194,213,528	188,321,333	27,040,407	28,793,491
Less: Reinsurance premiums		68,667,438	65,232,758	25,318,422	24,243,118
Net premiums		125,546,090	123,088,575	1,721,985	4,550,373
(Increase)/decrease in reserve for unexpired risks	11	(2,885,125)	(5,192,951)	(1,508,568)	866,898
Total underwriting income		122,660,965	117,895,624	213,417	5,417,271
Underwriting outgo					
Claims paid less recoveries		82,340,186	74,710,917	2,524,018	8,566,805
Increase/(decrease) in loss reserve	12	12,036,967	11,077,416	765,407	(121,372)
Commissions – net incurred	14	16,255,730	19,974,905	(1,684,528)	2,584,375
Management expenses	15	9,095,432	8,318,388	1,266,360	1,271,845
Total underwriting outgo		119,728,315	114,081,626	2,871,257	12,301,653
Underwriting profit transferred to income statement		2,932,650	3,813,998	(2,657,840)	(6,884,382)

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

REVENUE ACCOUNT

For the financial year ended 31 December 2014

MARINE		MISC	
2014	2013	2014	2013
S$	S$	S$	S$
80,953,707	80,704,384	86,219,414	78,823,458
12,211,335	11,807,941	31,137,681	29,181,699
68,742,372	68,896,443	55,081,733	49,641,759
83,271	(16,386,012)	(1,459,828)	10,326,163
68,825,643	52,510,431	53,621,905	59,967,922
41,831,243	26,671,879	37,984,925	39,472,233
18,014,508	14,060,568	(6,742,948)	(2,861,780)
13,864,375	12,593,150	4,075,883	4,797,380
3,791,234	3,564,813	4,037,838	3,481,730
77,501,360	56,890,410	39,355,698	44,889,563
(8,675,717)	(4,379,979)	14,266,207	15,078,359

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Equity attributable to equity holders of the Company			
	Share capital S$	Unappropriated profit S$	Fair value adjustment reserves S$	Total S$
2014				
Balance as at 1 January 2014	50,000,000	294,228,695	29,465,433	373,694,128
Profit net of tax	–	37,278,855	–	37,278,855
Other comprehensive income for the financial year	–	–	(7,140,872)	(7,140,872)
Total comprehensive income for the financial year	–	37,278,855	(7,140,872)	30,137,983
Dividends (Note 19)	–	(3,750,000)	–	(3,750,000)
Balance as at 31 December 2014	50,000,000	327,757,550	22,324,561	400,082,111
2013				
Balance as at 1 January 2013	50,000,000	269,487,878	26,646,090	346,133,968
Profit net of tax	–	27,240,817	–	27,240,817
Other comprehensive income for the financial year	–	–	2,819,343	2,819,343
Total comprehensive income for the financial year	–	27,240,817	2,819,343	30,060,160
Dividends (Note 19)	–	(2,500,000)	–	(2,500,000)
Balance as at 31 December 2013	50,000,000	294,228,695	29,465,433	373,694,128

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

CASH FLOW STATEMENT

For the financial year ended 31 December 2014

	2014 S$	2013 S$
Cash flow from operating activities		
Profit before taxation	43,897,948	31,509,417
Adjustments for:		
Depreciation of fixed assets	134,335	98,280
Depreciation on investment property	43,357	44,469
Investments - (write back)/provision	(154,462)	995,002
- gain on sale	(19,491,192)	(1,934,861)
Investment and interest income	(17,942,213)	(18,675,199)
Provision for bad and doubtful debts	3,447,557	49,973
Fixed assets - loss on sale	–	5,044
Operating cash flow before changes in working capital	9,935,330	12,092,125
Decrease in reserve for unexpired risks - Gross	(845,489)	(24,173,460)
Decrease in reserve for unexpired risks - Reinsurance	3,730,613	29,366,412
(Decrease)/increase in loss reserve - Gross	(26,625,290)	4,438,520
Decrease in loss reserve - Reinsurance	38,662,257	6,638,898
Increase in debtors and prepayments	(12,514,440)	(9,718,474)
Decrease in creditors	(3,207,002)	(16,041,669)
Cash flows generated from operations	9,135,979	2,602,352
Investment and interest income received	17,197,190	19,517,124
Income taxes paid	(4,497,997)	(3,187,710)
Net cash flows from operating activities	21,835,172	18,931,766
Cash flow from financing activity		
Dividends paid	(3,750,000)	(2,500,000)
Net cash flows used in financing activity	(3,750,000)	(2,500,000)
Cash flow from investing activities		
Purchase of fixed assets	(191,670)	(38,496)
Purchase of marketable securities & other investments	(55,707,770)	(2,568,747)
Proceeds from sale of fixed assets	–	500
Sale of other investments & marketable securities	36,183,675	4,500,934
Net cash flows (used in)/ from investing activities	(19,715,765)	1,894,191
Net (decrease)/increase in cash and cash equivalents	(1,630,593)	18,325,957
Cash and cash equivalents at beginning of year (Note 9)	330,022,808	311,696,851
Cash and cash equivalents at end of year (Note 9)	328,392,215	330,022,808

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2014 S$	2013 S$
Cash and bank balances	2,385,506	5,362,333
Cash on deposits	326,272,059	324,935,825
	328,657,565	330,298,158
Less Cash collateral (Note 9)	265,350	275,350
Cash and cash equivalents	328,392,215	330,022,808

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

1. Corporate information

The Company is a private limited liability company incorporated and domiciled in Singapore. It is owned by all the state owned insurance companies of the Government of India, namely General Insurance Corporation of India, National Insurance Co. Ltd, New India Assurance Co. Ltd, Oriental Insurance Co. Ltd and United India Insurance Co. Ltd, which are all incorporated in India. The address of the Company's registered office and principal place of business is:

India International Insurance Pte Ltd
64 Cecil Street
#04-02, IOB Building
Singapore 049711

The principal activities of the Company are to undertake the business of insurance and reinsurance of all classes of the general insurance and to perform investment functions incidental thereto. There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company, which are expressed in Singapore dollars, have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, Cap. 50.

The preparation of the financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These estimates and assumptions affect the reported amounts of assets and 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 and judgement of current facts as at the balance sheet date, the actual outcome may differ from the estimates, possibly significantly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 2.10 and 3.

The financial statements of the Company have been prepared under the historical cost basis except for available-for-sale financial assets that have been measured at their fair values.

All assets and liabilities are presented in the balance sheet of the Company in order of liquidity as this presentation is more relevant for the insurance industry.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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 Company has adopted all the new and revised standards which 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 Company.

2.3 Standards issued but not yet effective

The Company has not adopted the following standards that have been issued but not yet effective:

		Effective for annual period beginning on or after
Amendments to FRS 113	Fair Value Measurement	1 July 2014
Amendments to FRS 16 and FRS 38	Property, Plant and Equipment and Intangible Assets	1 July 2014
Amendments to FRS 24	Related Party Disclosures	1 July 2014
Amendments to FRS 113	Fair Value Measurement	1 July 2014

Management expects that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

2.4 Revenue recognition

(a) Premium income

Premium income on direct insurance business is recognised at the time a policy is issued, which approximates the inception date of the risk. Reinsurance premium income is recognised when advised up to the time of closing the books.

(b) Investment income

Dividend income is recognised as and when received while rental and interest income are accounted for using effective interest method.

2.5 Product classification

All the Company'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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.5 Product classification (cont'd)

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

2.6 Reinsurance

The Company assumes and or cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts due to reinsurers are determined in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract.

2.7 Reserves for unexpired risks

Reserves for unexpired risks comprises the sum of unearned premium reserves and premium deficiency reserves. 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 unexpired periods of policies in force at the balance sheet date for any line of business exceeds the unearned premium reserves.

The unearned premium reserves are computed on the following basis:

(a) 365th method for all direct and facultative reinsurance classes of business other than marine cargo, for which 25% is applicable;

(b) in the case of all classes of treaty reinsurance business, other than marine cargo, 40% of the premiums and for marine cargo, 25% of the premiums; and

(c) the actual acquisition cost is taken into account in the computation in respect of direct and facultative reinsurance business, except for marine cargo.

2.8 Deferred acquisition costs

Commission and other acquisition costs 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 periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs ("DAC") are calculated using the 365th method on actual commission. All other acquisition costs are recognised as an expense when incurred.

An impairment review is performed at each reporting date and, if required, the carrying value is written down to the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.9 Claims paid and provision for outstanding claims

Claims are charged against the insurance revenue account when incurred based on the estimated liability for compensation owed to policyholders or damage suffered by third party claimants. They comprise direct and indirect claims settlement costs including loss adjustment expenses and professional fees, and arise from events that have occurred up to the balance sheet date even if they have not been reported to the Company.

Provision is made for the estimated cost of all claims incurred but not settled at the date of the balance sheet less reinsurance recoveries, using the best information available at the time. In addition, provision for claims incurred but not reported is made based on the independent actuarial assessment as at balance sheet date as required under the Insurance Act. The Company does not discount its liabilities for outstanding claims.

Any reduction or increase in the provision is dealt with in the insurance revenue account of the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in the insurance revenue account of the year in which settlement takes place. For claims from reinsurance, an additional provision is made based on developmental trends as discerned in the running-off of outstanding claims in respect of prior underwriting years.

As explained in Notes 2.10 and 3, the assumptions used to estimate the provision require judgment and are subject to uncertainty.

2.10 Insurance contract liabilities – Assumptions and sensitivities

The major classes of general insurance written by the Company include motor, fire, workmen compensation, personal accident, travel, marine cargo and hull. For general insurance contracts, claims provisions (comprising provision for claims reported by policyholders and claims incurred but not reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the balance sheet date.

The provisions are refined continuously as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques like the Chain Ladder and Bornheutter-Ferguson method. Claims provisions are separately analysed by loss adjustors or separately projected by the actuaries. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.10 Insurance contract liabilities – Assumptions and sensitivities (cont'd)

Assumptions

(a) Process used to decide on assumptions

The best estimates of claim liabilities have been determined from the projected ultimate claim liabilities based on the incurred loss development, the paid loss development, the Bornhuetter Ferguson, or the expected loss ratio methods.

The selected loss development factors have mostly been based on the historical development pattern from the reported loss development triangles. Judgment was used whenever there was a wide variability in the past development factors due to a small claims sample or due to a fairly new class of business. Also, development factors which seemed abnormal would have been disregarded in selecting the loss development factors.

For most classes of business, the incurred loss development method has been used to select the ultimate best estimates for 2014 and prior accident/underwriting years. The Bornhuetter Ferguson method, along with the expected loss ratio method, was also considered in the selection of the ultimate loss estimates for the most recent accident/underwriting year, and for classes of business with a small claims sample or in cases where little claim information was available as of the valuation date.

Acquisition expenses are assumed to have been incurred at the date of writing the policy and hence does not form part of the loss reserving exercise.

Non-reinsurance recoveries, including salvage and subrogation, were not specifically analysed in this valuation. However, they would implicitly be allowed for in our valuation method, where past recovery patterns are assumed to continue into the projected future years.

The best estimates for premium liabilities have been determined such that the total premium liability provision would be sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation date.

The actuarial liabilities have been estimated without discounting for future investment earnings. This is a conservative approach.

No explicit inflation adjustment has been made to claim amounts payable in the future. This inflation is, however, implicitly allowed for in our valuation method, where past inflation patterns are assumed to continue into the projected future years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.10 Insurance contract liabilities – Assumptions and sensitivities (cont'd)

(a) Process used to decide on assumptions

The principal assumption underlying the estimates is the Company's past claims development experience is representative of the future as well. This includes assumptions in respect of initial expected loss ratios used, first year incurred loss development factors used, claims handling costs and the assumed provision for adverse deviation ("PAD") factor used for each accident/underwriting year. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

(b) Change in assumptions and sensitivity analysis

The sensitivity analysis is based on the assumptions set out in the actuarial report and is subject to the same reliances and limitations contained in the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full.

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the net of reinsurance actuarial valuation of outstanding claim and premium liabilities as at 31 December 2014. In this context, the outstanding claim and premium liabilities are defined as the total claim and premium liabilities for both Singapore Fund and Offshore Fund business combined respectively, including provision for adverse deviation (these are referred to as "the base scenario" in the sensitivity analysis summary).

The key assumptions considered in the sensitivity analysis of the claim liabilities include:

- a 5 percentage increase or decrease in the assumed first incurred loss development factor for each line of business;
- a 5 percentage point increase or decrease in the assumed level of indirect claim handling expenses; and
- a 5 percentage point increase or decrease in the assumed PAD factor for each line of business.

The key assumptions considered in the sensitivity analysis of the premium liabilities include:

- a 5 percentage point increase or decrease in the assumed ultimate loss ratio for each line of business in the calculation of the unexpired risk reserve ("URR");
- a 5 percentage point increase or decrease in the assumed level of management expense ratio for each line of business; and
- a 5 percentage point increase or decrease in the assumed PAD factor for each line of business.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.10 Insurance contract liabilities – Assumptions and sensitivities (cont'd)

(b) Change in assumptions and sensitivity analysis (cont'd)

The sensitivity values shown for each assumption item are independent of changes to other assumption items. In practice a combination of adverse and favourable changes could occur. The sensitivity results are not intended to capture all possible outcomes significantly more adverse or favourable results are possible.

Claim liability sensitivity analysis
S$

Assumption	+5%	Net	–5%
Reported total actuarial claims liability		218,284,427	
Initial Expected Loss Ratio[2]	224,957,333		211,611,525
First Incurred Development Factor[3]	218,447,101		218,121,584
Claim Handling Expenses[4]	231,258,266		205,310,592
Provision for Adverse Deviation[5]	226,121,638		210,447,220

Premium liability sensitivity analysis
S$

Assumption	+5%	Net	–5%
Reported total actuarial premium liability		62,958,414	
Ultimate Loss Ratio[1]	66,079,101		59,837,731
Management expense ratio	67,834,979		58,081,854
Provision for Adverse Deviation[4]	65,141,079		60,775,754

Change in claim liability sensitivity analysis
S$

Assumption	+5%	Net	–5%
Reported total actuarial claims liability		218,284,427	
Initial Expected Loss Ratio[2]	6,672,904		(6,672,904)
First Incurred Development Factor[3]	162,672		(162,672)
Claim Handling Expenses[4]	12,973,837		(12,973,837)
Provision for Adverse Deviation[5]	7,837,209		(7,837,209)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.10 Insurance contract liabilities – Assumptions and sensitivities (cont'd)

(b) Change in assumptions and sensitivity analysis (cont'd)

Change in premium liability sensitivity analysis
S$

		Net	
Assumption	+5%		–5%
Reported total actuarial premium liability		62,958,414	
Ultimate Loss Ratio	3,120,685		(3,120,685)
Management expense ratio	4,876,563		(4,876,563)
Provision for Adverse Denviation	2,182,662		(2,182,662)

Percentage change in claim liability sensitivity analysis

		Net	
Assumption	+5%		–5%
Reported total actuarial claims liability		218,284,427	
Initial Expected Loss Ratio[2]	3%		-3%
First Incurred Development Factor[3]	0%		0%
Claim Handling Expenses[4]	6%		-6%
Provision for Adverse Deviation[5]	4%		-4%

Percentage change in premium liability sensitivity analysis

		Net	
Assumption	+5%		–5%
Reported total actuarial premium liability		62,958,414	
Ultimate Loss Ratio	5%		-5%
Management expense ratio	8%		-8%
Provision for Adverse Deviation	3%		-3%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.10 Insurance contract liabilities – Assumptions and sensitivities (cont'd)

(b) Change in assumptions and sensitivity analysis (cont'd)

Notes:

(1) Sensitivity analysis assesses impact of a +/- 5% additive change in assumption.

(2) Initial expected loss ratio sensitivity analysis applies to 2014 accident year.

(3) First incurred development factor sensitivity assess impact of a +/- 5% multiplicative change in assumption. The sensitivity applies to 2014 accident year.

(4) Claims handling expense assumption in sensitivity analysis changed from X% to X% +5% and X% to X% -5% of best estimate liability.

(5) The sensitivity analysis is applied to the PAD factors before the credit for diversification is applied.

2.11 Reinsurance – Assumptions and methods

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amount recoverable from reinsurers are estimated in manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurer's share of technical provisions.

Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

2.12 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions and improvements are capitalised and expenditure for repairs and maintenance are recognised in profit or loss. When assets are sold or retired, their cost and accumulated depreciation and impairment are removed from the financial statements and any gain or loss resulting from their disposal is included in profit or loss.

Where an indication of impairment exists, the carrying amounts is assessed and written down to their recoverable amounts. If, in subsequent periods, circumstances and events that led to the provision for impairment in value cease to exist, a write-back up to the full provision may be made, net of depreciation which would have been charged had the provision not been made.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.12 Fixed assets (cont'd)

An item of fixed assets is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in the profit or loss on the year the asset is de-recognised.

2.13 Depreciation

Depreciation of all fixed assets is calculated to write off the cost on reducing balance method over their expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Motor vehicles	20%
Computers, office equipment	15%
Furniture and fittings	10%

2.14 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

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. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase 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.

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

Financial assets classified as held for trading are included in the category "financial assets at fair value through the profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

The Company does not designate any financial assets not held for trading as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.14 Financial assets

(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 Company has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(c) 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. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for sale financial assets are measured at fair value. Any gains or losses from changes in value of the fair value asset are recognised in the comprehensive income, except the impairment losses, foreign exchange gain and losses on monetary instruments and interest calculated using the effective interest method are recognised in 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.15 Impairment

The Company assesses at each balance sheet date whether there is any objective evidence that a non-financial or financial asset is impaired.

(a) Non-financial assets

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in profit or loss and revenue account.

(i) Calculation of recoverable amount

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment loss

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All other reversals of impairment are recognised in profit or loss and revenue account.

(b) Financial assets (cont'd)

(i) Assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised 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 financial assets' original effective interest rate. The amount of the loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.15 Impairment (cont'd)

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 been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

(i) Assets carried at amortised cost

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. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unlisted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to the profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.16 *Investment property*

Investment property is initially recorded at cost. Subsequent to recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment property is calculated to write off the cost on reducing balance method over the expected useful lives of the asset concerned. The principal annual rate used for this purpose is:

Investment property : 2.5% p.a.

Investment property is derecognised when either it is disposed 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.

2.17 *Balances due from Policyholders, Agents, Ceding Companies and Reinsurers*

Balances due from Policyholders, Agents, Ceding Companies and Reinsurers are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.14.

An allowance is made for uncollectible amounts when there is objective evidence that the Company will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in the Note 2.15.

2.18 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.14.

2.19 *Balances due to Agents, Reinsurers and Other Creditors*

Balances due to Agents, Reinsurers and Other Creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.20 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.20 Provisions (cont'd)

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.21 Taxation

(a) Current tax

Current 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 balance sheet date. Current taxes are recognised in 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.

(b) Deferred income tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax relating 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.22 Foreign currency

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

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Transactions in foreign currencies are recorded at rates prevailing on transaction dates. Exchange differences arising on the settlement of monetary item or on translating monetary item at the balance sheet are recognised in profit or loss.

2.23 Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

2.24 Employee benefits

As required by the law, the Company makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

2.25 Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset) is derecognised where:

– The contractual rights to receive cash flows from the asset have expired;

– The Company retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

– The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.25 Derecognition of financial assets and liabilities (cont'd)

(a) Financial assets (cont'd)

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where 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 a de-recognition 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.

2.26 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit and loss account on straight-line basis over the period of the lease.

2.27 Related parties

A related party is defined as follows:

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

(i) Has control or joint control over the Company;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.27 Related parties (cont'd)

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company or of a parent of the Company.

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

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.28 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when, and only, when the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2.29 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. Management of insurance risk and inherent uncertainty in accounting estimates

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

As general insurance business encompass a wide range of different insurance products, a prudent management of risks is fundamental to our business. This safeguards not only the interest of our shareholders but also that of our customers. The Company has developed a robust underwriting framework to ensure all risks accepted meet with our guidelines and standards.

The Company's business is primarily derived from Singapore and the region. Geographically, there is an inherent concentration of insurance risks in the Company's insurance portfolio. The Company has developed a reinsurance management strategy which manages such concentration of insurance risks based on historical experience of loss frequency and severity of similar risks and in similar geographical zones. The primary objectives of our reinsurance management strategy include protection of shareholders' fund, smoothing out the peaks and troughs of our underwriting result, providing us with competitive advantage, sound and diversified reinsurance securities and developing long-term strategic partnership with key reinsurers.

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The principal uncertainty in the Company's financial statements primarily arises in the technical provisions which include the premium and claim liabilities. The premium liabilities comprise reserve for unexpired risks, net of deferred acquisition cost while the claims liabilities comprise provision for outstanding claims and their values are carried in the balance sheet as disclosed in Notes 11 and 12 to the financial statements.

Generally, premium and claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not develop exactly as projected and may vary from our projection.

The other uncertainties arising under insurance contracts include:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss;
- uncertainty as to the extent of policy coverage and limits applicable; and
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. Management of insurance risk and inherent uncertainty in accounting estimates (cont'd)

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, evolving judicial interpretation, legislative changes and claims handling procedures.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherent 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4. Fixed assets

	Balance as at 1/1/14 S$	Additions S$	Disposals S$	Balance as at 31/12/14 S$
Cost				
Motor vehicles	186,073	-	-	186,073
Computers	1,135,467	102,505	110,767	1,127,205
Office equipment	192,908	32,650	26,800	198,758
Furniture and fittings	427,060	56,515	596	482,979
	1,941,508	191,670	138,163	1,995,015
Accumulated depreciation				
Motor vehicles	137,295	9,755	-	147,050
Computers	816,595	81,290	110,767	787,118
Office equipment	107,112	25,216	26,800	105,528
Furniture and fittings	304,589	18,074	596	322,067
	1,365,591	134,335	138,163	1,361,763
Net book value				
Motor vehicles	48,778			39,023
Computers	318,872			340,087
Office equipment	85,796			93,230
Furniture and fittings	122,471			160,912
	575,917			633,252

	Balance as at 1/1/13 S$	Additions S$	Disposals S$	Balance as at 31/12/13 S$
Cost				
Motor vehicles	186,073	–	–	186,073
Computers	1,137,002	2,999	(4,534)	1,135,467
Office equipment	173,532	32,209	(12,833)	192,908
Furniture and fittings	423,772	3,288	–	427,060
	1,920,379	38,496	(17,367)	1,941,508
Accumulated depreciation				
Motor vehicles	125,101	12,194	–	137,295
Computers	763,848	57,281	(4,534)	816,595
Office equipment	99,205	15,197	(7,290)	107,112
Furniture and fittings	290,981	13,608	–	304,589
	1,279,135	98,280	(11,824)	1,365,591
Net book value				
Motor vehicles	60,972			48,778
Computers	373,154			318,872
Office equipment	74,327			85,796
Furniture and fittings	132,791			122,471
	641,244			575,917

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

5. Financial assets

The Company's financial assets are summarised by measurement category below:

	2014 S$	2013 S$
Held-to-maturity	229,954,914	189,592,443
Available-for-sale	105,836,681	115,784,515
Loans	2,800,000	2,800,000
Total financial assets	338,591,595	308,176,958

The assets included in each of the categories above are detailed in the tables below:

	2014 S$	2013 S$
Held-to-maturity financial assets		
Debt securities – unlisted	229,954,914	189,592,443
Total held-to-maturity financial assets	229,954,914	189,592,443

Held-to-maturity financial assets are carried at amortised cost using the effective interest rate method. The fair value of the held-to-maturity financial assets is S$235,339,874 (2013: S$194,180,539).

	2014 S$	2013 S$
Available-for-sale financial assets		
Equity securities		
- Listed	71,174,695	80,784,906
- Unit trusts	1,644,912	1,525,157
	72,819,607	82,310,063
Debt securities		
- Listed	25,187,492	24,877,539
- Unlisted	4,117,782	4,891,413
	29,305,274	29,768,952
Preference shares		
- Listed	3,711,800	3,705,500
	3,711,800	3,705,500
Total available-for-sale financial assets	105,836,681	115,784,515

In 2014, available-for-sale financial assets, except for unlisted equity securities and unlisted preference shares, are reported at fair value, which are based on market prices as at balance sheet date.

For unlisted equity securities and preference shares categorised as available-for-sale, it is not practicable to estimate the fair value of these financial assets because of lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, management believes that the carrying amounts recorded at balance sheet date reflect the corresponding fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

5. Financial assets (cont'd)

	2014 S$	2013 S$
Mortgage loans	2,800,000	2,800,000

Mortgage loans consist of two secured loans. $2,100,000 of these secured loans is receivable within 1 year (2013: S$2,100,000) while $700,000 (2013: S$700,000) is receivable within 5 years. The payment of the S$2,100,000 which was originally due in 2014 was renewed and extended to September 2015. Interests are calculated with reference to the bank's prime lending rate.

The fair value (as determined by an independent valuer, using the desktop approach) of the collaterals held on mortgage loans is S$13,875,000 (2013: S$12,360,000) and in case of default by the borrower, the lender shall have a right to dispose of the collateral in order to recover the loan outstanding.

6. Investment property

	2014 S$	2013 S$
Location		
6 Raffles Quay, #22-01 to 07, Singapore	9,619,025	9,619,025
At cost		
Provision for depreciation	(659,061)	(615,704)
Total financial assets	8,959,964	9,003,321

The fair value of the said property is estimated at S$24,000,000 (2013: S$23,000,000), which is based on a valuation on an open market basis by an independent firm of professional valuers, Collier's International Consultancy & Valuation, Singapore Pte Ltd. However, the investment is stated at cost price after providing for the depreciation in accordance with the cost model of FRS 40 w.e.f. 1 January 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

7. Balances due from policyholders, agents and reinsurers

	2014 S$	2013 S$
Balances due from policyholders and agents	70,085,302	50,176,046
Balances due from reinsurers	28,491,598	36,960,364
Less: Allowance for impairment	(5,312,488)	(2,582,224)
Total financial assets	93,264,412	84,554,186

Balances due from policyholders, agents and reinsurers relate to a large number of diversified customers and therefore there is no significant concentration of credit risk. These balances are non-interest bearing and generally on a 60-90 days terms. The carrying amounts of these balances approximate their fair values.

Insurance receivables that are impaired

The Company's insurance receivables that are impaired at the end of the reporting period and the movement of allowances accounts used to record the impairment are as follows:

	2014 S$	2013 S$
Insurance receivables – nominal amount	5,312,488	2,582,224
Less: Allowance for impairment	(5,312,488)	(2,582,224)
Net balance	–	–

	2014 S$	2013 S$
Movement in allowance accounts:		
At 1 January	2,582,224	2,529,940
Charge for the year	2,730,264	52,284
At 31 December	5,312,488	2,582,224

The amendments to FRS 32 clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also not contingent on the future event and must be enforceable in the event of bankruptcy or insolvency of all the counterparties to the contracts. The Company currently offsets certain balances with the same counterparty as the Company has legal rights to set-off the amounts and intends to settle on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

7. Balances due from policyholders, agents and reinsurers (cont'd)

The Company has arrangements to settle the net amount due to or from, each counterparty on a 60-90 days term basis.

Amount Due From Policyholders, Agents and Reinsurers

	2014 S$'000		
Description	Gross carrying amounts	Gross amounts offset in the balance sheet	Net amounts in the balance sheet*
Balances due from policyholders, agents and reinsurers	154,147	(55,570)	98,577
Balances due to policyholders, agents and reinsurers	124,491	(55,570)	73,921

	2013 S$'000		
Description			
Balances due from policyholders, agents and reinsurers	98,746	(11,610)	87,136
Balances due to policyholders, agents and reinsurers	90,141	(11,610)	78,531

* Before allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

8. Other debtors

	2014 S$	2013 S$
Accrued interest	4,426,066	3,681,043
Services division debtors	774,286	784,826
Others	4,359,642	3,394,729
Other debtors	9,559,994	7,860,598
Less: Provision for bad and doubtful accounts	612,703	–
Other debtors - net of provision	8,947,291	7,860,598
Add:		
Mortgage loans (Note 5)	2,800,000	2,800,000
Balances due from policyholders, agents and reinsurers (Note 7)	93,264,412	84,554,186
Amount retained by ceding companies	261,709	272,203
Cash on deposits (Note 9)	326,272,059	324,935,825
Cash and bank balances (Note 9)	2,385,506	5,362,333
Total loans and receivables	433,930,977	425,785,145

9. Cash, bank balances and cash deposits

Included in the cash and bank balances are cash collaterals amounting to S$265,350 (2013: S$275,350) which pertain to cash held in trust for and on behalf of customers to which performance bonds were issued.

The Company holds fixed deposits in Singapore dollar, United States dollar, Malaysian Ringgit and British Pound and the interest rate per annum ranges from 1.05% - 3.08% (2013: 1.21% - 3.04%).

10. Other creditors and accruals

	2014 S$	2013 S$
Services division creditors	4,880,192	4,815,664
Other creditors	8,508,615	6,904,381
Accrued expenses	48,775	324,756
Other creditors and accruals	13,437,582	12,044,801
Add:		
Balances due to agents	286,983	109,745
Balances due to reinsurers	73,633,815	78,420,834
Total financial liabilities carried at amortised cost	87,358,380	90,575,380

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. Reserve for unexpired risks

	Fire S$	Marine S$	Misc S$	Total S$
2014				
Gross reserve in unexpired risks	10,337,185	39,502,745	35,239,588	85,079,518
Less: Gross deferred acquisition cost	(1,762,753)	(6,928,768)	(3,514,907)	(12,206,428)
	8,574,432	32,573,977	31,724,681	72,873,090
Less:				
Reserve in unexpired risks on reinsurance ceded	(7,863,599)	879,867	(7,177,650)	(14,161,382)
Deferred acquisition cost on reinsurance ceded	2,258,164	314,860	1,673,682	4,246,706
	(5,605,435)	1,194,727	(5,503,968)	(9,914,676)
Net reserve in unexpired risks	2,473,586	40,382,612	28,061,938	70,918,136
Net deferred acquisition cost	495,411	(6,613,908)	(1,841,225)	(7,959,722)
	2,968,997	33,768,704	26,220,713	62,958,414
<u>Movements in reserve for unexpired risks</u>				
Balance as at 1 January 2014	1,460,429	33,851,975	24,760,885	60,073,289
Increase/(decrease) in reserve for unexpired risks	1,508,568	(83,271)	1,459,828	2,885,125
Balance as at 31 December 2014	2,968,997	33,768,704	26,220,713	62,958,414

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. Reserve for unexpired risks (cont'd)

	Fire S$	Marine S$	Misc S$	Total S$
2013				
Gross reserve in unexpired risks	10,706,974	39,852,492	35,451,675	86,011,141
Less: Gross deferred acquisition cost	(1,677,764)	(6,436,740)	(4,178,058)	(12,292,562)
	9,029,210	33,415,752	31,273,617	73,718,579
Less:				
Reserve in unexpired risks on reinsurance ceded	(8,210,765)	(266,648)	(8,652,019)	(17,129,432)
Deferred acquisition cost on reinsurance ceded	641,984	702,872	2,139,287	3,484,143
	(7,568,781)	436,224	(6,512,732)	(13,645,289)
Net reserve in unexpired risks	2,496,209	39,585,844	26,799,656	68,881,709
Net deferred acquisition cost	(1,035,780)	(5,733,869)	(2,038,771)	(8,808,420)
	1,460,429	33,851,975	24,760,885	60,073,289
Movements in reserve for unexpired risks				
Balance as at 1 January 2013	2,327,327	17,465,963	35,087,048	54,880,338
Increase/(decrease) in reserve for unexpired risks	(866,898)	16,386,012	(10,326,163)	5,192,951
Balance as at 31 December 2013	1,460,429	33,851,975	24,760,885	60,073,289

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Loss reserves

	Fire S$	Marine S$	Misc S$	Total S$
2014				
Gross loss reserves	64,391,843	120,684,100	200,632,777	385,708,720
Reinsurance loss reserves	(55,518,044)	(49,410,749)	(62,495,500)	(167,424,293)
Net loss reserves	8,873,799	71,273,351	138,137,277	218,284,427
Movements in net loss reserves				
Balance at 1.1.2014	8,108,392	53,258,843	144,880,225	206,247,460
Less: Claims Paid	(16,139,484)	(72,408,718)	(55,164,120)	(143,712,322)
Add: Recoveries	13,615,466	30,577,475	17,179,195	61,372,136
	5,584,374	11,427,600	106,895,300	123,907,274
Incurred during the year	3,289,425	59,845,751	31,241,977	94,377,153
Balance at 31.12.2014	8,873,799	71,273,351	138,137,277	218,284,427
2013				
Gross loss reserves	68,908,918	130,828,429	212,596,663	412,334,010
Reinsurance loss reserves	(60,800,526)	(77,569,586)	(67,716,438)	(206,086,550)
Net loss reserves	8,108,392	53,258,843	144,880,225	206,247,460
Movements in net loss reserves				
Balance at 1.1.2013	8,229,763	39,198,275	147,742,004	195,170,042
Less: Claims Paid	(35,222,624)	(73,613,783)	(54,320,788)	(163,157,195)
Add: Recoveries	26,655,820	46,941,902	14,848,557	88,446,279
	(337,041)	12,526,394	108,269,773	120,459,126
Incurred during the year	8,445,433	40,732,449	36,610,452	85,788,334
Balance at 31.12.2013	8,108,392	53,258,843	144,880,225	206,247,460

The financial statements as at 31 December 2014 have included the effects of adjustments arising from the actuarial report prepared according to Section 37 of the Insurance Act, Cap 142 for the year then ended.

Loss development triangle

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net of reinsurance basis.

The tables show the cumulative incurred claims, including both notified and IBNR claims, for each successive accident and underwriting year at each balance sheet date, together with cumulative claims as at the current balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Loss reserves (cont'd)

Development of gross of reinsurance cumulative claims - (in S$)

All Direct & Facultative Lines
As of 31 December 2014

Accident Year / Underwriting Year[1]	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of cumulative claims									
At the end of accident year/ underwriting year	27,464,874	67,331,378	132,622,883	148,832,475	141,942,044	160,525,129	165,815,032	127,440,618	
-one year later	35,070,476	90,607,899	135,683,493	141,572,589	167,279,621	187,774,900	188,407,253	–	
-two years later	41,876,912	84,434,404	135,221,558	142,904,759	168,733,115	184,515,512	–	–	
-three years later	41,267,875	85,035,649	137,608,138	136,639,158	159,508,643	–	–	–	
-four years later	31,708,037	82,212,024	136,767,036	129,635,475	–	–	–	–	
-five years later	31,189,129	79,501,970	130,432,726	–	–	–	–	–	
-six years later	32,563,054	77,942,462	–	–	–	–	–	–	
-seven years later	28,948,644	–	–	–	–	–	–	–	
Current estimate of ultimate claims	28,948,644	77,942,462	130,432,726	129,635,475	159,508,643	184,515,512	188,407,253	127,440,618	1,026,831,333
Cumulative payments	28,340,797	75,371,385	118,282,348	110,921,183	135,255,941	128,623,941	100,896,970	26,909,779	724,602,344
Gross outstanding claims liabilities	607,847	2,571,077	12,150,378	18,714,292	24,252,702	55,891,571	87,510,283	100,530,839	302,228,989
Best estimate of claims liabilities including claims handling expenses	621,884	2,661,463	12,597,554	19,317,604	25,179,882	57,760,961	90,147,169	103,625,406	311,911,923

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Loss reserves (cont'd)

Development of gross of reinsurance cumulative claims - (in S$)

All Treaty Lines
As of 31 December 2014

Underwriting Year	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of cumulative claims									
At the end of underwriting year	4,577,393	159,794	263,692	–	–	96,554	–	–	
-one year later	4,953,836	565,977	287,461	–	–	958,685	–	–	
-two years later	4,683,256	377,318	353,226	–	–	958,685	–	–	
-three years later	4,711,578	369,291	348,004	–	–	–	–	–	
-four years later	4,364,226	408,831	348,004	–	–	–	–	–	
-five years later	4,238,812	408,837	379,536	–	-	–	-	-	
-six years later	4,267,875	424,698	–	–	–	–	–	–	
-seven years later	4,109,045	–	–	–	–	–	–	–	
Current estimate of ultimate claims	4,109,045	424,698	379,536	–	–	958,685			5,871,964
Cumulative payments	3,889,550	378,406	377,728	–	–	958,685			5,604,369
Gross outstanding claims liabilities	219,495	46,292	1,808	–	–	–			267,595
Best estimate of claims liabilities including claims handling expenses and net of unearned	225,347	47,218	1,844	–	–	–			274,409

Total All lines (Direct & Facultative, Treaty)

Best estimate of claims liabilities including claims handling expenses and net of unearned	312,186,332
Best estimate of claims liabilities in respect of 2006 and prior years	33,897,307
Total best estimate of claims liabilities	346,083,639
Provision for adverse deviation	39,625,081
Total outstanding claims liabilities as per actuarial report and included in the balance sheet	**385,708,720**

Note: (1) Cargo and Hull Direct & Facultative were previously analysed on an underwriting year basis. However, MAS has requested the Company to report losses on an accident year basis for these lines of business. Thus, the Company changed the valuation basis to fulfil this requirement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Loss reserves (cont'd)

Development of net of reinsurance cumulative claims - (in S$)

Total All Direct & Facultative Lines
As of 31 December 2014

Accident Year / Underwriting Year[1]	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of cumulative claims									
At the end of accident year / underwriting year	14,471,608	34,437,275	62,575,469	70,333,230	76,959,380	78,813,468	102,146,169	107,734,924	
-one year later	18,737,449	37,418,862	64,176,342	61,497,738	68,531,682	74,488,128	106,430,061	–	
-two years later	18,843,257	36,481,222	60,682,056	60,661,398	66,342,322	70,909,010	–	–	
-three years later	18,400,169	36,064,231	58,075,766	56,665,477	62,202,005	–	–	–	
-four years later	15,292,683	35,978,384	56,458,665	54,027,839	–	–	–	–	
-five years later	15,368,210	34,411,662	55,845,758	–	–	–	–	–	
-six years later	14,801,367	34,452,003	–	–	–	–	–	–	
-seven years later	14,489,290	–	–	–	–	–	–	–	
Current estimate of ultimate claims	14,489,290	34,452,003	55,845,758	54,027,839	62,202,005	70,909,010	106,430,061	107,734,924	506,090,890
Cumulative payments	14,336,254	33,522,989	51,662,780	48,360,986	53,262,694	51,386,727	66,925,341	22,368,433	341,826,204
Net outstanding claims liabilities	153,036	929,014	4,182,978	5,666,853	8,939,311	19,522,283	39,504,720	85,366,491	164,264,686
Best estimate of claims liabilities including claims handling expenses	167,072	1,019,399	4,630,154	6,270,165	9,866,491	21,391,673	42,141,607	88,461,058	173,947,619

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Loss reserves (cont'd)

All Treaty Lines (S$)
As of 31 December 2014

Underwriting Year	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of cumulative claims									
At the end of underwriting year	4,017,472	341,134	263,692	–	–	–	–	–	
-one year later	4,811,799	565,977	288,213	–	–	–	–	–	
-two years later	4,683,256	377,318	360,288	–	–	–	–	–	
-three years later	4,711,578	369,234	348,196	–	–	–	–	–	
-four years later	4,362,949	408,545	348,004	–	–	–	–	–	
-five years later	4,238,357	408,837	379,536	–	–	–	–	–	
-six years later	4,267,875	424,698	–	–	–	–	–	–	
-seven years later	4,109,045	–	–	–	–	–	–	–	
					–	–	–	–	
Current estimate of ultimate claims	4,109,045	424,698	379,536	–	–	–	–	–	4,913,279
Cumulative payments	3,889,550	378,406	377,728	–	–	–	–	–	4,645,684
				–	–	–	–	–	
Net outstanding claims liabilities	219,495	46,292	1,808	–	–	–	–	–	267,595
Best estimate of claims liabilities including claims handling expenses and net of unearned	225,347	47,218	1,844	–	–	–	–	–	274,409

Total All lines (Direct & Facultative, Treaty)

Best estimate of claims liabilities including claims handling expenses and net of unearned	174,222,028
Best estimate of claims liabilities in respect of 2006 and prior years	21,708,205
Total best estimate of claims liabilities	195,930,233
Provision for adverse deviation	22,354,194
Total outstanding claims liabilities as per actuarial report and included in the balance sheet	**218,284,427**

Note: (1) Cargo and Hull Direct & Facultative were previously analysed on an underwriting year basis. However, MAS has requested the Company to report losses on an accident year basis for these lines of business. Thus, the Company changed the valuation basis to fulfil this requirement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. Share capital

	2014 S$	2013 S$
Issued and fully paid		
50,000,000 ordinary shares on 1-1-2014 and 31-12-2014	50,000,000	50,000,000

In accordance with the Companies (Amendment) Act 2005, 30 January 2006, the shares of the Company ceased to have a par value. The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company.

Capital Management:

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support the business and maximise shareholder value. Capital includes equity attributable to the owners of the Company less the fair value adjustment reserves. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payouts to share holders. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Company is subject to minimum capital requirements under the Insurance Act. To determine its capital for regulatory purposes, the Company makes certain adjustments to the carrying values of its assets and liabilities. The regulatory capital requirement is determined by the application of statutory formulae to the Company's business information. Throughout the financial years 2014 and 2013, the Company complied fully with these capital requirements.

14. Net commission – expense/(income)

	Fire S$	Marine S$	Misc S$	Total S$
2014				
Gross Commission	4,048,602	15,137,109	9,005,824	28,191,535
Less: Reinsurance	(5,733,130)	(1,272,734)	(4,929,941)	(11,935,805)
	(1,684,528)	13,864,375	4,075,883	16,255,730
2013				
Gross Commission	4,482,019	14,664,297	10,812,016	29,958,332
Less: Reinsurance	(1,897,644)	(2,071,147)	(6,014,636)	(9,983,427)
	2,584,375	12,593,150	4,797,380	19,974,905

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

15. Management expenses

	2014 S$	2013 S$
Management expenses include:		
Compensation of key management personnel		
Short-term employee benefits	951,671	1,057,710
Contribution to CPF	46,129	45,197
Directors' fees	111,781	114,411
Other long-term benefits	6,800	10,375
Total (Management Personnel)	1,116,381	1,227,693
Salaries, bonuses and other allowances (Other staff)	4,090,512	3,874,905
Contribution to CPF (Other staff)	531,497	490,947
Depreciation	134,335	98,279
Operating lease expense	1,153,829	955,740
Total (Other staff)	5,910,173	5,419,871

16. Investment and interest income

	2014 S$	2013 S$
Interest income from:		
Held-to-maturity financial assets		
Debt securities		
- unlisted	8,270,448	7,814,163
Available-for-sale financial assets		
Listed debt securities	1,308,402	1,434,569
Unlisted debt securities	253,719	358,990
Total	1,562,121	1,793,559
Loans and receivables		
Mortgage loans	104,171	96,936
Fixed deposits and cash at bank	4,205,067	5,115,690
Total	4,309,238	5,212,626
Net rental income	638,899	638,899
Dividend income and security lending fee from:		
Available-for-sale financial assets		
Equity securities		
- listed	2,993,154	3,013,897
Preference shares		
- listed	168,353	202,055
	3,161,507	3,215,952
Total investment and interest income	17,942,213	18,675,199

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

17. Other income

	2014 S$	2013 S$
Services division income	264,646	203,365
Sundry credit balances written back	2,261	75,711
Miscellaneous income	272,158	320,887
	539,065	599,963

18. Taxation

The major components of income tax expense for the years ended 31 December are:

	2014 S$	2013 S$
Current	6,378,900	4,554,374
Deferred	8,681	(107,380)
Current year tax expense	6,387,581	4,446,994
Under/(over) provision in respect of previous year		
- Current	231,512	(178,394)
	6,619,093	4,268,600

A reconciliation between the tax provided for the current year and the tax on the pre-tax profits based on the normal corporate tax rate of 17% (2013: 17%) is as follows:

	2014	2013
Profit before tax	43,897,948	31,509,417
Tax expense on profit before tax at 17% (2013: 17%)	7,462,651	5,356,601
Adjustments:		
Permanent differences/expenses not deductible for tax purposes	51,843	45,490
Difference in tax due to lower tax rate applicable on certain income	(551,009)	(314,621)
Exempt dividends	(470,823)	(491,392)
Others	(113,762)	(41,704)
	6,378,900	4,554,374

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Taxation (cont'd)

The deferred tax liability is as a result of:

	2014 S$	2013 S$
Deferred tax liability		
Difference in depreciation	86,300	77,620
Deferred income tax related to other comprehensive income		
Net change in fair value adjustment reserve for available-for-sale financial assets	4,193,104	5,807,344
	4,279,404	5,884,964

The movements in tax payables and deferred tax liability are as follows:

	2014 S$	2013 S$
Current tax payables		
Tax payables as at 1 January	4,364,799	3,176,530
Amounts charged to profit or loss	6,378,900	4,554,374
Tax paid during the year	(4,497,997)	(3,187,711)
Additional/(reversal of excess) provision for prior years	231,512	(178,394)
Tax payables as at 31 December	6,477,214	4,364,799
Deferred tax liability		
Deferred tax liability as at 1 January	5,884,963	5,290,591
Amounts (released) charged to the profit or loss	8,681	(107,380)
Net change in fair value adjustment reserve for available-for-sale financial assets	(1,614,240)	701,752
Provision for deferred taxation as at 31 December	4,279,404	5,884,963

19. Dividend paid

	2014 S$	2013 S$
First and final dividend of 7.5 cents per share based on 2013 results (2012: 5 cents)	3,750,000	2,500,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

20. Fair value adjustment reserve

Fair value adjustment reserve consists of cumulative fair value changes of available-for-sale investments, net of deferred income tax, until they are derecognised or impaired.

	2014 S$	2013 S$
Balance as at 1 January	29,465,433	26,646,090
Net change in the reserve, net of tax	(6,986,410)	1,824,341
Net impairment loss/(write back) recognised on investments	(154,462)	995,002
Balance as at 31 December	22,324,561	29,465,433
Net change in the reserve arises from:		
- Net gain on fair value changes during the financial year	12,504,782	3,759,202
- Recognised in the profit or loss on disposal of investments	(19,491,192)	(1,934,861)
Balance as at 31 December	(6,986,410)	1,824,341

21. Operating lease commitments

(a) The Company has a rental operating lease agreement for office space. The minimum lease payments are:

	2014 S$	2013 S$
Within one year	1,170,509	1,153,829
After one year but not more than three years	1,170,509	2,341,018
	2,341,018	3,494,847

(b) The Company has a rental operating lease agreement for its property at 6, Raffles Quay. The minimum lease payments receivable are:

	2014 S$	2013 S$
Within one year	741,443	741,443
After one year but not more than three years	432,508	1,173,951
	1,173,951	1,915,394

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies

The Company's principal financial instruments comprise available-for-sale investments, cash and short term deposits, other receivables and payables. The Company has various other financial assets and liabilities such as insurance receivables and payables, which arise directly from its operations.

The primary objective of the Company's risk and financial management framework is to have efficient and effective risk management systems in place. The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with clear organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers.

The board of directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The key financial risks include exposure to underwriting, credit, liquidity risk, currency, price and interest rate risk arise in the normal course of business.

The Company is a Singapore based direct insurer. The table below sets out the composition of gross written premium for current year.

	2014	2013
Marine and aviation	42%	43%
Fire	14%	15%
Motor	27%	28%
Workmen's compensation	9%	5%
Miscellaneous	8%	9%
	100%	100%

The Company's overall business strategies, its tolerance of risks and its general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies (cont'd)

(a) Underwriting risk

The Company principally issues the following types of general insurance contracts: motor, household, fire, marine, commercial and business interruption. Risks under non-life insurance policies usually cover twelve month duration.

Underwriting risks include the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Company seeks to minimise underwriting risks with a balanced mix and spread of business classes of business and by observing underwriting guidelines and limits, conservative estimation of the claims provisions, and high standards applied to the security of reinsurers. The Company adopted the actuary's view on its claims and premium liabilities at balance sheet date. The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. hurricane earthquakes and flood damages). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management.

The table below sets out the concentration of the claims and premium liabilities (in percentage terms) at balance sheet date: -

	Net claims liabilities 2014	Net premium liabilities 2014	Net claims liabilities 2013	Net premium liabilities 2013
Marine and aviation	33%	53%	26%	56%
Fire	4%	5%	4%	2%
Motor	37%	21%	42%	27%
Workmen's compensation	10%	15%	10%	10%
Miscellaneous	16%	6%	18%	5%
	100%	100%	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies (cont'd)

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties. The company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. Net exposure limits are set for each counterparty or company of counterparties. Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

The Company views the management of credit risk as a fundamental and critical part of operations. In respect of amounts due from policyholder, agents and reinsurers and other receivables, the management has a credit policy in place and the exposure to credit risk is actively monitored on an ongoing basis. Loans are only given to selected high net worth individuals and companies with credible and good financial backgrounds. All loans are either backed by guarantees obtained from substantial financial institutions or quality collateral. At balance sheet date, there are no significant concentrations of credit risk. The maximum exposure to credit risks is represented by the carrying amount of each financial asset on the balance sheet date. Company minimises credit risk by dealing exclusively with good credit rating counterparties.

Age wise analysis of financial assets past due but not impaired (S$)

	< 3 mths	3 mths - 9 mths	9 mths and above	Total past-due but not impaired
31.12.2014				
Balances due from policy holders, agents, ceding companies and reinsurers	16,257,652	14,782,507	7,743,336	38,783,495
31.12.2013				
Balances due from policy holders, agents, ceding companies and reinsurers	11,079,348	13,722,661	9,395,884	34,197,893

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies (cont'd)

Credit risk exposure of the Company according to rating of the counterparties (S$)

	AAA	AA	BBB	BB	Not rated	Total
31.12.2014						
Debt securities						
HTM*	7,741,438	43,852,370	77,097,138	19,745,718	81,518,250	229,954,914
AFS*- Debt	–	8,178,033	9,182,589	6,816,162	5,128,490	29,305,274
AFS*- Equity	–	–	–	–	72,819,607	72,819,607
AFS*- Pref shares	–	–	–	–	3,711,800	3,711,800
Mortgage loans	–	–	–	–	2,800,000	2,800,000
Cash, bank balances & cash deposits	–	2,727,111	227,018,380	34,350,914	64,561,159	328,657,564
31.12.2013						
Debt securities						
HTM*	6,255,931	55,212,939	60,740,670	5,859,978	61,522,925	189,592,443
AFS*-Debt	–	8,831,672	12,941,681	3,943,846	4,051,751	29,768,952
AFS*- Equity	–	–	–	–	86,015,563	86,015,563
AFS*- Pref shares	–	–	–	–	3,705,500	3,705,500
Mortgage loans	–	–	–	–	2,800,000	2,800,000
Cash, bank balances & cash deposits	–	569,937	272,954,528	–	56,773,693	330,298,158

Trade and other receivables that are neither past due nor impaired are credit worthy debtors with good payment record with the Company.

* HTM denotes Held-to-Maturity.
* AFS denotes Available-for-Sale

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its commitments. The Company manages this risk by monitoring daily and monthly projected and actual cash flows and by ensuring that a reasonable amount of financial assets are kept in liquid instruments at all times. The Company sets guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient fund being available to meet insurance and investment contracts obligations. The Company's excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size. The Company does not require external funding in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company:

	Balance sheet amount $	Up to 1 year $	1-3 years $	3-5 years $	5-10 years $	Over 10 years $
31.12.2014						
Assets						
Held-to-maturity	229,954,914	51,063,184	57,660,478	35,326,873	80,868,038	5,036,341
Mortgage loans	2,800,000	2,100,000	700,000	–	–	–
AFS securities	105,836,681	105,836,681	–	–	–	–
Cash, bank balances and cash deposits	328,657,564	321,739,649	6,917,915	–	–	–
Balances due from policy holders, agents, ceding companies and reinsurers	93,264,412	83,810,482	9,453,930	–	–	–
Amount retained by ceding companies	261,709	261,709	–	–	–	–
Other debtors	8,947,291	8,947,291	–	–	–	–
Liabilities						
Balances due to agents	286,983	286,983	–	–	–	–
Balances due to reinsurers	73,633,815	73,633,815	–	–	–	–
Other creditors and accruals	13,437,581	13,437,581	–	–	–	–
31.12.2013						
Assets						
Held-to-maturity	189,592,443	18,974,810	78,377,346	19,863,579	72,376,709	–
Mortgage loans	2,800,000	2,100,000	–	700,000	–	–
AFS securities	115,784,515	115,784,515	–	–	–	–
Cash, bank balances and cash deposits	330,298,157	330,298,157	–	–	–	–
Balances due from policy holders, agents, ceding companies and reinsurers	84,554,186	77,681,142	6,874,044	–	–	–
Amount retained by ceding companies	272,203	272,203	–	–	–	–
Other debtors	7,860,598	7,860,598	–	–	–	–
Liabilities						
Balances due to agents	109,745	109,745	–	–	–	–
Balances due to reinsurers	78,420,834	78,420,834	–	–	–	–
Other creditors and accruals	12,044,802	12,044,802	–	–	–	–

Financial assets and liabilities up to 1 year maturity are current assets and current liabilities respectively.

Due to the nature of its business, the Company's net loss reserves and net reserve for unexpired risks are expected to be short-tail, but without contractual maturity date and likely to materialize within 7 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies (cont'd)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to three types of market risks a) Foreign currency risk b) Market price risk c) Market interest rates.

(i) Currency risk

The Company is exposed to the effects of foreign currency exchange rate fluctuations primarily because of its foreign currency denominated underwriting revenues (premiums) and expenses (claims). The currencies giving rise to this risk are primarily United States dollars (US$), British Pounds (GBP), Australian dollars (AUD), Thailand Baht (THB) and Malaysian ringgit (MYR). To mitigate this risk, the Company invests premiums received in US$, GBP, THB and MYR in the respective currency assets. The Company reviews periodically to ensure sufficient assets are maintained in the respective major currencies to meet the liabilities. The Company does not use derivative financial instruments to protect against volatility associated with foreign currency transactions and investments, and other financial assets and liabilities created in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies (cont'd)

(d) Market risk (cont'd)

(i) Currency risk (cont'd)

The table below sets out financial assets which are denominated in foreign currency:

		Held-To-Maturity	Available-For-Sale	Loans	Cash, bank balances and cash deposits
2014					
Denominated currency					
S$		150,861,654	81,756,202	2,800,000	211,087,444
US$	*	79,093,260	18,037,266	-	114,421,315
GBP	*	-	-	-	493,695
AUD	*	-	-	-	-
THB	*	-	4,075,534	-	-
MYR	*	-	1,269,422	-	2,655,110
Others	*	-	698,255	-	-
		229,954,914	**105,836,681**	**2,800,000**	**328,657,564**
2013					
Denominated currency					
S$		124,683,503	93,589,926	2,800.000	207,409,988
US$	*	64,908,940	16,862,692	–	117,731,481
GBP	*	–	–	–	605,326
AUD	*	–	–	–	–
THB	*	–	3,084,658	–	–
MYR	*	–	1,594,906	–	2,551,363
Others	*	–	652,333	–	–
		189,592,443	**115,784,515**	**2,800,000**	**330,298,158**

		Amount due from policy holders, agents and reinsurers	Amount retained by ceding companies	Other debtors	Amount due to reinsurers	Other creditors & balance due to agents	Net currency exposure
2014							
Denominated currency							
S$		45,277,209	177,578	6,370,241	(70,258,723)	(13,724,167)	414,347,438
US$	*	31,724,558	11,058	1,987,217	(2,637,602)	(397)	242,636,675
GBP	*	67,336	-	2,109	203,730		766,870
AUD	*	(36,705)	-	-	-		(36,705)
THB	*	2,095	-	-	(14,928)		4,062,701
MYR	*	510,356	67	2,205	(168,777)		4,268,383
Others	*	15,719,563	73,006	585,519	(757,515)		16,318,828
		93,264,412	**261,709**	**8,947,291**	**(73,633,815)**	**(13,724,564)**	**682,364,190**
2013							
Denominated currency							
S$		46,458,346	178,290	5,618,715	(66,246,655)	(12,148,811)	402,343,302
US$	*	26,500,938	10,589	1,773,663	(11,061,017)	(5,736)	218,721,550
GBP	*	40,430	–	2,727	24,752	–	673,235
AUD	*	(55,203)	–	–	–	–	(55,203)
THB	*	(121,241)	–	–	(163,806)	–	2,799,611
MYR	*	(230,798)	69	4,076	(188,635)	–	3,730,981
Others	*	11,961,714	83,255	461,417	(785,473)	–	12,373,246
		84,554,186	**272,203**	**7,860,598**	**(78,420,834)**	**(12,154,547)**	**640,586,722**

* - Amounts are reported in their Singapore Dollar equivalents

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies (cont'd)

(d) Market risk (cont'd)

(i) Currency risk (cont'd)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency.

		2014		2013	
Currency	Change in variable	Impact on profit before tax S$	Impact on equity before tax* S$	Impact on profit before tax S$	Impact on equity tax before tax* S$
USD	3%	7,145,742	133,358	6,055,766	73,091
GBP	3%	23,006	–	20,197	–
AUD	3%	(1,101)	–	(1,656)	–
THB	3%	(385)	122,266	(8,551)	92,540
MYR	2%	59,979	25,388	42,721	31,898
USD	(3%)	(7,145,742)	(133,358)	(6,055,766)	(73,091)
GBP	(3%)	(23,006)	–	(20,197)	–
AUD	(3%)	1,101	–	1,656	–
THB	(3%)	(385)	(122,266)	8,551	(92,540)
MYR	(2%)	(59,979)	(25,388)	(42,721)	(31,898)

*Excludes impact on profit before tax

(ii) Price risk

The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices. Strict investment guidelines are used to monitor the risks in the Company's investments.

The Company is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the Singapore Exchange-Securities Trading Ltd (SGX-ST) in Singapore, Bursa Malaysia in Malaysia and are classified as available-for-sale financial assets. The Company does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk:

At the balance sheet date if SGX had been 20% higher/lower with all other variables held constant, the net equity would increase/decrease by approximately S$10,373,547 (2013: S$12,156,376), arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies (cont'd)

(d) Market risk (cont'd)

(iii) Interest rate risk

The Company's earnings can be potentially affected by changes in market interest rates in view of the impact such fluctuations have on interest income from cash and cash equivalents, and other fixed income investments. In accordance with established investment guidelines, senior management regularly monitors the interest rate environment in order to assess and minimise risks to the Company's investment portfolio.

The Company's equities and debt securities portfolio is exposed to the volatility of these markets. To reduce its exposure to this risk, the Company spreads its investments across industries. The Company also selects companies and financial institutions with a sound financial track record to invest in. The Company has an investment committee to provide general overview of the investment policies of the Company and the senior management monitors actively the performance of the Company's investment portfolios on an ongoing basis.

The following tables sets out the carrying amounts, by maturity of the Company's financial instruments that are exposed to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Risk and financial management objectives and policies (cont'd)

(d) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

	Effective interest rate (per annum)	Within 1 year S$	1-3 years S$	3-5 years S$	More than 5 years S$	Total S$
2014						
Financial assets						
Held-to-maturity						
Debt securities	4.09%	51,063,184	57,660,478	35,326,873	85,904,379	229,954,914
Available-for-sale						
Debt securities						
- Listed	5.59%	–	–	–	25,187,492	25,187,492
- Unlisted	7.24%	–	–	–	4,117,782	4,117,782
Loans	3.72%	2,100,000	–	700,000	–	2,800,000
Cash, bank balances and cash deposits	1.05-3.08%	321,739,649	6,917,915	–	–	328,657,564
2013						
Financial assets						
Held-to-maturity						
Debt securities	4.05%	18,974,810	78,377,346	19,863,579	72,376,708	189,592,443
Available-for-sale						
Debt securities						
- Listed	6.14%	–	–	–	24,877,539	24,877,539
- Unlisted	7.18%	–	–	–	4,891,413	4,891,413
Loans	3.46%	2,100,000	–	700,000	–	2,800,000
Cash, bank balances and cash deposits	1.21-3.04%	330,298,158	–	–	–	330,298,158

Sensitivity analysis

At the reporting date, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Company's profit before tax would have been S$14,000 (2013: +/-S$14,000) higher/lower, arising as a result of higher/lower interest income from mortgage loans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

23. Fair value

Effective 1 January 2009, the Company adopted the amendment to FRS 107 which requires the disclosure of fair value measurement by level of the following hierarchy:

(a) Quoted price (unadjusted) in active markets for identical assets or liabilities (Level 1)

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). (Level 2)

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs). (Level 3)

The available for sale investments are measured at fair value at 31 December 2014 and 2013 as follows:

2014	Level 1 S$	Level 2 S$	Level 3 S$	Total S$
Financial asset				
Available for sale financial assets				
Equity shares				
Listed	71,174,696	–	–	71,174,696
Unit trusts	–	1,644,912	–	1,644,912
Debt securities				
Listed	25,187,492	–	–	25,187,492
Unlisted	–	4,117,782	–	4,117,782
Preference shares	3,711,800	–	–	3,711,800
Listed				

2013	Level 1 S$	Level 2 S$	Level 3 S$	Total S$
Financial asset				
Available for sale financial assets				
Equity shares				
Listed	80,784,906	–	–	80,784,906
Unit trusts	–	1,525,157	–	1,525,157
Debt securities				
Listed	24,877,539	–	–	24,877,539
Unlisted	–	4,891,413	–	4,891,413
Preference shares				
Listed	3,705,500	–	–	3,705,500

The fair values of listed equity shares, debt securities and preference shares are based on the quoted market bid prices at the balance sheet date. The fair values of unit trusts are based on published (unadjusted) prices due to existence of active market. These investments are included in Level 1.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

23. Fair value (cont'd)

The fair values of unlisted debt securities are estimated based on the quotations obtained from independent pricing services (broker quotes/custodian quotes) due to the existence of active secondary and resale markets. These investments are included in Level 2.

In infrequent circumstances, where a valuation technique is based on significant unobservable input, such instruments are included in Level 3.

The net aggregate fair values of financial assets which are not carried at fair value in the balance sheet as at 31 December are represented in the following table:

	2014 Carrying amount S$	2014 Fair value S$	2013 Carrying amount S$	2013 Fair value S$
Financial assets				
Unlisted debt securities	229,954,914	235,339,874	189,592,443	194,180,539
Total	229,954,914	235,339,874	189,592,443	194,180,539
Unrecognised gain		**5,384,960**		**4,588,096**

The management deems that the carrying amounts of loans reflect their realisable and fair values at balance sheet date because the loans are held as long term investments and are either backed by guarantees obtained from substantial financial institutions or by quality collaterals.

The carrying amounts of the other financial assets and liabilities that are not listed above approximate their fair values.

24. Related party disclosures

The following related party transactions took place between the Company and related parties during the financial year on terms agreed by the parties concerned:

Shareholders of the Company	2014 S$	2013 S$
Reinsurance premiums ceded	(27,012,844)	(25,781,184)
Reinsurance commission income	5,269,974	5,683,697
Premium reserve retained	(1,928,244)	(6,948,599)
Claims recoveries	21,953,460	47,341,443
Services division income	150,473	92,526

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

25. Subsequent event

The directors recommend a first and final dividend of 7.5 cents per share (2013: 7.5 cents per share) amounting to S$3,750,000 (2013: S$3,750,000) by a resolution passed on 23 March 2015.

26. Authorisation of financial statements

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 23 March 2015.

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