GREAT AMERICAN
INSURANCE COMPANY
Singapore Branch

Great American Insurance Company
(Incorporated in the United States)
Singapore Branch

Company Registration No. T15FC0029B

Annual Financial Statements
Period from 11 March 2015 (date of registration) to
31 December 2015

Contents

Great American Insurance Company
(Incorporated in the United States)
Singapore Branch

Statement by Chief Executive

For the financial period from 11 March 2015 (date of registration) to 31 December 2015

In my opinion, the accompanying statement of comprehensive income, statement of financial position, statement of changes in head office account and statement of cash flows together with notes thereto of the Singapore Branch of Great American Insurance Company (the "Branch") are properly drawn up so as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2015, and the results of the Branch's operations in Singapore, changes in head office account and cash flows from such operations for the financial period from 11 March 2015 (date of registration) to 31 December 2015.

Chee Keng Koon
Chief Executive

Singapore
11 March 2016

Independent Auditor's Report

For the financial period from 11 March 2015 (date of registration) to 31 December 2015
To the member of Great American Insurance Company

Report on the financial statements

We have audited the accompanying financial statements of the Singapore Branch of Great American Insurance Company (the "Branch"), pursuant to section 373 of the Singapore Companies Act, Cap. 50 (the "Act"). These financial statements, set out on pages 4 to 32 comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in head office account and statement of cash flows for the financial period from 11 March 2015 (date of registration) to 31 December 2015, and a summary of significant accounting policies and other explanatory information.

The Branch is a segment of Great American Insurance Company and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

Management's responsibility for the financial statements

The Branch's management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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 financial statements and to maintain accountability of assets.

Auditor's responsibility

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

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

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

Independent Auditor's Report

For the financial period from 11 March 2015 (date of registration) to 31 December 2015
To the member of Great American Insurance Company

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 assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2015, and the results, changes in head office account and cash flows of the Branch's operations in Singapore for the financial period from 11 March 2015 (date of registration) to 31 December 2015.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records examined by us relating to the Branch's operations in Singapore have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

11 March 2016

Statement of Comprehensive Income

For the financial period from 11 March 2015 (date of registration) to 31 December 2015

	Notes	11 Mar 2015 (date of registration) to 31 Dec 2015
		S$'000
Gross written premiums		14,857
Outward reinsurance premiums		(5,352)
Net written premiums		9,505
Movement in net reserves for unexpired risks	6	(6,894)
Net earned premiums		**2,611**
Gross claims paid	5	(155)
Reinsurance claims recoveries	5	61
Net claims paid		(94)
Movement in net loss reserves	5	(1,962)
Net claims incurred		**(2,056)**
Commission expense		(2,224)
Commission income		238
Net commission expense		(1,986)
Movement in net deferred acquisition costs	7	1,405
Net incurred commission expense		**(581)**
Net underwriting loss		**(26)**
Staff costs	14	(3,115)
Depreciation expense	4	(423)
Gain on foreign exchange		40
Other operating expenses	15	(2,499)
Operating and other expenses		**(5,997)**
Loss before tax		**(6,023)**
Income tax expense	16	–
Loss for the financial period		**(6,023)**
Other comprehensive income for the financial period, net of tax		–
Total comprehensive loss for the financial period		**(6,023)**

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

Statement of Financial Position

As at 31 December 2015

	Notes	2015 S$'000
Assets		
Plant and equipment	4	4,210
Reinsurers' share of loss reserves	5	379
Reinsurers' share of reserves for unexpired risks	6	3,720
Deferred acquisition costs	7	1,579
Other receivables	8	548
Insurance receivables	9	9,822
Cash and cash equivalents	10	14,138
Total assets		**34,396**
Liabilities		
Loss reserves	5	2,341
Reserves for unexpired risks	6	10,614
Deferred acquisition costs from reinsurers	7	174
Amounts due to head office	18	3,269
Other creditors and accruals	11	1,796
Insurance payables	12	2,225
Total liabilities		**20,419**
Net assets		**13,977**
Head office account		
Head office contribution	13	20,000
Accumulated loss		(6,023)
Total head office account		**13,977**

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

Statement of Changes in Head Office Account

For the financial period from 11 March 2015 (date of registration) to 31 December 2015

	Head office contribution S$'000	**Accumulated loss** S$'000	**Total head office account** S$'000
Balance at 11 March 2015 (date of registration)	–	–	–
Fund contribution from head office	20,000	–	20,000
Loss for the financial period, net of tax	–	(6,023)	(6,023)
Balance at 31 December 2015	20,000	(6,023)	13,977

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

Statement of Cash Flows

For the financial period from 11 March 2015 (date of registration) to 31 December 2015

	Notes	11 Mar 2015 (date of registration) to 31 Dec 2015
		S$'000
Operating activities		
Loss before tax		(6,023)
Adjustments for:		
Depreciation expense	4	423
Increase in gross reserves for unexpired risks		10,614
Increase in gross deferred acquisition costs		(1,579)
Increase in gross loss reserves		2,341
Increase in reinsurers' share of reserves for unexpired risks		(3,720)
Increase in reinsurers' share of deferred acquisition costs		174
Increase in reinsurers' share of loss reserves		(379)
Operating cash flows before working capital changes		**1,851**
Increase in insurance receivables		(9,822)
Increase in other receivables		(548)
Increase in insurance payables		2,225
Increase in other creditors and accruals		1,796
Total changes in working capital		(6,349)
Net cash flows used in operating activities		**(4,498)**
Investing activities		
Purchase of plant and equipment	4	(4,633)
Cash flows used in investing activities		**(4,633)**
Financing activities		
Capital contribution from head office	13	20,000
Increase in amounts due to head office		3,269
Cash flows from financing activities		**23,269**
Net increase in cash and cash equivalents		14,138
Effects of exchange rate changes		–
Cash and cash equivalents at end of financial period	10	**14,138**

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

Notes to the Financial Statements

For the financial period from 11 March 2015 (date of registration) to 31 December 2015

1. Corporate information

Great American Insurance Company, Singapore Branch ("the Branch") is a branch of Great American Insurance Company, incorporated in Ohio, United States. The Branch was registered under the Companies Act, Cap. 50, on 11 March 2015 and a license to carry on general insurance business in Singapore was granted by the Monetary Authority of Singapore ("MAS") on 15 May 2015.

The Branch is engaged principally in the underwriting of general and reinsurance insurance business. There were no significant changes in the nature of the principal activity during the financial period.

The registered office of the Branch is at 3 Temasek Avenue, #16-01, Centennial Tower, Singapore 039190.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") and Section 373 of the Singapore Companies Act, Cap. 50. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the financial statements.

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

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

The financial statements are presented in Singapore Dollars and rounded to the nearest thousands (S$'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies used by the Branch have been applied consistently in these financial statements. In the current financial period, the Branch has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Branch.

2. Significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 107 Financial Instruments: Disclosures	1 January 2016
(b) Amendments to FRS 19 Employee Benefits	1 January 2016
Amendments to FRS 1 Disclosure Initiative	1 January 2016
FRS 109 Financial Instruments	1 January 2018

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

2.4 Plant and equipment

(a) Measurement

All items of plant and equipment are initially recorded at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

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

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

(b) Depreciation

Depreciation is calculated using the straight-line basis over the estimated useful life as follows:

Furniture and Fittings	-	5 years
IT Equipment (Computer Hardware)	-	3 years
IT Equipment (Server Hardware)	-	5 years
IT Equipment (Software)	-	5 years
Office Equipment	-	5 years

The residual values, estimated useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

2. Significant accounting policies (cont'd)

2.4 Plant and equipment (cont'd)

(c) Disposal

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or whenever there is any evidence or indication that these assets may be impaired.

An impairment loss for an asset is reversed if, and only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. An impairment loss is recognised in profit or loss in the period in which it arises.

2.6 Financial assets

Classification

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, depending on the purpose for which the assets are acquired.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

(b) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as current assets unless the investment matures or there is intention to dispose these assets more than 12 months after the reporting date.

2. Significant accounting policies (cont'd)

2.6 Financial assets (cont'd)

Recognition and derecognition

Financial assets are recognised when, and only when, the Branch 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 Branch determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date on which the Branch commits to purchase or sell the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place concerned.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Branch has also transferred substantially all risks and rewards of ownership.

Impairment of financial assets

The Branch assesses at each reporting date whether there is evidence that a financial asset or a group of financial assets is impaired and recognizes for impairment when such evidence arises.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2 Significant accounting policies (cont'd)

2.7 Insurance classification

The Branch issues contracts that transfer significant insurance risk. An insurance contract is a contract under which the Branch (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Branch determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

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 this period, unless all rights and obligations are extinguished or expired.

2.8 Reinsurance

The Branch cedes and assumes insurance and reinsurance risks in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Reinsurance liabilities represent balances due to reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policies and in accordance with the related reinsurance contracts. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Branch from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Branch may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Branch will receive from the reinsurer. The impairment loss is recorded in profit or loss.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

2.9 General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premiums and claims incurred.

2 Significant accounting policies (cont'd)

2.9 General insurance underwriting results (cont'd)

(a) Gross premiums

Gross premiums are recognised as income at the commencement date of the risk.

These premiums are recognised as revenue (earned premium) proportionally over the period of coverage. The portion of premiums received on in-force policies that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability.

(b) Reinsurance premiums

Inward reinsurance is recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance is accounted for in the same financial year as the original policy to which the reinsurance relates.

(c) Unearned premium reserves

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies, treaties and facultative acceptances in force, and will be earned over the remaining terms of the policies, treaties and facultative acceptances. Unearned premium reserves is calculated on the $1/365^{th}$ method.

(d) Claims and claims related expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related claims expenses less recoveries to settle the present obligation at the reporting date.

Provision is made for the estimated cost of all claims incurred but not settled at the reporting date 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 the reporting date as required under the Insurance Act.

(e) Acquisition costs and deferred acquisition costs ("DAC")

Commission and other acquisition costs that are related to securing new insurance contracts and renewing existing contracts are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income or expenses.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised based on the earnings profile over the term of expected future premiums. Amortisation is recognised in profit or loss.

2 Significant accounting policies (cont'd)

2.10 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance and other receivables are measured at amortised cost. These include amounts due to and from agents, brokers and insurance contract holders.

2.11 Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise outstanding claims provision and provision for unearned premiums.

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. The unearned premium reserves for all classes of business are calculated on a basis using the 1/365th method based on gross written premium less premiums on reinsurance. Premium deficiency reserves are derived using actuarial methods on the Branch's loss statistics. Generally, the reserve is released over the term of the contract and is recognised as earned premium.

Liability adequacy test

At each reporting date, the Branch reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of any loss adjustors' expense. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

2 Significant accounting policies (cont'd)

2.12 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Branch has a present obligation 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 of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.13 Employee benefits

(a) *Short-term benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) *Defined contribution plans*

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

2.14 Currency translation

The financial statements are presented in Singapore Dollars and rounded to the nearest thousands (S$'000) which is also the functional currency of the Branch.

Transactions in foreign currencies are initially recorded in the functional currency at exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currency are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except for differences relating to items where gains or losses are recognised directly in equity, in which case, the gain or loss is recognised net of the exchange component in equity

2 Significant accounting policies (cont'd)

2.15 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash at bank and cash in hand.

2.16 Operating leases

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

2.17 Taxation

Current tax

Current tax assets and liabilities for the current period are recognised at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws 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.

2.18 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 Branch if that person:
- (i) Has control or joint control over the Branch;
- (ii) Has significant influence over the Branch; or
- (iii) Is a member of the key management personnel of the Branch or of a parent of the head office of the Branch.

(b) An entity is related to the Branch if any of the following conditions applies:
- (i) The entity and the Branch 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 Branch or an entity related to the Branch;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); or
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting estimates, assumptions and judgements

The preparation of the Branch's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date as well as judgements made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Branch's accounting policies that has significant effect on the amount recognised in the financial statements, apart from those involving estimations and assumptions of the insurance contract liabilities, which have the most significant effect on the amounts recognised in the financial statements

3.2 Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of insurance receivables and reinsurance assets

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. There was no impairment loss recognised for insurance receivables and reinsurance assets for the financial period ended 31 December 2015.

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

3.2 Key sources of estimation uncertainty and assumptions (cont'd)

(b) Valuation of general insurance contract liabilities

The principal uncertainty in the Branch's financial statements primarily arises in the technical provisions which include the provisions of premium and claim liabilities. The premium liabilities comprise provision for unexpired risks, net of deferred acquisition cost while the claim liabilities comprise provision for outstanding claims and their values are carried in the statement of financial position as disclosed in Notes 5, 6 and 7 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 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.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Branch. 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, inconsistent judicial interpretations, 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 inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of premium and claim liabilities can vary from the initial estimates.

Sensitivity analysis

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Branch's estimation process in respect of its contracts. The tables presented below demonstrate the sensitivity of insured liability estimates to particular movements in assumptions used in the estimation process. Certain assumptions can be expected to impact the liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

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

3.2 Key sources of estimation uncertainty and assumptions (cont'd)

The analysis below has been prepared for a change in one variable with all other variables remaining constant and ignores changes in values of the related assets.

(i) Claim liabilities

	Change in assumptions	**Impact on gross claim liabilities** S$'000	**Impact on net claim liabilities** S$'000	**Net impact on profit before tax** S$'000
2015				
Ultimate Loss Ratio (all classes)	+5%	177	153	(153)
	-5%	(177)	(153)	153
Indirect Claim Handling Expenses	+1%	17	16	(16)
	-1%	(17)	(16)	16
Provision for Adverse Deviation	+5%	132	88	(88)
	-5%	(132)	(88)	88

The key assumptions considered in the sensitivity analysis of claims reported and loss adjustment expenses and claims incurred but not reported include ultimate loss ratio, indirect claim handling expenses and provision for adverse deviation.

(ii) Premium liabilities

	Change in assumptions	**Impact on gross premium liabilities** S$'000	**Impact on net premium liabilities** S$'000	**Net impact on profit before tax** S$'000
2015				
Expected Loss Ratio (all classes)	+5%	–	241	(241)
	-5%	–	–	–
Indirect Claim Handling Expenses	+1%	–	–	–
	-1%	–	–	–
Policy Maintenance Expenses	+1%	–	–	–
	-1%	–	–	–
Provision for Adverse Deviation	+5%	–	57	(57)
	-5%	–	–	–

The key assumptions considered in the sensitivity analysis of unearned premiums and unexpired portion of premiums include expected loss ratio, indirect claim handling expenses, policy maintenance expenses and provision for adverse deviation.

4. Plant and equipment

	Furniture and fittings S$'000	IT equipment hardware S$'000	IT equipment software S$'000	Office equipment S$'000	Total S$'000
Cost					
At 11 March 2015 (date of registration)	–	–	–	–	–
Additions	1,138	1,250	2,119	126	4,633
At 31 December 2015	1,138	1,250	2,119	126	4,633
Accumulated depreciation					
At 11 March 2015 (date of registration)	–	–	–	–	–
Charge for the financial period	146	107	156	14	423
At 31 December 2015	146	107	156	14	423
Net book value					
31 December 2015	992	1,143	1,963	112	4,210

5. Loss reserves

		2015	
	Gross S$'000	**Reinsurance** S$'000	**Net** S$'000
Outstanding claims notified	1,078	(166)	912
Outstanding claims incurred but not reported (IBNR)	1,263	(213)	1,050
	2,341	(379)	1,962
Movement in loss reserves:			
At 11 March 2015 (date of registration)	–	–	–
Claims paid during the year	(155)	61	(94)
Claims incurred during the financial period	2,496	(440)	2,056
At 31 December 2015	2,341	(379)	1,962

Loss development triangle

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

5. Loss reserves (cont'd)

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

Analysis of claims development – Gross of reinsurance

31 December 2015

Accident Year **Estimate of cumulative claims**	**2015** S$'000	**Total** S$'000
At the end of accident year	2,129	2,129
Current estimate of ultimate claims	2,129	2,129
Cumulative payments to-date	(155)	(155)
Gross outstanding claims liabilities	1,974	1,974
Best estimate of gross claims liabilities including claims handling expenses		2,025
Total best estimate of gross claims liabilities		2,025
Provision for adverse deviation		316
Total gross claims liabilities as per the statement of financial position		2,341

Analysis of claims development – Net of reinsurance

31 December 2015

Accident Year **Estimate of cumulative claims**	**2015** S$'000	**Total** S$'000
At the end of accident year	1,795	1,795
Current estimate of ultimate claims	1,795	1,795
Cumulative payments to-date	(94)	(94)
Net outstanding claims liabilities	1,701	1,701
Best estimate of net claims liabilities including claims handling expenses		1,752
Total best estimate of net claims liabilities		1,752
Provision for adverse deviation		210
Total net claims liabilities as per the statement of financial position		1,962

6. Reserves for unexpired risks

	2015 Gross S$'000	2015 Reinsurance S$'000	2015 Net S$'000
Reserves for unexpired risks	10,614	(3,720)	6,894
Movement in reserves for unexpired risks:			
At 11 March 2015 (date of registration)	–	–	–
Movement of reserve during the financial period	10,614	(3,720)	6,894
At 31 December 2015	10,614	(3,720)	6,894

7. Deferred acquisition costs

	2015 Gross S$'000	2015 Reinsurance S$'000	2015 Net S$'000
Deferred acquisition costs	1,579	(174)	1,405
Movement in deferred acquisition costs:			
At 11 March 2015 (date of registration)	–	–	–
Cost deferred during the financial period	1,579	(174)	1,405
At 31 December 2015	1,579	(174)	1,405

8. Other receivables

	2015 S$'000
Prepayment	70
Deposits	478
	548

9. Insurance receivables

	2015 S$'000
Amounts due from policyholders, agents and brokers	6,716
Amounts due from cedants	3,099
	9,815
Less: Allowance for impairment	–
	9,815
Reinsurance recoverables	7
Total insurance receivables	9,822

Insurance receivables relate to amounts due from policyholders, agents, brokers, cedants and reinsurers. The Branch has no concentration of credit risk that may arise from exposure to a single debtor or a group of debtors. The Branch's normal trade credit term ranges from 60 to 90 days. Other credit terms are assessed and approved on a case-by-case-basis. Other credit terms include instalment scheme granted.

The Branch currently offsets balances with the same counterparty within the receivables. The Branch has the legal rights to set-off these amounts and intends to settle on a net basis.

The insurance receivables that are offset are as follows:

2015	**Gross carrying amount** S$'000	**Gross amount offset in the statement of financial position** S$'000	**Amount in the statement of financial position** S$'000
Due from policyholders, agents, brokers, cedants and reinsurers	9,858	(36)	9,822

10. Cash and cash equivalents

	2015 S$'000
Cash at banks	14,137
Cash in hand	1
	14,138

Cash at banks represent current accounts that are non-interest bearing.

11. Other creditors and accruals

	2015 S$'000
Other creditors	1,039
Accrued operating expenses	706
GST payable	51
	1,796

12. Insurance payables

	2015 S$'000
Amounts due to reinsurers	2,225

The Branch currently offsets balances with the same counterparty within the amount due to insurers. The Branch has the legal rights to offset these amounts and intends to settle on a net basis.

2015	**Gross carrying amount** S$'000	**Gross amount offset in the statement of financial position** S$'000	**Amount in the statement of financial position** S$'000
Due to reinsurers	2,228	(3)	2,225

Insurance payables are non-interest bearing and the normal trade credit term granted to the Branch ranges from 60 to 90 days.

13. Head office account

During the financial period, there was S$ 20,000,000 of fund injection from head office to fund the operation of the Branch.

14. Staff costs

	2015 S$'000
Salaries and bonuses	2,671
CPF contributions	215
Allowances and other staff-related expenses	229
	3,115

15. Other operating expenses

	2015 S$'000
Other operating expenses include the following:	
Legal and professional fees	512
License and association fees	72
Operating lease expense (Note 17)	1,065
Other operating expenses	850
	2,499

16. Income tax

A reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate for the financial period ended 31 December 2015 is as follows:

	2015 S$'000
Loss before tax	(6,023)
Tax at statutory tax rate of 17%	(1,024)
Adjustments:	
Non-deductible expenses	96
Benefit from enhanced deduction	(2)
Deferred tax assets not recognised	930
Income tax expense recognised in profit or loss	–

The Branch has unutilised tax losses of approximately S$ 5,476,000 available for offset against future taxable profits. No deferred tax asset has been recognised on these tax losses due to uncertainty of its recoverability against future taxable profits. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

17. Operating lease commitments

Future minimum rental payments for office premises and IT equipment of the Branch under non-cancellable operating lease at the end of the reporting period are as follows:

	2015
	S$'000
Within one year	1,776
After one year but not more than three years	2,502
	4,278

Operating lease expense recognised as an expense in the profit or loss for the financial period ended 31 December 2015 amounted to S$ 1,065,000 (see Note 15).

18. Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, during the financial period, the significant transactions between the Branch and related parties were as follows:

	2015
	S$'000
Head office:	
Pre-operating expenses and insurance software system	3,269
Related company:	
Reinsurance premiums ceded	38
Reinsurance commission income	(10)

Amounts due to head office are unsecured, interest-free and are repayable on demand.

Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Branch either directly or indirectly. The key management personnel compensation includes salary, bonus and other benefits computed based on the costs incurred by the branch.

Key management personnel compensation is as follows:

	2015
	S$'000
Salaries and bonuses	524
CPF contributions	13
Allowances and other benefits	46
	583

19. Financial and insurance risk management objectives and policies

The Branch's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Branch's business whilst managing its liquidity, credit, interest rate, foreign currency, operational and insurance risks. The Branch operates within clearly defined guidelines that are approved by the Head Office and the Branch's policy is not to engage in speculative transactions. There has been no change to the Branch's exposure to these financial and insurance risks or the manner in which it manages and measures the risks.

19.1 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting contractual obligations as they become due because of an inability to liquidate assets or obtain adequate funding without incurring unacceptable losses.

The Branch manages its operating cash flows and the availability of funding so as to ensure that repayment and funding needs are met. As part of its overall prudent liquidity management, the Branch maintains sufficient levels of cash to meet its working capital requirements.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Branch's financial assets and financial liabilities at the end of the reporting period based on contractual maturities or expected repayment dates.

At 31 December 2015	**Within 1 year** S$'000	**1 - 3 years** S$'000	**Total** S$'000
Financial assets:			
Insurance receivables	9,822	–	9,822
Other receivables excluding prepayment	48	430	478
Cash and cash equivalents	14,138	–	14,138
Total loans and receivables	24,008	430	24,438
Financial liabilities:			
Insurance payables	2,225	–	2,225
Other creditors and accruals	1,556	240	1,796
Amounts due to head office	3,269	–	3,269
Total financial liabilities at amortised cost	7,050	240	7,290

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

Loss reserves and related reinsurers' share of loss reserves are excluded from the above analysis. Due to the nature of insurance risks assumed by the Branch, management does not believe that it is practicable to estimate reliably the timing of the future cash flows arising from these liabilities and assets. The inherent liquidity risk assumed by the Branch in this respect is mitigated by the Branch and its ability to obtain cash advance, if necessary, from its Head Office and reinsurers.

19. Financial and insurance risk management objectives and policies (cont'd)

19.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Branch. Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored through strictly limiting the Branch's associations to business partners with high creditworthiness.

Financial assets that are neither past due nor impaired

Insurance receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Branch. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

The aged analysis of insurance receivables that are neither individually nor collectively considered to be impaired is as follows:

	2015
	S$'000
Up to 90 days	4,995
Above 90 days but not exceeding 180 days	4,159
Above 180 days but not exceeding 1 year	668
	9,822

Financial assets that are either past due or impaired

There are no financial assets that are either past due or impaired.

19.3 Interest rate risk

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Branch's financial condition and/or results.

The Branch is not exposed to significant interest rate risk as the cash and cash equivalents comprise cash at banks which are non-interest bearing.

The Branch currently has no borrowings and therefore is not exposed to interest rate risk resulting from borrowings.

19. Financial and insurance risk management objectives and policies (cont'd)

19.4 Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in the exchange rates. Foreign currency risk is managed through risk limits and policies approved by the Branch.

The net unhedged financial assets and liabilities of the Branch as at reporting date that are not denominated in their functional currency are as follows:

At 31 December 2015	Cash and cash equivalents S$'000	Insurance receivables S$'000	Other receivables excluding prepayment S$'000	Insurance payables S$'000	Other creditors and accruals S$'000	Amounts due to head office S$'000	Net loss reserves S$'000	Net exposures S$'000
SGD	10,012	3,418	478	(400)	(1,197)	–	(1,262)	11,049
USD	4,126	6,404	–	(1,825)	(599)	(3,269)	(643)	4,194
MYR	–	–	–	–	–	–	(45)	(45)
PHP	–	–	–	–	–	–	(12)	(12)
	14,138	9,822	478	(2,225)	(1,796)	(3,269)	(1,962)	15,186

19. Financial and insurance risk management objectives and policies (cont'd)

19.4 Foreign currency risk (cont'd)

Sensitivity analysis

The following table demonstrates the sensitivity of the Branch's loss before tax to a reasonably possible change in exchange rates of the following currencies against the functional currency of the Branch, Singapore Dollars (S$).

	Loss before tax 2015 Decrease/ (increase) S$'000
USD/SGD	
Strengthened 5%	210
Weakened 5%	(210)
MYR/SGD	
Strengthened 5%	(2)
Weakened 5%	2
PHP/SGD	
Strengthened 5%	(1)
Weakened 5%	1

19.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Branch implemented a robust control framework through its Enterprise Risk Management framework and Risk Management and Compliance department to monitor, respond and manage the potential risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff training, self-review and evaluation procedures.

Business risks, such as, changes in environment, technology and the industry are monitored through the Branch's strategic planning and budgeting process and risk management framework.

19. Financial and insurance risk management objectives and policies (cont'd)

19.6 Insurance risk

The risk of variations in the timing, frequency and severity of insured events and claims settlements, relative to the expectations at the time of understanding. The Branch faces the possibility of incurring higher claims than expected owing to the nature of the claim, their frequency and severity and the risk of change in legal or economic conditions or behavioral patterns affecting pricing and conditions of insurance or reinsurance cover.

The Branch manages its exposure to large losses and catastrophe events by purchasing various appropriate reinsurance covers.

The table below sets out the concentration of general insurance contracts by line of business during the financial period ended 31 December 2015.

	Gross written premiums S$'000	Outward reinsurance premiums S$'000	Net written premiums S$'000
Engineering	356	(194)	162
General accident	251	(51)	200
General liability	123	(22)	101
Marine cargo	684	(198)	486
Marine hull	9,742	(2,812)	6,930
Marine liability	1,746	(1,599)	147
Personal accident	1	–	1
Professional liability	574	(104)	470
Property	186	(111)	75
Workmen compensation	1,194	(261)	933
	14,857	(5,352)	9,505

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Branch's future claims development will follow a similar pattern and industry statistics. This includes assumptions in respect of average claims costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivity analysis of the key assumptions used in this estimation process can be found in Note 3.

20. Capital management

The primary objective of the Branch's capital management is to safeguard the Branch's ability to continue as a going concern, to maintain healthy capital ratios and provide an adequate return to shareholders. The Branch's capital is represented by the amount in the head office account comprising the capital contribution from the head office offset by accumulated losses.

The Branch is required to satisfy the Fund Solvency and Capital Adequacy Requirements prescribed under the Singapore Insurance Act (Chapter 142). The Branch monitors its capital level on a regular basis to assess whether such requirements have been met, and reports to the MAS its fund solvency and capital adequacy positions at each quarter as well as annually. The Branch has complied with the above mentioned solvency requirements during the financial period ended 31 December 2015.

21. Comparative figures

The financial statements cover the financial period from 11 March 2015 (date of registration) to 31 December 2015. These being the first set of financial statements, there are no comparative figures.

22. Authorisation of financial statements

The financial statements were authorised for issue by the Chief Executive of the Branch on 11 March 2016.