Singapore Reinsurance Corporation Limited

ANNUAL REPORT 2013

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CHAIRMAN'S STATEMENT

The year 2013 turned out to be a reasonably good year for the insurance industry globally with less insured losses arising from natural catastrophes and improving economic conditions although the investment climate remained volatile. Insured losses from natural catastrophes in 2013 amounted to US$45 billion globally, which was the lowest in five years and 22% below the 10-year average of US$58 billion. However, the destructive forces brought about by the climate change remained very much in evidence. Floods accounted for 35% of the global economic losses but the NAT CAT scene was dominated by Super Typhoon Haiyan which ranked as the deadliest with 8,000 people dead or missing, while the costliest natural catastrophe of the year in terms of overall economic losses was the summer floods in Central Europe at the beginning of June. The droughts in China, Brazil and New Zealand also added to the total number of natural catastrophe occurrences during 2013.

The Asia Pacific region was not spared the wrath of nature being hit by floods, droughts and earthquakes with economic and insured losses shooting up to US$99 billion and US$7.5 billion respectively in 2013. 19 events surpassed the US$1 billion mark in terms of economic losses, the highest in the 21st century, although fortunately only three of them exceeded US$1 billion insured loss. The insured losses in Asia Pacific as a percentage share of economic losses increased significantly to 7.6% in 2013 compared to just 2.4% the year before.

With increasing urbanisation and more mega-cities emerging in Asia, as well as improving insurance penetration, it is imperative that the insurance industry embraces stricter discipline in risk mitigation, risk management, risk assessment and risk-commensurate pricing to ensure that it is ready for the next big catastrophe when it hits!

Reinsurance remains an attraction to the capital markets that pumped in more than US$50 billion into the US$500 billion industry. The reinsurance sector is therefore well capitalised and resilient enough to take the shocks along the way to serve the insurance needs of the day. But competition is intense and pressure on rates continue unabated with the industry becoming globalised. Operating results are therefore increasingly impacted adversely by a combination of lack-lustre economic growth, more volatile investment returns, softening (re)insurance rates and rising claims inflation. On the investment front, 2013 was a "yo-yo" year with speculations rife about the pace of QE, amidst a persistently low interest environment and struggling European economies where returns on long-term safe assets were at their lowest since the creation of the European Economic and Monetary Union. Notwithstanding the gyrating swings in the stock markets during the course of the year, the MSCI Asia Pacific (ex Japan) Index ultimately closed relatively flat, up only 0.5% in 2013, compared to the 18.6% rise the year before.

Asia's growth prospects continue to lure many investors, new reinsurers among them. As a whole the region remains an attractive place for better returns despite the currency depreciation suffered by several Asian economies. Singapore, being dependent on its international hub status is more exposed to the vagaries of external demand. Nonetheless, Singapore registered a better than average 4.1% growth in 2013 compared to the meagre 1.3% growth the year before.

In the year under review, notwithstanding the challenging operating environment, your Corporation's premium revenue grew 8.1% to S$140.9 million. Benefiting from a relatively benign year in terms of NAT CAT, an underwriting profit of S$1.9 million was achieved, compared to the S$5.2 million underwriting loss in 2012. The Group's net investment income of S$20 million in 2013 (2012: S$17.4 million) represented an annual yield of 4.9% based on market value (2012: 4.4% investment yield). Overall, the Group's pre-tax profit rose to S$22.6 million (2012: S$12.9 million pre-tax profit) on the back of a rise in net investment income and underwriting surplus. The total assets, comprising shareholders' and insurance funds, amounted to S$722.9 million, up 4.1% from the preceding year.

In line with the credible performance, your Board is proposing a final dividend of 0.8 cent per share tax exempt. When added to the interim dividend of 0.7 cent per share tax exempt, it will result in a total dividend of 1.5 cents per share tax exempt for 2013.

With the strong financials, your Corporation's financial strength rating of A- (Excellent) with Stable outlook has been affirmed by independent rating agency A.M. Best. This rating underscores the stability and resilience of your Corporation's risk-based capitalization and balance sheet.

It is worthy of note that during the year running parallel to business development, the Board and Management continued to make good progress in the important area of corporate governance. In particular, the Risk Management framework had been further strengthened and is in the process of being extended to a full-fledged ERM system. In order to remain relevant in the fast changing operating environment, it is imperative that your Corporation does not slacken in its continuing pursuit for excellence in corporate governance.

Looking Ahead

2014 looks to be a promising year with signs of recovery in the USA and Europe despite the rising geo-political tensions regionally and elsewhere around the world. There is renewed confidence in the air even though the insurance industry must continue to

CHAIRMAN'S STATEMENT
(CONT'D)

make itself more relevant to the demands of the day especially in the face of global warming, increasing use of social media and technology, worries over big data and privacy protection laws and escalating cybercrime. These risks spell opportunities for the industry albeit not without challenges.

Your Corporation will therefore have to remain vigilant to the challenges whilst striving to be nimble-footed and responsive to the opportunities that arise and manage these risks with the time-tested mantra of disciplined underwriting. The march towards greater operational efficiency and stricter risk governance will continue in these challenging times, amidst higher and plausibly more complex demands as Singapore moves to become a global insurance marketplace by 2020 as an announced objective of MAS.

I would like to place on record my gratitude and appreciation to all members of the Board of Directors for their most valuable contribution and active participation during the year. On behalf of the Board, I extend my salutations to Mr Ravi Menon and the Monetary Authority of Singapore for their visionary guidance and leadership of the industry. I also would like to express gratitude to our shareholders, ceding and broking partners, reinsurers as well as other business associates for their invaluable support. Last but not least, I thank management and staff of the Group for their diligence and dedication to the Corporation.

Ramaswamy Athappan
Chairman

Singapore
26 February 2014

REVIEW OF OPERATIONS

Market Overview

Asia was hardest hit by natural peril losses in 2013, both in terms of economic losses and loss of lives with the likes of the "Category 5" Typhoon Haiyan (date of loss: 7 November 2013) which battered the Philippines and Vietnam. Although the economic loss sustained by the two countries was a colossal US$12.5 billion from Typhoon Haiyan alone, the estimated insured loss was only US$1.5 billion due possibly to the low insurance penetration in the affected territories. Overall, total insured loss from natural disasters globally amounted to US$45 billion for 2013, down from the US$72 billion in 2012, and the lowest level since 2009.

Global financial markets exhibited significant turbulence during the course of the year. The exit of capital from Asia and other emerging markets to more mature economies inadvertently led to selling pressure on some currencies. Amidst the low interest rate environment and volatile stock and currency markets, higher investment yields were harder to achieve. For the (re)insurance industry, excess capacity compounded by increasing competition from non-traditional sources such as the capital markets, led to sporadic softening in (re)insurance rates to uneconomic levels.

Reinsurance Operations

Against this backdrop, your Corporation's premium revenue grew 8.1% to S$140.9 million for the year ended 31 December 2013. Business generated from markets outside Singapore contributed 45.6% of total gross premium income (2012: 44.9%), of which greater China alone generated 19.4% of gross written premium (2012: 15.7%), followed by Malaysia with another 17.0% premium contribution (2012: 18.4%). In summary, gross premium contribution from the top three overseas territories was as follows:

Territory	Gross Premium Allocation
Singapore	54.4%
Outside Singapore	45.6%
of which the top 3 overseas markets comprised:	
Malaysia	17.0%
China	14.9%
Hong Kong	4.5%

Correspondingly, the net written premium of S$52.6 million was an 8.6% increase from the previous year. The retention ratio of 37.3% was almost comparable to the 37.1% achieved a year earlier.

Asia as a region reported a number of medium to large natural catastrophe and man-made losses particularly in the later half of the year. Fortunately, the impact

REVIEW OF OPERATIONS (CONT'D)

of the losses on the business written by your Corporation was relatively modest such that a lower total net claim of S$31.9 million was incurred in 2013, or 60.7% incurred loss ratio, an improvement against that of 66.4% in 2012.

Higher premium revenue resulted in higher net commission expense, which increased by 1.2% from the previous year, to S$12 million. However, in terms of commission expense ratio, it represented a lower 22.9% of net written premium in 2013 (2012: 24.5%). In addition, the management expense ratio declined to 11.5% in 2013 (2012: 16.7%), due largely to lower general provision for doubtful debts as a result of the provision factors applied in 2013.

In summary, your Corporation recorded an underwriting surplus of S$1.9 million in the year under review, equivalent to a surplus ratio of 3.6% (of net written premium). In contrast, the preceding year reported S$5.2 million underwriting loss or 10.8% deficit ratio (of net written premium).

Investment

Negative news on the lack-lustre economic growth in mega economies like the USA and Europe, and economic slowdown in China, continued to dampen investor sentiment. Further aggravated by uncertainties associated with the US Federal Reserve's winding down of bond asset purchases, the flight of capital from emerging markets escalated during the course of the year. In the midst of the challenging investment environment, your Corporation did not detract from its defensive investment strategy. The investment portfolio returned a net investment income of S$21.1 million in 2013 (2012: S$18.5 million) which represented a rate of return of 5.2% on market value (2012: 4.7%). In addition, your Corporation's total investment assets grew 2.2% to S$401.7 million due mainly to the surplus in revaluation of properties. The allocation of your Corporation's investment assets was as follows:

Assets	Total Investment Allocation
Fixed Income Investment	54.1%
Cash and Cash equivalents	18.9%
Equities	14.0%
Properties	13.0%

Subsidiaries

Collectively, the subsidiaries' turnover declined by 3.5% to S$7.3 million in 2013 and the combined pre-tax profit was 8.9% lower at S$1.3 million.

INS Communications Private Limited (INS), the publishing and conferencing arm of the Group, had a good year in 2013 entrenching its position as the "voice of the insurance industry in Asia" with its flagship publication and some 20 insurance conferences in the region, as well as its long-standing Asia Insurance Industry Awards to recognise and salute excellence. Asia Insurance Review's daily online newsletter was hailed as a force for good for the industry, while its three directories – Asean Insurance Directory, Insurance Directory of Asia and Reinsurance Directory of Asia – remained the reference guide for companies doing business in the region.

In the Middle East region, the subsidiary's Middle East Insurance Review continued to make a mark with increased activities including doing two roundtables, conferences, its two weekly online newsletters for traditional and takaful news as well as the directories – the World Islamic Insurance Directory and MENA Insurance Directory. Though the Middle East is extremely competitive on the insurance publishing front, the subsidiary made a difference by providing secretariat support to the MENA Insurance CEO Club, a body it helped to co-found as the think tank for the region's insurance market.

As part of its value-added service to the insurance industry, the subsidiary continued to produce daily newsletters at high profile events. In 2013, it produced newsletters at the International Insurance Society Annual Seminar in Seoul, the FAIR Conference in Beijing, International Association of Insurance Supervisors' Annual Seminar in Taipei, the Pacific Insurance Conference in Hong Kong and the Singapore International Reinsurance Conference.

The hallmark of success of the subsidiary's two magazines Asia Insurance Review and Middle East Insurance Review is attested to by the fact that all major events in Asia and the Middle East list them as the Media Partner of the conferences, respectively.

Singapore-Re Management Services Private Limited (SRMS) primarily focuses on the provision of insurance software solutions and IT infrastructure support to the insurance industry. Its products include IT software for insurance intermediaries, general insurers and reinsurers. The subsidiary also provides secretariat support to the Singapore Reinsurers' Association of Singapore.

SR-China Advisory Services Co Ltd (SR-China) now primarily focuses on managing your Corporation's properties and other investments in China.

Outlook

Recovery in the US economy appears to be gathering momentum and the outlook looks brighter, although concerns about the Federal Reserve's bond purchase tapering and interest rate policy remain rife. The Japanese central bank's pursuit of a monetary-easing strategy would likely continue to flood liquidity into the global economy. Although China is beset by a slowdown in its economic growth, the central planners are determined to ensure a soft landing and restructure the economy. In the Eurozone, issues associated with the sovereign bond crisis seem to be swept under the carpet for the time being. Geo-political tensions also appear to be on the rise, such as, the Middle East crisis, Russia-Crimea border incursion, disputes between Asian giants on territorial waters, etc. Ever mindful of the repercussions of these known unknowns on the investment markets, your Corporation will continue its defensive investment strategy.

In the underwriting arena, with rising concentration of aggregates in major cities in Asia, reinsurance companies continue to keep a tight rein on their exposure in an effort to ensure there will not be unexpected losses exceeding their risk limits from the territories. Although

REVIEW OF OPERATIONS
(CONT'D)

globally there appears to be excess reinsurance capacity, this does not translate to easy availability of retrocessionary support. Retrocession protection costs are expected to remain relatively high. This will affect your Corporation. Also, in light of the increased competition in (re)insurance markets from both traditional and non-traditional players and the need to limit growth in catastrophe exposures, your Corporation would need to over time diversify into business which is less accumulative in nature and therefore less dependent on retrocessionary support.

Globalization has opened up more markets but it has also brought along intensifying competition for business and for the limited talent pool. The most serious knock-on effect is an acute shortage of trained manpower accompanied by drastic escalation in costs. Given the environment sensitive and data intensive nature of reinsurance, the processing of the business depends heavily upon manpower. Competition in this area has therefore become an important issue to management. Globalization also means higher standards in corporate governance. Whilst this ultimately benefits the business, the costs of carrying out the due process to satisfy regulatory requirements will meantime add on to the burden of management.

In the context of the increasingly more complex and fast changing operating environment, management has to constantly rethink its business model and be ever ready to make such adjustments as may be necessary in meeting the new challenges so as to ensure continued growth and profitability in the business.

Theresa Wee Sui Ling
Chief Executive

Singapore
26 February 2014

CORPORATE DATA

Board of Directors

Ramaswamy Athappan (Chairman) *B Eng, AFII*
David Chan Mun Wai (Deputy Chairman) *BBA, Chartered Insurer (FCII)*
Hwang Soo Jin *JP, Chartered Insurer (ACII)*
Keith Tay Ah Kee *BBM, FCA, FCPA*
Ong Choo Eng *B Sc (Eng), M Sc (Eng), Fellow of Queen Mary College*
Li Weiguo *Postgraduate Class Diploma*
Christopher Brian Wei *B Sc, ACAS, MAAA*

Audit Committee

Keith Tay Ah Kee (Chairman)
Ramaswamy Athappan
David Chan Mun Wai
Hwang Soo Jin
Ong Choo Eng

Executive Committee

Ramaswamy Athappan (Chairman)
David Chan Mun Wai (Deputy Chairman)
Hwang Soo Jin
Keith Tay Ah Kee
Ong Choo Eng

Remuneration/Nominating Committees

David Chan Mun Wai (Chairman)
Ramaswamy Athappan
Hwang Soo Jin
Keith Tay Ah Kee
Ong Choo Eng

Investment Committee

Hwang Soo Jin (Chairman)
Ramaswamy Athappan
David Chan Mun Wai
Keith Tay Ah Kee
Ong Choo Eng
Theresa Wee Sui Ling
Carlene Lim Lay Hoon

CORPORATE DATA
(CONT'D)

Company Secretary
Gerard Seah Jim Hong

Auditors
KPMG LLP
Public Accountants and Chartered Accountants
Partner: Jeya Poh Wan S/O K. Suppiah
(since Financial Year Ended 31 December 2011)

Share Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Bankers
Citibank, N.A.
DBS Bank Ltd

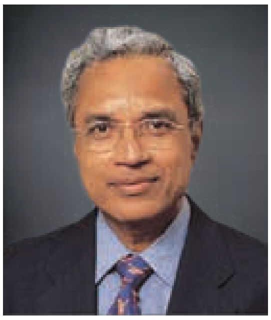
Registered Office and Correspondence Address
85 Amoy Street, Singapore 069904
Tel: (65) 6324 7388 Fax: (65) 6224 8910
Email: mailroom@singre.com.sg
Company Registration No. 197300016C

Labuan Branch
Level 11(B), Block 4 Office Tower
Financial Park Labuan Complex
Jalan Merdeka
87000 Labuan Federal Territory, Malaysia
Tel: (087) 412 389 Fax: (087) 422 389
Email: labuan@singre.com.sg

Subsidiaries
Singapore-Re Management Services Private Limited
INS Communications Private Limited
SR-China Advisory Services Co Ltd

Corporate Website
www.singre.com.sg

DIRECTORS' PROFILE



RAMASWAMY ATHAPPAN
Director/Chairman

Mr Athappan, a non-executive and non-independent director, was appointed to the Board on 1 August 1988 and became Chairman of the Board on 1 January 2008. He is also the Chairman of the Executive Committee and a member of the Audit, Remuneration, Nominating and Investment Committees. He was last re-elected on 23 April 2012 and is due for re-election at the Company's forthcoming Annual General Meeting to be held on 23 April 2014.

Mr Athappan, with more than 35 years of experience in insurance and finance, is the Chief Executive Officer of First Capital Insurance Limited and a Director of Lee Kim Tah Holdings Ltd.

Mr Athappan holds a Bachelor in Engineering (Electrical), 1st Class Degree from Coimbatore Institute of Technology, Madras University and is a member of the Insurance Institute of India.

DAVID CHAN MUN WAI
Director/Deputy Chairman

Mr Chan, a non-executive and independent director, was appointed to the Board on 28 December 1998 and became Deputy Chairman of the Board and the Executive Committee on 1 January 2008. He was appointed Chairman of the Nominating Committee on 7 November 2012. He is also the Chairman of the Remuneration Committee as well as a member of the Audit and Investment Committees.

Mr Chan is the Managing Director of United Overseas Insurance Limited. He graduated with a Bachelor of Business Administration from the University of Singapore and is also a Chartered Insurer and a Fellow of the Chartered Insurance Institute, UK.

DIRECTORS' PROFILE
(CONT'D)

HWANG SOO JIN
Director

Mr Hwang, a non-executive and non-independent director, having more than 40 years of professional experience, was appointed to the Board since 3 January 1973.

Mr Hwang was appointed Senior Advisor on 1 January 2008. He is the Chairman of the Investment Committee as well as a member of the Executive, Audit, Remuneration and Nominating Committees.

Mr Hwang, former Member of Parliament, former Deputy Speaker, and former Chairman of the Public Accounts Committee of the Parliament of Singapore, is also a member of the Board of United Overseas Insurance Limited, Haw Par Corporation Limited, United Industrial Corporation Ltd and Singapore Land Ltd. He is Honorary Fellow of the Singapore Insurance Institute and a Chartered Insurer of the Chartered Insurance Institute, UK and had served as President of the General Insurance Association of Singapore for several years. Mr Hwang is the Life President of Asia Insurance Review, the region's foremost professional insurance magazine which he founded.

KEITH TAY AH KEE
Director

Mr Tay, a non-executive and independent director, was appointed to the Board on 28 June 1993. He is the Chairman of the Audit Committee and also a member of the Executive, Remuneration, Nominating and Investment Committees.

Mr Tay is Chairman of Stirling Coleman Capital Ltd. He also sits on the Board of the Singapore International Chamber of Commerce and was the Chairman from 1995 to 1997. A former Chairman and Managing Partner of KPMG Peat Marwick Singapore from 1984 to 1993, Mr Tay also served as the Adjunct Professor in the School of Accountancy and Business of Nanyang Technological University from 1988 to 2003.

ONG CHOO ENG

Director

Mr Ong, a non-executive and independent director, was appointed to the Board on 1 June 2002. He is a member of the Executive, Investment, Remuneration, Nominating, Audit and Committees.

Mr Ong is the Group Managing Director of Hwa Hong Corporation Limited and also a member of the Board of MTQ Corporation Limited.

Mr Ong graduated with a Bachelor of Science (Honours) Degree in Civil Engineering and a Master of Science Degree in Advanced Structural Engineering from the Queen Mary College, University of London, UK. He was elected a Fellow of Queen Mary College, University of London in 1990. He is a member of the Institution of Civil Engineers, UK and Institution of Engineers, Singapore.

LI WEIGUO

Director

Mr Li, a non-executive and independent director, was appointed to the Board on 3 November 2006.

Mr Li is the Managing Director and Chief Executive Officer of China Taiping Insurance (Singapore) Pte. Ltd. He graduated with a Postgraduate Class Diploma from the Guangxi Normal University.

CHRISTOPHER BRIAN WEI

Director

Mr Christopher Wei, a non-executive and independent director, was appointed to the Board on 23 August 2011. He was last elected on 23 April 2012 and is due for re-election at the Company's forthcoming Annual General Meeting to be held on 23 April 2014.

Mr Wei is the Director and Group Chief Executive Officer of Great Eastern Holdings Limited (GEH) and a Director of its subsidiaries including Great Eastern Life Assurance Company Limited, Overseas Assurance Corporation Limited, Great Eastern Life Assurance (Malaysia) Berhad, Overseas Assurance Corporation (Malaysia) Berhad and Great Eastern Financial Advisers Private Limited. He is also the Deputy Chairman of GEH's asset management subsidiary, Lion Global Investors Limited. Prior to his current position at GEH, he was the Executive Vice President and Group Chief Marketing Officer of American International Assurance Company Limited.

Mr Wei graduated with a Bachelor of Science (Honours) from the University of Toronto in 1991 where he completed a specialist programme in actuarial science. He is an associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

MANAGEMENT DATA

SINGAPORE REINSURANCE CORPORATION LIMITED

Theresa Wee Sui Ling *B Soc, Sc (Hons), Chartered Insurer (ACII), GDFM*
Chief General Manager/Chief Executive

Chin Tsu-Kuang *MA, Marine Law (Wales)*
Chief General Manager
China Affairs

Carlene Lim Lay Hoon *FCCA, CA, BBA*
Financial Controller
Finance, Investment, Administration and Human Resource

Mervyn Low Cheng Chwee *BA, Dip.C.I.I.*
General Manager
Operations

Cheng Yiina *B Sc (Hons)*
Assistant General Manager
Systems and China Affairs

Ho Wing Hoong *LLB (Hons)*
Assistant General Manager
Operations

Yap Sock Cheen *Dip BA, Dip Admin Mgmt*
Assistant General Manager
Operations

Jin Jie Wei *ACII, FCII*
Deputy General Manager
China Affairs

Quek Swee Keng
Manager
Operations

Grace Loh Chit Hiang
Manager
Operations Administration and Corporate Secretarial

Lee Fon Yin *Dip, BB (Acc), BCCP, CRMA, Banking & Finance*
Internal Auditor

SINGAPORE-RE MANAGEMENT SERVICES PRIVATE LIMITED

Cheng Yiina *B Sc (Hons)*
Assistant General Manager

Cheah Sooi Ping *B Sc (Comp Sc)*
Manager

INS COMMUNICATIONS PRIVATE LIMITED

Mokanasivam Subramaniam *LLB (Hons)*
Managing Director

Sheela Suppiah-Raj *MA*
General Manager
Business Development

Chau Bee Pen *BA, BA (Multimedia Design)*
Manager
Publishing

Jennifer Chee
Manager
Administration

Koh Earn Chor *B.Econs*
Manager
Business Development

Heney Panicker *MTech, MCA*
Manager
Systems

May Low *BA (Risk Management)*
Assistant Manager
Conference

Alda Yeo
Assistant Manager
Business Development

Cynthia Ang *BSc (Banking & Finance)*
Assistant Manager
Research

Junaid Farid *MBA, MIT, BSc*
Assistant Manager
Marketing

Wong Mei-Hwen *BA*
Deputy Editor
MEIR

Benjamin Ang *BBA, ChFC*
Deputy Editor
AIR

Ridwan bin Abbas *BA*
Deputy Editor
AIR (ASEAN)

SR-CHINA ADVISORY SERVICES CO LTD

Chin Tsu-Kuang *MA, Marine Law (Wales)*
Managing Director

Ruan Guang Yao
Deputy Manager

SENIOR MANAGEMENT'S PROFILE

THERESA WEE SUI LING

Chief Executive/Chief General Manager

Ms Theresa Wee Sui Ling joined the Corporation on 4 July 1990 and was appointed Chief Executive and Chief General Manager on 20 March 2014. She is a member of the Investment Committee.

Ms Wee graduated with a Bachelor of Social Science (Honours) Degree from the National University of Singapore and holds a Graduate Diploma in Financial Management from the Singapore Institute of Management. She is also a Chartered Insurer of the Chartered Insurance Institute, UK.

CARLENE LIM LAY HOON

Financial Controller (Finance, Investment, Administration and Human Resource)

Ms Carlene Lim Lay Hoon joined the Corporation on 13 August 1990 and was appointed Financial Controller in 2011. She is responsible for the Group's Financial, Investment, Administrative and Human Resource functions.

Ms Lim graduated with a Bachelor of Business Administration from the National University of Singapore. She is a Fellow of the Association of Chartered Certified Accountants, UK and a member of the Institute of Singapore Chartered Accountants.

CHIN TSU-KUANG

Chief General Manager (China Affairs)

Mr Chin Tsu-Kuang joined the Corporation on 1 September 1992 and was appointed Chief General Manager (China Affairs) in 2002 with responsibility for the China business operations.

Mr Chin graduated with a Master of Science in Marine Law from the University of Wales, UK. He has over 30 years of marine insurance experience and was a Deputy Professor at the Shanghai Maritime University prior to joining the Corporation.

MERVYN LOW CHENG CHWEE

General Manager (Operations)

Mr Mervyn Low Cheng Chwee re-joined the Corporation on 11 September 2012 as General Manager. He is responsible for the Treaty and Facultative Underwriting operations. Mr Low was previously with the Corporation from 1991 to 2010 and was responsible for the Underwriting, China Affairs and Human Resource operations.

Mr Low graduated with a Bachelor of Arts Degree from the National University of Singapore and holds a diploma from the Chartered Insurance Institute, UK.

HO WING HOONG

Assistant General Manager (Operations)

Mr Ho Wing Hoong joined the Corporation on 24 January 2011 as Assistant General Manager. He is responsible for the Treaty and Facultative Underwriting operations.

Mr Ho holds a Bachelor of Law (Honours) Degree from the University of Wolverhampton, UK.

YIINA CHENG

Assistant General Manager (Systems)

Ms Cheng Yiina joined the Corporation on 4 July 1991 and was appointed Assistant General Manager on 1 July 1999. She is responsible for the Group's Information Technology requirements.

Ms Cheng graduated with a Bachelor of Science (Honours) Degree from the Oxford Brookes University, UK.

YAP SOCK CHEEN

Assistant General Manager (Treaty Administration and Claims)

Ms Yap Sock Cheen joined the Corporation on 28 March 1980 and was appointed Assistant General Manager in 2012. She is responsible for the Treaty Administration and Claims operations.

Ms Yap holds a Diploma in Business Administration and Diploma in Administration Management.

GROUP ACTIVITIES

SR-China Advisory Services Co Ltd (SR-China) provides management and consultancy services in China. Its main business activities include marine and insurance consultancies, and staff trainings for the Chinese insurance and shipping industries, and management of the Corporation's properties and other investments in China.

Singapore-Re Management Services Private Limited (SRMS) provides Information Technology (IT) services which include applications and infrastructure support to the Group as well as IT system development and support services for various insurance-related systems, viz, general insurance system; reinsurance system; the insurance broker/agent system, to over 20 companies in Singapore, Malaysia, Cambodia and Thailand. It also provides support on the web-based Agents' Registration and Continuous Professional Development Management System which is accessible by the General Insurance Association of Singapore, training providers, insurers and insurance agents.

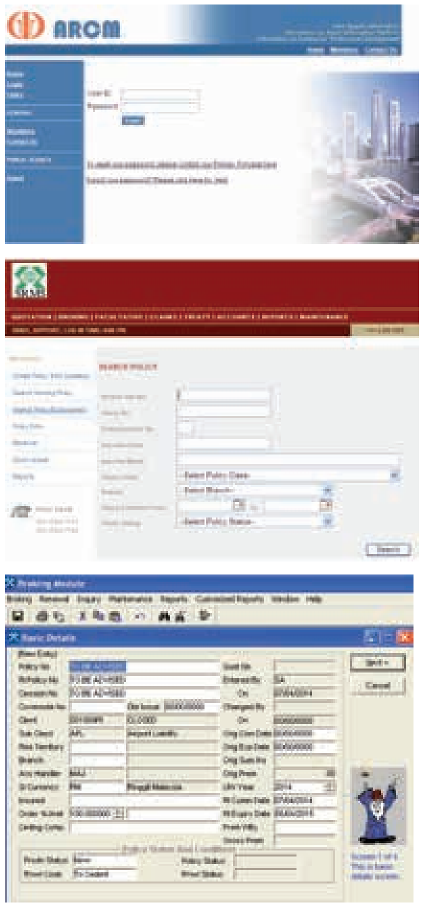
The software developed and marketed include:–

– IRIS (Integrated Reinsurance InfoSystem) for professional reinsurers;

Beijing New World Square

Shanghai Panorama

Dalian Asia Pacific International Centre



Sample Screenshots of the Systems

– IMS (Insurance Management System), a web-based general insurance system;
– MBA (Millennium Broker Assistant), a windows-based system for professional general insurance intermediaries; and
– IBMS (Insurance Brokers Management System), a web-based system for professional general insurance intermediaries.

SRMS also provides underwriting support to the insurance sector and secretariat support services to the Singapore Reinsurers' Association.

INS Communications Private Limited (INS), the publishing and conferencing arm of the Group, had a good year in 2013 entrenching its position as the "voice of the insurance industry in Asia" with its flagship publication and some 20 insurance conferences in the region as well as its long-standing Asia Insurance Industry Awards to recognize and salute excellence. AIR's daily online newsletter was hailed as a force for good within the industry while its three directories – Asean Insurance Directory, Insurance Directory of Asia and Reinsurance Directory of Asia – continued to be the reference guide of companies doing business in the region.

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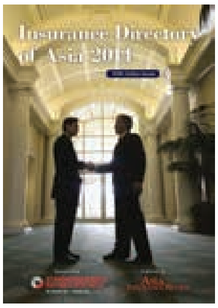
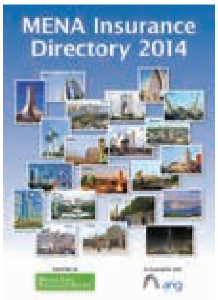
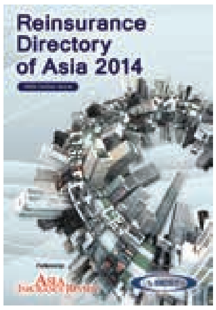
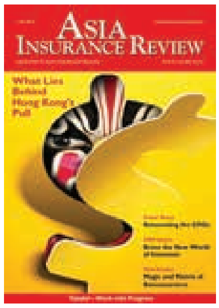
The hallmark of success of the subsidiary's two magazines are attested to by the fact that all major events in Asia and the Middle East list them as the Media Partner of the conference respectively.

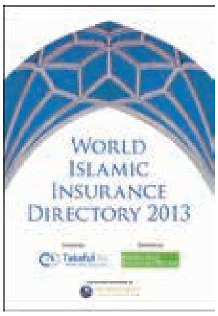
The subsidiary continues to offer value added service to help the industry's march towards higher standards and greater professionalism.

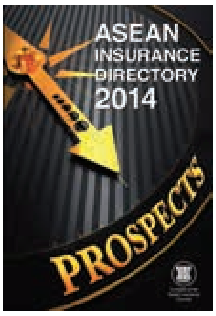












Magazines

13th CEO Insurance Summit

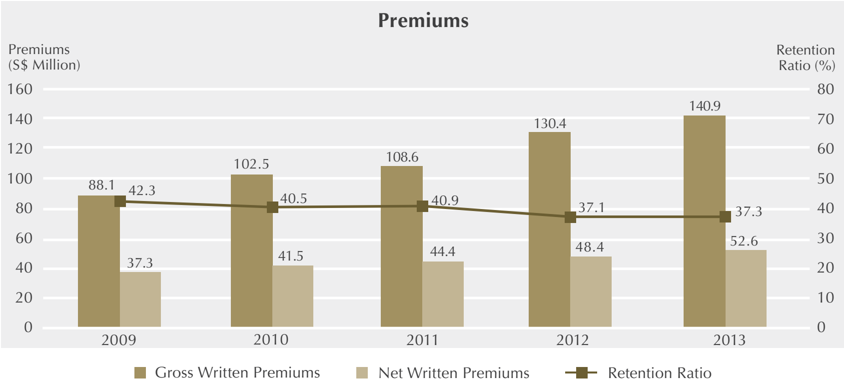
Asia Insurance Industrial Awards

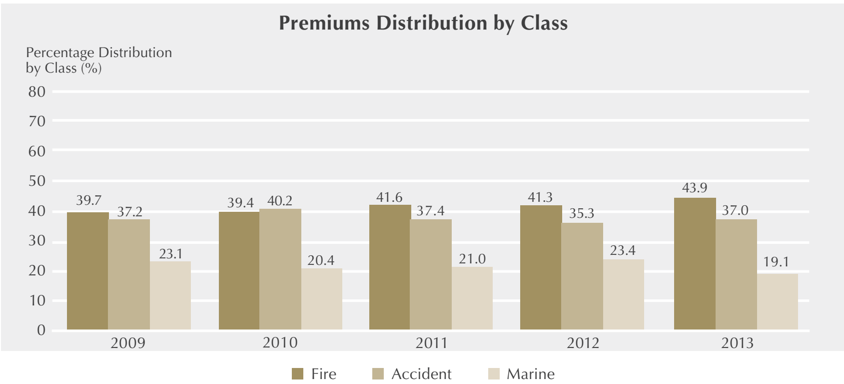
GROUP FINANCIAL HIGHLIGHTS

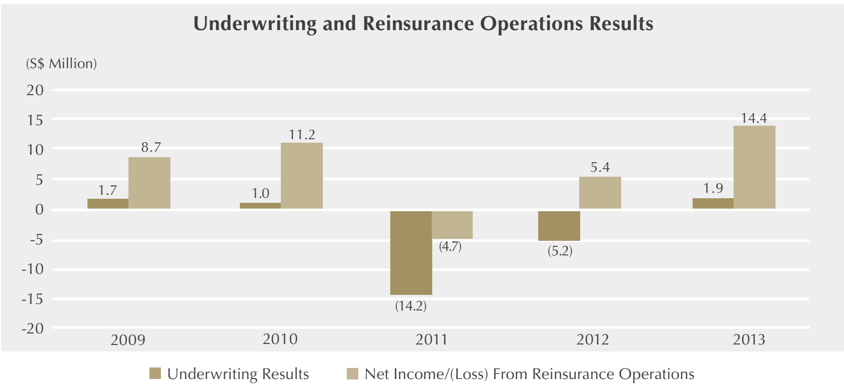
S$'000	2009	2010	2011	2012	2013
Revenue	93,988	109,061	115,522	137,077	**147,245**
Gross Written Premiums	88,121	102,464	108,607	130,373	**140,881**
Net Written Premiums	37,295	41,486	44,380	48,397	**52,579**
Underwriting Results	1,698	984	(14,170)	(5,235)	**1,874**
Net Income/(Loss) From Reinsurance Operations	8,726	11,210	(4,725)	5,430	**14,377**
Profit Before Income Tax	12,964	17,342	3,725	12,882	**22,563**
Profit After Income Tax And Non-Controlling Interests	11,219	14,998	3,037	11,259	**20,378**
Net Insurance Contract Provisions:					
Outstanding Claims	127,780	130,431	152,313	156,325	**160,513**
Unexpired Risks	14,310	15,942	16,900	18,455	**19,193**
	142,090	146,373	169,213	174,780	**179,706**
% To Net Written Premiums (based on 5-year average of net written premiums)	370.9%	370.1%	419.9%	413.2%	**400.9%**
Shareholders' Funds	194,696	207,168	197,096	210,197	**224,935**
Investment Funds	347,712	366,900	375,049	394,522	**403,569**
Total Assets	530,339	567,302	632,349	694,223	**722,869**
Net Tangible Assets Per Share (cents)	32.17	34.23	32.57	34.73	**37.17**
Earnings Per Share (cents)	1.85	2.48	0.50	1.86	**3.37**
Return On Equity (%)	5.76	7.24	1.54	5.36	**9.06**
Gross Dividend (cents)	1.30	1.50	1.20	1.20	**1.50**
Gross Dividend Yield (%) At Year-End Share Price	4.81	5.36	4.14	4.71	**5.88**

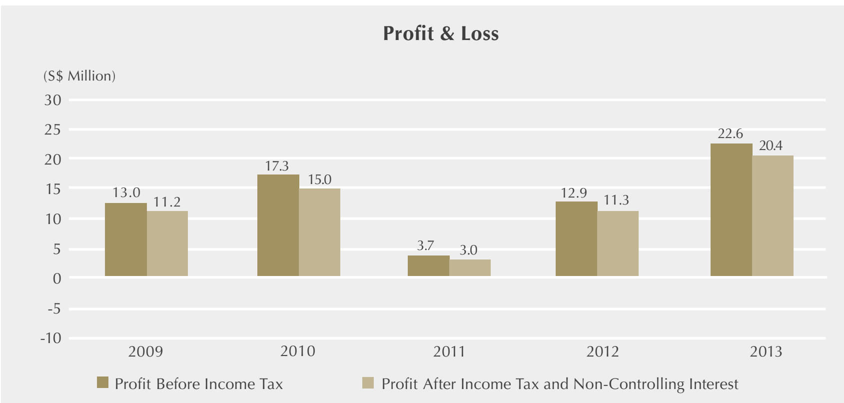
Note:

Certain items in the comparatives figures have been reclassified to conform with the current year's presentation.

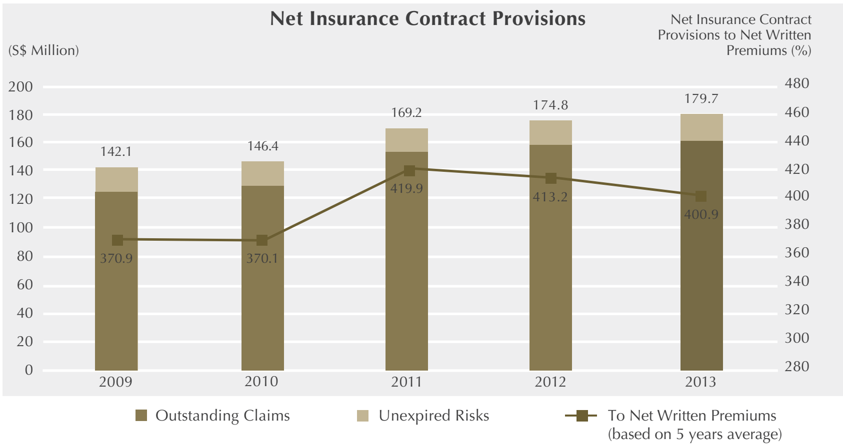

Premiums
Premiums (S$ Million)
Retention Ratio (%)
88.1 42.3 37.3
102.5 40.5 41.5
108.6 40.9 44.4
130.4 37.1 48.4
140.9 37.3 52.6
2009 2010 2011 2012 2013
Gross Written Premiums
Net Written Premiums
Retention Ratio

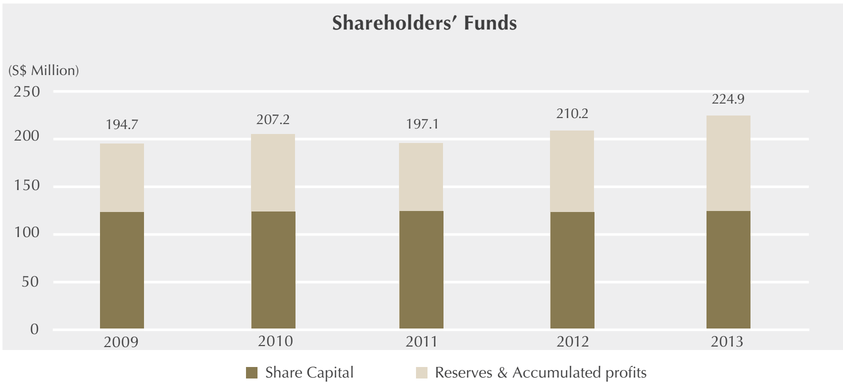

Premiums Distribution by Class
Percentage Distribution by Class (%)
39.7 37.2 23.1
39.4 40.2 20.4
41.6 37.4 21.0
41.3 35.3 23.4
43.9 37.0 19.1
2009 2010 2011 2012 2013
Fire
Accident
Marine

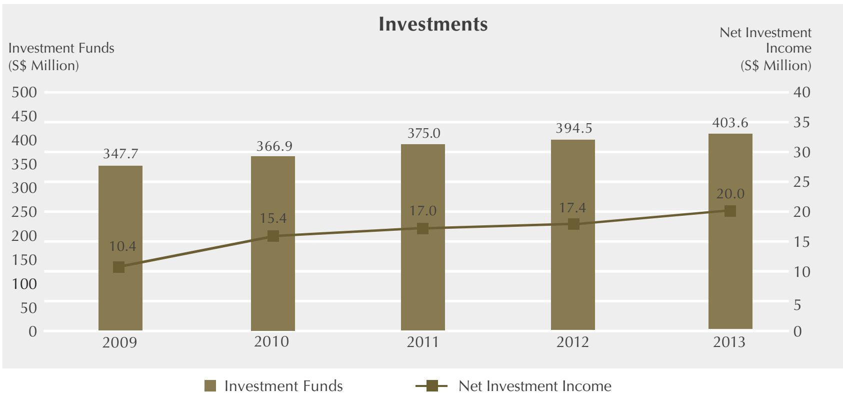

Underwriting and Reinsurance Operations Results
(S$ Million)
1.7 8.7
1.0 11.2
(14.2) (4.7)
(5.2) 5.4
1.9 14.4
2009 2010 2011 2012 2013
Underwriting Results
Net Income/(Loss) From Reinsurance Operations

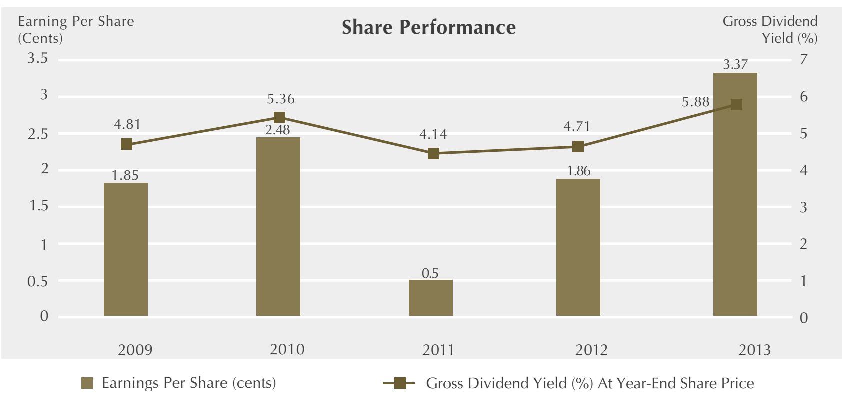

Profit & Loss
(S$ Million)
13.0 11.2
17.3 15.0
3.7 3.0
12.9 11.3
22.6 20.4
2009 2010 2011 2012 2013
Profit Before Income Tax
Profit After Income Tax and Non-Controlling Interest

GROUP FINANCIAL HIGHLIGHTS (CONT'D)









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 Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (the CG Guidelines) by the Monetary Authority of Singapore and the Insurance (Corporate Governance) Regulations 2013 (CG Regulations) issued on 3 April 2013 and the Singapore Exchange Securities Trading Limited Listing Manual (SGX-ST Listing Manual). The Company has put in place an internal guide to ensure good corporate governance in its business practices and activities.

The Company aims to preserve and enhance shareholder value by ensuring high standards of corporate performance and accountability.

The Board is supported by specialised Board committees to facilitate effective oversight of the Company and supervision of Management. The Board committees, namely, the Executive Committee, Audit Committee, Nominating Committee, Remuneration Committee and Investment Committee meet regularly to consider the audit and risk management processes, investments, remuneration, nomination and other matters. A report on each committee's last meeting is provided at the next Board meeting.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1 : Effective Board to lead and control the Company. Board is collectively responsible for the long-term success of the Company.

The Board's core responsibilities, apart from statutory duties, include:

- to determine the Group's broad strategic directions, major investment and funding decisions and levels of risk tolerance and risk policies;
- to approve the financial objectives of the Group and monitor the performance and prospect;
- to ensure the implementation of the Board's overall strategies, including the proper execution of risk management policies and guidelines set by the Board;
- to approve the nomination of Directors to the Board and appointment of senior executives;
- to oversee management in the design, implementation and monitoring of the risk management and internal control systems; and
- to review the adequacy and effectiveness of the Group's internal controls including compliance, operational, financial, IT controls and risk management systems in an effort to safeguard shareholders' interest and the Group's assets.

CORPORATE GOVERNANCE

The Board meets at least quarterly to oversee the conduct of business of the Group, particularly for the following corporate events and actions:

- authorisation of any other major transactions;
- approval of quarterly financial accounts;
- approval of annual report and accounts;
- approval of annual budget;
- declaration of interim dividends and proposal of final dividend;
- convening of shareholders' meeting; and
- approval of corporate strategy.

For matters which require the Board's decision outside the pre-agreed meetings, board papers are circulated to the Board for consideration, with discussions taking place between members of the Board and Management directly, before approval is granted.

Pursuant to Article 98 of the Company's Articles of Association, one-third of the Directors, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, retire by rotation at every AGM. Under the Company's constitution, there is no maximum fixed term or retirement age for non-executive directors.

To address the competing time commitments of Directors who sit on multiple boards and committees, meeting dates are scheduled in advance before the beginning of every calendar year.

Board Composition and Independence
Principle 2 : Strong and independent element on the Board

The Board comprises seven non-executive Directors and the members are:

Ramaswamy Athappan (Chairman)	Non-Independent
David Chan Mun Wai (Deputy Chairman)	Independent
Hwang Soo Jin	Non-Independent
Keith Tay Ah Kee	Independent
Ong Choo Eng	Independent
Li Weiguo	Independent
Christopher Brian Wei	Independent

The Board considers its present number of seven directors to be sufficient and appropriate for effective decision-making, taking into account the scope and nature of the Group's operations.

The composition of the Board and the independence of each Director are reviewed annually by the Nominating Committee (NC), based on the CG Guidelines' definition of what constitutes an independent Director. The NC is satisfied that all the Directors have the relevant experience, capabilities and skills. The Board is able to exercise objective judgment independently from Management and no individual or small group of individuals dominate the decisions of the Board.

The Board has also conducted a review of the performance of the Directors and considers that each of the Directors brings invaluable integrity, wisdom and experience to the Board and that they continue to contribute positively to the Board. The Board collectively has the critical skills, experience and expertise needed in charting the strategic direction of the Group. The NC is satisfied that each director is a fit and proper person fully qualified for the office. The NC is also of the view that it is not necessary to impose a limit on the number of board representations which directors may hold, as directors have different capabilities and companies have different complexities. The NC is satisfied that each of the Directors has been devoting sufficient time and attention to the Company's affairs to carry out his duties as a Director of the Company.

In respect of three independent Directors, namely, Mr David Chan, Mr Keith Tay and Mr Ong Choo Eng who had served more than 9 years, they have not lost their impartiality and continue to participate in discussions in a robust manner. The Board has carefully considered and concluded that their length of service has not compromised their independence. The criteria for assessing the independent status of directors who served more than 9 years are based on the following:

- director's skill set, qualifications, experience and expertise;
- personal qualities such as independence of character and judgment; and
- ability to constructively debate issues.

All Directors, on an ongoing basis, are required to declare any interest which they believe could conflict with the Company's interests. If a potential conflict does arise, the Director concerned may choose not to, or the Board may decide he should not, receive documents or take part in Board discussions on the matter being considered.

Given that the business relationship between the Company and insurance companies which some of the directors are employees of are conducted at arms' length and in the ordinary course of business, the NC is satisfied that the directors' independent business judgment and ability to act in the interests of the Company have not been impeded. In light of the above, the NC agreed that Mr David Chan, Mr Christopher Brian Wei and Mr Li Weiguo are to be considered independent. Overall, the Board is satisfied that there is a strong and independent element on the Board. No employee of the Company and its subsidiaries was an immediate family member of the Director. In addition, the Board is of the opinion that there were no relationships or circumstances which were likely to affect the 3 directors' judgment and independence of character and their judgment was not in any way impaired by their length of service.

In compliance with the CG Guidelines, the NC determined after rigorous review that, except for Mr Athappan and Mr Hwang, all Board members are considered independent.

CORPORATE GOVERNANCE

With reference to the CG Regulations which sets out the definition of an independent director as among other things someone who has not served on the Board for a continuous period of 9 years or longer, the NC noted that in light of this new 9 year term limitation, the current Board would need to be restructured. Under the CG Regulations, the Board must comprise at least one-third of directors who are independent directors as defined in the CG Regulations. This requirement must be complied with by the Company 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. In that regard, the NC is looking into a succession plan to restructure the Board to comply with the CG Regulations by 1 January 2016.

The Directors' profile is provided in pages 11 to 13.

The Members' attendances at the Board and specialised Board Committees meetings for the financial year ended 31 December 2013 are as shown below:

Committees	**BOARD**	**EXCO**	**AC**	**NC**	**RC**	**INV**
Number of Meetings Held	4	2	4	1	1	2
Members	**Number of Meetings Attended**					
Ramaswamy Athappan	4	2	4	1	1	2
David Chan Mun Wai	4	2	4	1	1	2
Hwang Soo Jin	4	2	4	1	1	2
Keith Tay Ah Kee	4	2	4	1	1	2
Ong Choo Eng	4	2	4	1	1	2
Li Weiguo	4					
Christopher Brian Wei	3					

Note:

BOARD – Board of Directors
EXCO – Executive Committee
AC – Audit Committee
NC – Nominating Committee
RC – Remuneration Committee
INV – Investment Committee

Chairman and Chief Executive

Principle 3: Chairman and Chief Executive to be two separate persons to ensure clear division of responsibilities and balance of power and authority

There is a clear division of responsibilities between the non-executive Chairman and the Chief Executive (CE) who are not related. The CE bears the executive responsibility for the day-to-day operations of the Company while the responsibilities of the Chairman, among other things are to:

- provide leadership to the Board in the formulation and review of Board policies and to guide Management in striving towards the desired strategic directions set by the Board;
- schedule meetings of the Board to enable it to perform its duties responsibly;
- prepare meeting agenda in consultation with the CE;

- review key proposals before they are presented to the Board for decision;
- exercise control over the quality, quantity and timeliness of the information submitted to the Board;
- encourage constructive relations between the Board and Management;
- facilitate the effective contribution of non-executive Directors;
- ensure effective communication with the regulators and shareholders;
- ensure compliance with the Code and Listing Rules and Board policies as well as promote high standards of corporate governance; and
- ensure information the Board receives is comprehensive, accurate and timely to enable effective decision making.

BOARD MEMBERSHIP AND COMMITTEES

Board Membership

Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board

The NC in consultation with the Chairman of the Board considers and makes recommendations to the Board concerning the appropriate size and needs of the Board.

New Directors are appointed to the Board following recommendation of the NC and approval of the Monetary Authority of Singapore (MAS). Article 103 of the Company's Articles of Association requires all new Directors to submit themselves for re-election at the next Annual General Meeting (AGM) of the Company.

The NC also makes recommendation to the Board for the Directors who are eligible to be re-appointed at the AGM of the Company at regular intervals.

All Directors are encouraged to attend appropriate external continuing education programmes to help them keep abreast of developments in corporate governance standards, best board practices, financial and accounting policies, risk management requirements and such similar matters.

Appointment of New Directors

The search and nomination process for new Directors are via contacts and recommendations. When recommending new Directors to sit on the Board, the NC strives to ensure that the Board has sufficient number of independent directors with the right expertise, attributes and ability.

The NC will assess potential candidates taking into consideration the individual's background, skills and abilities, such as experience or expertise in some of the following areas: the insurance industry, corporate affairs, government affairs and experience as director, chief executive officer, chief operating officer or chief financial officer of a major company. The NC would also strive to determine whether the candidate is a fit and proper person and able to devote time in carrying out his duties as a Director of the Company.

CORPORATE GOVERNANCE

When a candidate meets the assessment criteria set by the NC, the Committee will thereafter make a recommendation to the Board for consideration of the appointment. Upon the Board's endorsement, the Company will then seek MAS's approval accordingly and make the announcement to SGX-ST.

A Handbook is given to newly appointed Directors as part of the Company's induction programme and the material information provided include an overview of the Company's history, business profile, financial results and minutes of recent Board meetings. For Directors new to the reinsurance industry, the fundamental aspects of the esoteric business of reinsurance may also be included.

Executive Committee

The Executive Committee (EXCO) comprises five non-executive Directors. The members of the EXCO are:

Ramaswamy Athappan (Chairman)	Non-Independent
David Chan Mun Wai (Deputy Chairman)	Independent
Hwang Soo Jin	Non-Independent
Keith Tay Ah Kee	Independent
Ong Choo Eng	Independent

The EXCO holds periodic meetings with Management in charge of daily operations.

The principal functions of the EXCO are:

- to supervise Management in its conduct of the Group's business on behalf of the Board; and
- to ensure the implementation of the Board's overall strategies, including the proper execution of risk management policies and guidelines set by the Board.

Audit Committee
Principle 12: Establishment of Audit Committee with written terms of reference

The Audit Committee (AC) comprises five non-executive Directors, majority of whom, including the Chairman, are independent Directors as defined in the Code.

The Board is of view that the members of the AC have the financial management expertise and experience to discharge the AC's responsibilities. The members of the AC are:

Keith Tay Ah Kee (Chairman)	Independent
Ramaswamy Athappan	Non-Independent
David Chan Mun Wai	Independent
Hwang Soo Jin	Non-Independent
Ong Choo Eng	Independent

The AC holds quarterly meetings each year and discharges the following responsibilities:

- to evaluate the adequacy and effectiveness of internal controls, including compliance, financial and operational controls of the Company (carried out internally or with the assistance of competent third parties) and provide their assessment to the Board annually on the effectiveness and adequacy of the controls;

  [Note: The Board retains the responsibility for the review of the effectiveness of the system of internal control and must form its own opinion despite aspects of the review being delegated to the AC.];

- to review the adequacy and effectiveness of the Group's risk management systems as delegated by the main Board;
- to ensure compliance with legal and regulatory requirements and review reports received from regulators and the SGX-ST;
- to review the financial accounts of the Company and Group each quarter in conjunction with the external auditors' comments thereon prior to their submission to the Board for adoption;
- to review the adequacy of the internal audit function; 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;
- to nominate external auditors for appointment/re-appointment and to review the external audit fees and recommend to the Board for approval;
- to evaluate external auditors' objectivity and independence including the provision of non-audit services;
- to review legal and regulatory matters that may have material impact on the financial statements and reports received from regulators;
- to review and consider if interested person transactions are on normal commercial terms and not prejudicial to the Company's interests;
- 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;
- to review the assistance and co-operation given by the Company's officers to the external and internal auditors;
- to have authority to investigate any matter within its terms of reference, full access to and co-operation by Management and reasonable resources (including obtaining professional advice) to enable it to discharge its functions properly;

CORPORATE GOVERNANCE

- to oversee and guide management in:
  - (a) the establishment and the operation of an independent enterprise-wide risk management system,
  - (b) the adequacy of the risk management function, ensuring that it is sufficiently resourced to monitor risk and that it has appropriate independent reporting lines; and
- advise the Board on the Company's overall risk tolerance and risk policies.

The AC meets with the external and internal auditors, without the presence of Management. It has explicit authority to investigate any matter, full access to and co-operation by Management and other employees, and full discretion to invite any Director to attend the meetings.

The Committee has reviewed the non-audit services provided by the external auditors in the financial year ended 31 December 2013 and is satisfied that such services would not affect the independence of the external auditors. The external auditors, on annual basis, have also provided a written confirmation of their independence to the AC.

Nominating Committee

The NC comprises the following five non-executive Directors:

David Chan Mun Wai (Chairman)	Independent
Ramaswamy Athappan	Non-Independent
Hwang Soo Jin	Non-Independent
Keith Tay Ah Kee	Independent
Ong Choo Eng	Independent

The NC holds its meetings annually or as frequently as may be necessary. The NC's primary functions are:

- to review and make recommendations to the Board concerning the size, structure and composition of the Board and the Board committees;
- to identify potential candidates to fill Board vacancies, if any as well as put in place plans for succession;
- to review and make recommendations, for Board's approval, on the appointment of the Group's senior executives;
- to review and make recommendations to the Board on the re-appointment of Directors taking into consideration the directors' ability to exercise sound judgment, independence, demonstrated leadership, skills, work experience, etc.;
- to assess annually the independence of each Director and provides its views on the independence to the Board;

- to ensure that at least one-third of the Board shall comprise independent Directors;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval;
- to assess the effectiveness of the Board as a whole and the contribution by individual Directors to the effectiveness of the Board; and
- to review the ability of Directors with multiple board representations to carry out their duties and other principal commitment adequately.

Remuneration Committee

The Remuneration Committee (RC) comprises the following five non-executive Directors:

David Chan Mun Wai (Chairman)	Independent
Ramaswamy Athappan	Non-Independent
Hwang Soo Jin	Non-Independent
Keith Tay Ah Kee	Independent
Ong Choo Eng	Independent

The RC holds periodic meetings with Management in charge of human resource functions and also has access to the information when clarification and advice is needed.

The principal functions of the RC are:

- to recommend to the Board and shareholders the level of remuneration for Directors and to ensure that it is sufficiently equitable to attract, retain and motivate them to provide good stewardship;
- to review the remuneration of key management personnel including the Head of Internal Audit/ Compliance annually in an effort to ensure adequate manpower support to facilitate the achievement of strategic objectives and corporate values; and
- to review the Company's obligation in the event of termination of key management personnel's contract of service to ensure that the contract of service contain fair and reasonable termination clauses that are not overly generous.

Investment Committee

The Investment Committee (INV) comprises the following five non-executive Directors:

Hwang Soo Jin (Chairman)	Non-Independent
Ramaswamy Athappan	Non-Independent
David Chan Mun Wai	Independent
Keith Tay Ah Kee	Independent
Ong Choo Eng	Independent

CORPORATE GOVERNANCE

Both the CE and Chief Financial Officer (CFO) were co-opted into the INV on 1 January 2014. Periodic meetings are held with Management in charge of investments to discuss key investment issues.

The responsibilities of the Investment Committee are:

- to meet regularly to review the Group's portfolio and strategic investments and oversee the implementation of investment strategies and major investment decisions;
- to review and approve the following:
    a. policies on financial investments
    b. risk-reward profile of funds under management
    c. asset allocation of funds
    d. establishment of appropriate authority and procedures for banking transactions and other investments; and
- to monitor the progress and development of the investment decisions taken by the Group.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each Director

The NC conducts a formal assessment of the performance of the Board as a whole in view of the complementary and collective nature of Directors' contributions.

The evaluation parameters for the Board's performance are based on quantitative and qualitative criteria, which include the level or return on equity, regularity of attendance at meetings, the success of the strategic and long term objectives set by the Board, and the effectiveness of the Board in monitoring Management's performance against the goals set by the Board.

The assessment of the contribution of Directors is made with reference to a set of common key performance indicators and the skills and experience which the Board is expected to possess. The Board is of the opinion that all Directors collectively and individually have contributed positively to the growth of the Company during the year and in discharging their duties have conducted themselves diligently in safeguarding the interests of shareholders.

The EXCO, on behalf of the Board, supervises the management in its conduct of the Group's business, and in ensuring the implementation of the Board's broad strategies, including the proper execution of risk management policies and guidelines set by the Board.

In addition, it has been the Group's practice for the Board Chairman's performance to be appraised annually by the Board without his participation.

ACCESS TO INFORMATION AND ACCOUNTABILITY

Principle 6: Board members to have complete, adequate and timely information
Principle 10: The Board's accountability to the Shareholders and Management's accountability to the Board

The Board is provided with complete and adequate information prior to Board meetings and on an on-going basis. Such information includes financial management reports, annual budgets and performance against budget, announcement of results, matters requiring Board's decision and updates on key outstanding issues.

In presenting the quarterly and annual financial statements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and comprehensive assessment of the Group's financial position and prospects. Management provides the Board, EXCO and AC with detailed management accounts of the Group's financial performance, position and prospects on a quarterly basis.

The Board also has separate and independent access to Management and the Company Secretary. The Company Secretary assist Management to ensure that Board procedures are observed and the Company complies with the requirements of the Companies Act and the Listing Rules. The CE and CFO provide assistance in the Company Secretarial role and attend all Board meetings. Should the Directors, whether as a group or individually, need independent professional advice to carry out their duties, the Company will, upon approval of the Chairman, arrange to appoint a professional advisor to render the advice.

The Board was of the view that it was not necessary for the Board to have a lead independent director given that the majority of the Board comprised independent directors and all the independent directors are long standing and well experienced. There is regular and active interaction at Board and Board Committees providing opportunities for directors to work well together as a group. Furthermore, non-accessibility by shareholders to directors has never been an issue.

REMUNERATION MATTERS

Level and Mix of Remuneration

Principle 7: Formal and transparent procedure for fixing the remuneration packages of individual directors
Principle 8: Remuneration of directors to be adequate and not excessive
Principle 9: Clear disclosure on remuneration policy, level and mix of remuneration, and the procedure for setting remuneration

The RC sets out the remuneration guidelines and reviews the remuneration framework of the Group.

The Group 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 Group comprises a fixed component and a performance-related variable component in an effort to link rewards to corporate and individual performance and align the interests with those of shareholders.

The fixed component consists of a base salary and fixed allowance. The variable component is in the form of a bonus that is linked to the Group's and individual's performance. A budget for salary increment and bonus is submitted by the CE to the Board annually. During the course of the year, the salary and bonus proposal would be put forth to the Remuneration Committee for consideration and approval.

CORPORATE GOVERNANCE

The RC reviews the level and mix of remuneration and approves the framework for salary reviews, performance bonus and incentives for the CE and key management personnel of the Group. In setting the remuneration packages, the RC 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.

The remuneration of the Directors takes into account their contribution and respective responsibilities. Directors are paid an attendance fee for their involvement in the Board and Board Committee meetings. Directors who participate in the Board Committees receive higher fees for the additional responsibilities. No Director decides his own remuneration. The fees are reviewed by the RC and thereafter submitted to the Board for endorsement. 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. Accordingly, the Company continues its practice of disclosing the remuneration of directors and key management personnel in bands of S$250,000.

The remuneration of Directors for the year ended 31 December 2013 is set out below:

Directors	**Directors' Fees** %	**Salary** %	**Bonus** %	**Other Fees, Allowances & Benefits[2]** %	**Total** %
Ramaswamy Athappan	100	0	0	0	100
Hwang Soo Jin[1]	12	0	0	88	100
Keith Tay Ah Kee	100	0	0	0	100
David Chan Mun Wai	100	0	0	0	100
Ong Choo Eng	100	0	0	0	100
Li Weiguo	100	0	0	0	100
Christopher Brian Wei	100	0	0	0	100

1 Daily attendance at office with specific responsibilities for overseeing the management of the Investment, China Affairs and Internal Audit departments, and all subsidiary companies

2 Other fees, allowances and benefits include advisor fees and out-of-pocket allowances

The following information relates to Directors' remuneration:

	Number of Directors in Remuneration Bands	
Remuneration Bands	**2013**	2012
S$250,000 to S$499,999	**2**	2
Below S$250,000	**5**	5
Total	**7**	7

The remuneration of key management personnel for the year ended 31 December 2013 is set out below:

Key Management Personnel	Directors' Fees[4] %	Salary %	Bonus %	Other Fees, Allowances & Benefits[3] %	Total %
Theresa Wee Sui Ling	2	70	20	8	100
Subramaniam Mokanasivam	1	67	24	8	100
Chin Tsu-Kuang	2	75	16	7	100
Carlene Lim Lay Hoon	0	78	19	3	100
Mervyn Low Cheng Chwee	0	68	23	9	100
Ho Wing Hoong	0	75	19	6	100
Cheng Yiina	1	76	18	5	100
Yap Sock Cheen	0	78	22	0	100

3 Other fees, allowances and benefits include transport, entertainment allowance and long service awards

4 Include Directors' fees paid to key management personnel in respect of their appointment to the Subsidiaries' Boards

The following information relates to key management personnel remuneration:

	Number of Senior Management in Remuneration Bands	
Remuneration Bands	**2013**	2012
S$250,000 to S$499,999	**2**	2
Below S$250,000	**6**	6
Total	**8**	8

The Company does not employ any immediate family member of any Director or the CE.

INTERNAL CONTROLS

Principle 11: Sound system of internal controls

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 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. In particular, the Committee satisfies itself of the adequacy in the documentation of operating procedures and their compliance and amendments made to meet changing circumstances. Once a year, the AC undertakes a review of the effectiveness of the internal control systems and reports its findings to the main Board for endorsement.

CORPORATE GOVERNANCE

The Board believes that the recognition of the importance of internal controls is a matter of corporate culture that calls for common commitment at all levels of the Company from Board to management and staff. The Board recognises that the system of internal controls can only provide reasonable assurance but cannot totally eliminate the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities. The continued strengthening of internal controls to meet the challenges of a rapidly changing operating environment should be part and parcel of daily business process to be pursued relentlessly.

During the year under review, the Board is satisfied based on reports from both internal and external auditors as well as the AC that the internal controls in all aspects of the Company's operations are adequate and effective to safeguard shareholders' interest. The Board is of the opinion that the internal controls of the Group complies with Listing Rule 1207(10). Both the CE and the CFO have also given their assurance:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) that the Company's systems of internal controls are adequate and effective.

In addition, the Company has a whistle-blower protection policy and the requisite procedures are incorporated into the Employee Handbook available to all staff. The purpose of the policy is to encourage the reporting in good faith of suspected reportable conduct by establishing clearly defined processes through which such reports may be made with the confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

RISK MANAGEMENT

Principle 11: Sound system of internal controls

Given the special nature of reinsurance business, the Board is firmly of the conviction that risk management is synonymous with the process of underwriting. Consequently it believes that the thrust for the continued development in the measures taken to strengthen risk management should be left with Management. The Board however, exercises oversight on the adequacy and effectiveness of the Group's risk management system. To facilitate closer monitoring, the Board has delegated the review of the adequacy and effectiveness of the risk management system to the AC. In carrying out its duty, the Company has established a Risk Management Review Committee (RMRC) at the management level with the General Manager (Operations) designated Risk Management Officer and the RMRC reports to the AC. The RMRC meets regularly and its responsibilities are:

- to identify, assess and monitor all reasonably foreseeable and material risks that the Company is or may be exposed to;
- to review and recommend risk management measures to address the key risk; and
- to support the AC in the review of the adequacy and effectiveness of the risk management measures implemented.

The AC in turn meets with Management and the auditors to review the reports submitted in order to satisfy itself of the continued adequacy of the risk management system. Once a year, based upon predetermined criteria, the AC assesses the effectiveness of the system and submits its findings to the Board for endorsement if appropriate.

For the year under review, based on reports from both internal and external auditors as well as the AC, the Board is satisfied that the risk management system maintained by the Management is adequate and effective to meet the needs of the Company in its current business environment.

Currently, 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) by 2015.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company is made available to shareholders of the Company. This is done through the Company's annual reports, quarterly financial announcements and press releases to SGX-ST which is also posted on the Company's website at http://www.singre.com.sg. Shareholders are given opportunities to participate at the Company's general meetings. The Board and Management are present at these meetings to address any questions that shareholders may have. A representative of the external auditors is also present to assist the Board in addressing relevant queries by shareholders. The Articles allow a member of the Company to appoint one or two proxies to attend and vote at general meetings. Separate resolutions on each distinct issue are tabled at general meetings.

DEALINGS IN SECURITIES OF THE COMPANY

The Group provides guidance to its Directors and employees on the implications of insider trading. It has adopted a code of conduct for dealings in securities of the Company in compliance with the Best Practices Guide on Dealings in Securities as set out in Rule 1207(19) of the SGX-ST Listing Manual.

The Company prohibits its Directors and employees from trading in the Company's securities for the period commencing two weeks before the announcement of quarterly results, and the period commencing one month before the announcement of year-end results.

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2013.

Directors

The directors in office at the date of this report are as follows:

Ramaswamy Athappan
David Chan Mun Wai
Hwang Soo Jin
Keith Tay Ah Kee
Ong Choo Eng
Li Weiguo
Christopher Brian Wei

Mr Ramaswamy Athappan and Mr Christopher Brian Wei retire by rotation at the forthcoming Annual General Meeting (AGM) in accordance with Article 98 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Mr Hwang Soo Jin and Mr Ong Choo Eng retire pursuant to Section 153(6) of the Companies Act, Chapter 50 (the Act), at the forthcoming AGM and, being eligible, offer themselves for re-election to hold office until the next AGM.

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act) particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

	Holdings in the name of the directors, spouse or infant children			Other holdings in which directors are deemed to have an interest		
Number of ordinary shares	**At beginning of the year**	**At end of the year**	**At 21 January 2014**	**At beginning of the year**	**At end of the year**	**At 21 January 2014**
Ramaswamy Athappan	178,732	178,732	178,732	–	–	–
David Chan Mun Wai	73,205	73,205	73,205	–	–	–
Hwang Soo Jin	758,000	1,000,000	1,000,000	–	–	–
Keith Tay Ah Kee	64,900	64,900	64,900	–	–	–
Ong Choo Eng	24,200	24,200	24,200	140,800	140,800	140,800

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2014.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement 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.

Except for remuneration that are disclosed in this report and in note 26 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

During the financial year:

(a) there were no options granted to any person to take up unissued shares in the Company or its subsidiaries and there were no shares issued by virtue of the exercise of any option to take up unissued shares of the Company or its subsidiaries; and

(b) no options have been granted to controlling shareholders, their associates, or employees of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option granted by the Company or its subsidiaries as at the end of the financial year.

Audit committee

The members of the Audit Committee during the year and at the date of this report are:

Keith Tay Ah Kee (Chairman)
Ramaswamy Athappan
David Chan Mun Wai
Hwang Soo Jin
Ong Choo Eng

The members of the Audit Committee are all non-executive directors and perform the functions specified in Section 201B of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) and the Code of Corporate Governance.

The Audit Committee held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's internal and external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

DIRECTORS' REPORT

The Audit Committee also reviewed the following:

– assistance and co-operation provided by the Company's officers to the internal and external auditors;

– quarterly financial information and annual financial statements of the Group and the Company prior to submission to the directors of the Company for adoption;

– the Company's corporate governance processes;

– current and impending changes in accounting requirements and insurance regulation;

– interested person transactions as defined in Chapter 9 of the Listing Manual of the SGX-ST; and

– independence of external auditors with regard to the provision of non-audit services.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

Internal controls

The Board of Directors ("the Board") believes that the recognition of the importance of internal controls is a matter of corporate culture that calls for common commitment at all levels of the Company from Board to management and staff. The Board recognises that the system of internal controls can only provide reasonable assurance but cannot totally eliminate the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities. The continued strengthening of internal controls to meet the challenges of a rapidly changing operating environment should be part and parcel of daily business process to be pursued relentlessly.

During the year under review, the Board is satisfied based on reports from both internal and external auditors as well as the Audit Committee that the internal controls in all aspects of the Company's operations are adequate and effective to safeguard shareholders' interest. Both the Chief Executive and the Chief Financial Officer have also given their assurance:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) that the Company's systems of internal controls are adequate and effective.

Risk management

For the year under review, based on reports from both internal and external auditors as well as the Audit Committee, the Board is satisfied that the risk management system maintained by the Management is adequate and effective to meet the needs of the Company in its current business environment.

The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees. The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors of the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Ramaswamy Athappan
Director

David Chan Mun Wai
Director

Singapore
26 February 2014

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 45 to 121 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Ramaswamy Athappan
Director

David Chan Mun Wai
Director

Singapore
26 February 2014

INDEPENDENT AUDITORS' REPORT

Members of Singapore Reinsurance Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of Singapore Reinsurance Corporation Limited ("the Company") and its subsidiaries ("the Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2013, the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group, and the income statement and statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 121.

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.

Auditors' 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 judgement, 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 AUDITORS' REPORT

Opinion

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

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
26 February 2014

BALANCE SHEETS
AS AT 31 DECEMBER 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Assets					
Property, plant and equipment	4	**32,629**	25,886	**32,537**	25,801
Investment properties	5	**20,123**	15,550	**20,123**	15,550
Intangible asset	6	**–**	–	**–**	–
Interest in subsidiaries	7	**–**	–	**1,134**	1,211
Reinsurers' share of insurance contract provisions for:					
– outstanding claims	10	**216,285**	222,390	**216,285**	222,390
– unexpired risks	10	**27,351**	26,250	**27,351**	26,250
Financial assets	8	**272,189**	287,155	**272,362**	285,731
Club membership		**18**	20	–	**–**
Insurance receivables	11	**70,958**	45,947	**70,958**	45,947
Other receivables	12	**4,273**	4,644	**3,354**	3,237
Cash and cash equivalents	13	**79,043**	66,381	**75,776**	64,864
Total assets		**722,869**	694,223	**719,880**	690,981
Equity attributable to equity holders of the Company					
Share capital	14	**123,300**	123,300	**123,300**	123,300
Reserves	15	**26,175**	23,343	**26,175**	23,230
Accumulated profits		**75,460**	63,554	**74,781**	62,719
		224,935	210,197	**224,256**	209,249
Non-controlling interests		**328**	492	**–**	–
Total equity		**225,263**	210,689	**224,256**	209,249
Liabilities					
Insurance contract provisions for:					
– outstanding claims	10	**376,798**	378,715	**376,798**	378,715
– unexpired risks	10	**46,544**	44,705	**46,544**	44,705
Deferred taxation	9	**2,363**	3,116	**2,363**	3,116
Insurance payables	17	**65,811**	51,320	**65,811**	51,320
Other payables	18	**4,045**	4,203	**2,221**	2,562
Current tax payable		**2,045**	1,475	**1,887**	1,314
Total liabilities		**497,606**	483,534	**495,624**	481,732
Total equity and liabilities		**722,869**	694,223	**719,880**	690,981

The accompanying notes form an integral part of these financial statements.

INCOME STATEMENTS

YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Revenue	20	**147,245**	137,077	**140,881**	130,373
Reinsurance operations:					
Gross written premiums	20	**140,881**	130,373	**140,881**	130,373
Reinsurance premiums		**(88,302)**	(81,976)	**(88,302)**	(81,976)
Net written premiums		**52,579**	48,397	**52,579**	48,397
Gross transfer to provision for unexpired risks	10	**(1,839)**	(7,847)	**(1,839)**	(7,847)
Reinsurance transfer to provision for unexpired risks	10	**1,101**	6,292	**1,101**	6,292
Net earned premiums		**51,841**	46,842	**51,841**	46,842
Gross claims incurred	10	**(83,999)**	(93,629)	**(83,999)**	(93,629)
Reinsurers' share of claims incurred	10	**52,094**	61,496	**52,094**	61,496
Net claims incurred		**(31,905)**	(32,133)	**(31,905)**	(32,133)
Commission expense		**(38,414)**	(36,518)	**(38,414)**	(36,518)
Commission income		**26,399**	24,641	**26,399**	24,641
Net commission expense		**(12,015)**	(11,877)	**(12,015)**	(11,877)
Management expenses	23	**(6,047)**	(8,067)	**(6,047)**	(8,067)
Underwriting results		**1,874**	(5,235)	**1,874**	(5,235)
Net investment income	21	**12,503**	10,665	**12,503**	10,665
Net income from reinsurance operations (I)		**14,377**	5,430	**14,377**	5,430
Non-reinsurance operations:					
Net investment income	21	**7,458**	6,730	**8,564**	7,826
Other operating income	22	**6,390**	6,794	**26**	26
Management expenses	23	**(5,662)**	(6,072)	**(524)**	(585)
Net income from non-reinsurance operations (II)		**8,186**	7,452	**8,066**	7,267
Profit before income tax (I) + (II)	26	**22,563**	12,882	**22,443**	12,697
Income tax expense	27	**(2,021)**	(1,464)	**(1,909)**	(1,305)
Profit for the year		**20,542**	11,418	**20,534**	11,392
Attributable to:					
Equity holders of the Company		**20,378**	11,259	**20,534**	11,392
Non-controlling interests		**164**	159	**–**	–
Profit for the year		**20,542**	11,418	**20,534**	11,392
Basic and diluted earnings per share (cents)	28	**3.37**	1.86		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Profit for the year	**20,542**	11,418	**20,534**	11,392
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Revaluation of property, plant and equipment	**6,941**	2,385	**6,941**	2,385
Tax on items that will not be reclassified to profit or loss	**(34)**	1	**(34)**	1
	6,907	2,386	**6,907**	2,386
Items that are or may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets:				
– Reclassification of gain on sale of investments to profit or loss	**(4,359)**	(4,732)	**(4,203)**	(4,597)
– Reclassification of impairment write-down on investments to profit or loss	**665**	195	**659**	195
– Change in fair value of investments	**(1,240)**	11,677	**(1,256)**	11,526
Tax on items that are or may be reclassified subsequently to profit or loss	**838**	(1,624)	**838**	(1,624)
	(4,096)	5,516	**(3,962)**	5,500
Other comprehensive income for the year, net of income tax	**2,811**	7,902	**2,945**	7,886
Total comprehensive income for the year	**23,353**	19,320	**23,479**	19,278
Attributable to:				
Equity holders of the Company	**23,210**	19,153	**23,479**	19,278
Non-controlling interests	**143**	167	**–**	–
Total comprehensive income for the year	**23,353**	19,320	**23,479**	19,278

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

Group	Share capital $'000	Fair value reserve $'000	Revaluation reserve $'000	Accumulated profits $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2012	123,300	6,421	9,028	58,347	197,096	512	197,608
Total comprehensive income for the year							
Profit for the year	–	–	–	11,259	11,259	159	11,418
Other comprehensive income:							
Revaluation of property, plant and equipment	–	–	2,385	–	2,385	–	2,385
Available-for-sale financial assets:							
– Reclassification of gain on sale of investments to profit or loss	–	(4,717)	–	–	(4,717)	(15)	(4,732)
– Reclassification of impairment write-down on investments to profit or loss	–	195	–	–	195	–	195
– Change in fair value of investments	–	11,654	–	–	11,654	23	11,677
Income tax relating to components of other comprehensive income	–	(1,624)	1	–	(1,623)	–	(1,623)
Other comprehensive income, net of income tax	–	5,508	2,386	–	7,894	8	7,902
Total comprehensive income for the year	**–**	**5,508**	**2,386**	**11,259**	**19,153**	**167**	**19,320**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Final dividend of 0.5 cent per share tax exempt (one-tier) paid in respect of year 2011	–	–	–	(3,026)	(3,026)	–	(3,026)
Interim dividend of 0.5 cent per share tax exempt (one-tier) paid in respect of year 2012	–	–	–	(3,026)	(3,026)	–	(3,026)
Dividend paid to non-controlling interests	–	–	–	–	–	(187)	(187)
Total contributions by and distributions to owners	–	–	–	(6,052)	(6,052)	(187)	(6,239)
At 31 December 2012	123,300	11,929	11,414	63,554	210,197	492	210,689

Group	Share capital $'000	Fair value reserve $'000	Revaluation reserve $'000	Accumulated profits $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2013	123,300	11,929	11,414	63,554	210,197	492	210,689
Total comprehensive income for the year							
Profit for the year	–	–	–	20,378	20,378	164	20,542
Other comprehensive income:							
Revaluation of property, plant and equipment	–	–	6,941	–	6,941	–	6,941
Available-for-sale financial assets:							
– Reclassification of gain on sale of investments to profit or loss	–	(4,336)	–	–	(4,336)	(23)	(4,359)
– Reclassification of impairment write-down on investments to profit or loss	–	665	–	–	665	–	665
– Change in fair value of investments	–	(1,242)	–	–	(1,242)	2	(1,240)
Income tax relating to components of other comprehensive income	–	838	(34)	–	804	–	804
Other comprehensive income, net of income tax	–	(4,075)	6,907	–	2,832	(21)	2,811
Total comprehensive income for the year	–	(4,075)	6,907	20,378	23,210	143	23,353
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Final dividend of 0.7 cent per share tax exempt (one-tier) paid in respect of year 2012	–	–	–	(4,236)	(4,236)	–	(4,236)
Interim dividend of 0.7 cent per share tax exempt (one-tier) paid in respect of year 2013	–	–	–	(4,236)	(4,236)	–	(4,236)
Acquisition of minority interests	–	–	–	–	–	(12)	(12)
Dividend paid to non-controlling interests	–	–	–	–	–	(295)	(295)
Total contributions by and distributions to owners	–	–	–	(8,472)	(8,472)	(307)	(8,779)
At 31 December 2013	123,300	7,854	18,321	75,460	224,935	328	225,263

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

	Share capital $'000	Fair value reserve $'000	Revaluation reserve $'000	Accumulated profits $'000	Total $'000
Company					
At 1 January 2012	123,300	6,316	9,028	57,379	196,023
Total comprehensive income for the year					
Profit for the year	–	–	–	11,392	11,392
Other comprehensive income:					
Revaluation of property, plant and equipment	–	–	2,385	–	2,385
Available-for-sale financial assets:					
– Reclassification of gain on sale of investments to profit or loss	–	(4,597)	–	–	(4,597)
– Reclassification of impairment write-down on investments to profit or loss	–	195	–	–	195
– Change in fair value of investments	–	11,526	–	–	11,526
Income tax relating to components of other comprehensive income	–	(1,624)	1	–	(1,623)
Total other comprehensive income, net of income tax	–	5,500	2,386	–	7,886
Total comprehensive income for the year	**–**	**5,500**	**2,386**	**11,392**	**19,278**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Final dividend of 0.5 cent per share tax exempt (one-tier) paid in respect of year 2011	–	–	–	(3,026)	(3,026)
Interim dividend of 0.5 cent per share tax exempt (one-tier) paid in respect of year 2012	–	–	–	(3,026)	(3,026)
Total contributions by and distributions to owners	–	–	–	(6,052)	(6,052)
At 31 December 2012	123,300	11,816	11,414	62,719	209,249

The accompanying notes form an integral part of these financial statements.

	Share capital $'000	Fair value reserve $'000	Revaluation reserve $'000	Accumulated profits $'000	Total $'000
Company					
At 1 January 2013	123,300	11,816	11,414	62,719	209,249
Total comprehensive income for the year					
Profit for the year	–	–	–	20,534	20,534
Other comprehensive income:					
Revaluation of property, plant and equipment	–	–	6,941	–	6,941
Available-for-sale financial assets:					
– Reclassification of gain on sale of investments to profit or loss	–	(4,203)	–	–	(4,203)
– Reclassification of impairment write-down on investments to profit or loss	–	659	–	–	659
– Change in fair value of investments	–	(1,256)	–	–	(1,256)
Income tax relating to components of other comprehensive income	–	838	(34)	–	804
Total other comprehensive income, net of income tax	–	(3,962)	6,907	–	2,945
Total comprehensive income for the year	–	(3,962)	6,907	20,534	23,479
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Final dividend of 0.7 cent per share tax exempt (one-tier) paid in respect of year 2012	–	–	–	(4,236)	(4,236)
Interim dividend of 0.7 cent per share tax exempt (one-tier) paid in respect of year 2013	–	–	–	(4,236)	(4,236)
Total contributions by and distributions to owners	–	–	–	(8,472)	(8,472)
At 31 December 2013	123,300	7,854	18,321	74,781	224,256

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2013

	Note	2013 $'000	2012 $'000
Operating activities			
Profit before income tax		**22,563**	12,882
Adjustments for:			
Insurance contract provisions for net unexpired risks		**738**	1,555
Insurance contract provisions for net outstanding claims		**4,188**	4,012
Impairment losses on investments and club membership		**667**	193
Change in fair value of investment properties		**(4,573)**	(1,451)
Gain on sale of investments, net		**(4,359)**	(4,732)
Depreciation of property, plant and equipment		**318**	302
Interest income		**(8,824)**	(9,320)
Dividend income		**(1,813)**	(2,180)
Write-off/Loss on sale of property, plant and equipment		**1**	5
		8,906	1,266
Changes in working capital:			
Insurance receivables		**(25,011)**	(12,835)
Other receivables		**129**	(115)
Insurance payables		**14,491**	12,199
Other payables		**(453)**	(747)
Cash used in operations		**(1,938)**	(232)
Income tax paid		**(1,400)**	(894)
Net cash used in operating activities		**(3,338)**	(1,126)
Investing activities			
Interest received		**9,062**	9,164
Dividends received		**1,813**	2,180
Purchase of investments		**(53,564)**	(38,176)
Proceeds from sale of investments		**67,294**	47,123
Purchase controlling interest in subsidiary		**(12)**	–
Purchase of property, plant and equipment		**(121)**	(108)
Net cash from investing activities		**24,472**	20,183
Financing activities			
Dividends paid		**(8,472)**	(6,052)
(Increase)/Decrease in deposits pledged		**(5)**	83
Net cash used in financing activities		**(8,477)**	(5,969)
Net increase in cash and cash equivalents		**12,657**	13,088
Cash and cash equivalents at beginning of year	13	**65,547**	52,459
Cash and cash equivalents at end of year	13	**78,204**	65,547

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 February 2014.

1 Domicile and activities

Singapore Reinsurance Corporation Limited (the Company) is incorporated in the Republic of Singapore with its registered office at 85 Amoy Street, Singapore 069904.

The Company is licensed as a general reinsurer under the Singapore Insurance Act, Chapter 142 (the Insurance Act). The principal activities of the Company, including its Labuan Branch, are those of a general reinsurer while those of its subsidiaries are set out in note 7 to the financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2013 relate to the Company and its subsidiaries (together referred to as the Group).

2 Basis of preparation

2.1 Statement of compliance

The financial statements are prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the balance sheet:

- available-for-sale financial assets are measured at fair value
- investment properties and leasehold land and buildings are measured at fair value

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The assets and liabilities of the Group which relate to the reinsurance business carried on in Singapore are subject to the requirements of the Insurance Act. Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 and the Group continues to be able to meet the solvency requirements of Section 18 of the Insurance Act and Insurance (Valuation and Capital) Regulations. All other assets and liabilities are accounted for in the books of the "non-reinsurance funds".

NOTES TO THE FINANCIAL STATEMENTS

2 Basis of preparation (continued)

2.2 Basis of measurement (continued)

All income and expenses relating to the reinsurance business are reported under the "Reinsurance operations" in the income statement. All other income and expenses are reported as "Non-reinsurance operations" in the income statement.

The financial statements of the Group represent the combined assets and liabilities, and income and expenses of the reinsurance funds and the non-reinsurance funds.

2.3 Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in applying accounting policies that could have a significant effect on the amount recognised in the financial statements relate mainly to outstanding claim provisions and estimates of premium, commission and loss estimates for bilateral cessions business (see note 16).

2.4 Changes in accounting policies

(i) Fair value measurement

FRS113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS107 *Financial Instruments: Disclosures*.

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

2 Basis of preparation (continued)

2.4 Changes in accounting policies (continued)

(ii) Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to FRS1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities.

3.1 Consolidation

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised gains and losses or income and expenditure arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

3.2 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation and available-for-sale equity securities (see note 3.7) which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.2 Foreign currencies (continued)

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at the average exchange rates for the year. Exchange differences arising on translation are recognised directly in the income statement as the amounts are not material.

3.3 Reinsurance business

Classification of contracts

Contracts under which the Group accepts significant insurance risk by agreeing to compensate the cedants if a specified uncertain future event (the insured event) adversely affects the cedants are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices of rates, a credit rating or credit index or other variable.

Recognition and measurement of contracts

The recording of revenue and the determination of underwriting results of each financial year reflect delays in the receipt of information from cedants and brokers, and the long tail nature of certain classes of insurance business.

Written premiums

Gross written premiums include premiums for contracts entered during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to insurance companies and intermediaries and include adjustments to premiums written in prior accounting periods.

With the exception of premiums for bilateral cessions business, which are estimated up to the end of the financial year, premium is recognised on the basis of closing advices and returns received from cedants and brokers. Bilateral cessions premiums, to the extent not advised by cedants by the year-end, are estimated using comparative information.

The portion of the premium which relates to future accounting periods is included in the provision for unexpired risks in the balance sheet.

The provision for unexpired risks in respect of facultative reinsurance business is calculated based on daily pro-rata method on net premium income. The provision for unexpired risks in respect of other types of reinsurance business is calculated at 40% of net premium income (refer to liability adequacy test).

3 Significant accounting policies (continued)

3.3 Reinsurance business (continued)

Commission

With the exception of bilateral cessions business, commission expense and income are recognised based on closing advices and returns received from cedants and brokers. For bilateral cessions business, to the extent not advised by cedants and brokers by the financial year-end, estimates are derived using comparative information taking into consideration changes in terms and conditions.

Claims

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Outstanding claims comprise provisions for the full estimated cost of losses which have occurred before the end of the current financial year, whether or not these have been notified to the Group. The provisions represent a projection of all future payments to be made in respect of these notified or unreported losses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as inflation, judicial trends, legislative changes, past experience and observable market trends. Anticipated reinsurance recoveries are disclosed separately as assets.

Provision is also made, on the basis of management's experience of claims submitted in prior years, for the estimated ultimate liability of the Group in respect of claims incurred on business accepted up to the end of the financial year.

In view of the nature of the business accepted, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the claim provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Reinsurance

The Group arranges reinsurance outward in the normal course of business for the purpose of limiting its net loss. Outward reinsurance premiums are regarded as deductions from income and are recognised when periodic statements of accounts are rendered to retrocessionaires. Amounts recoverable under reinsurance outward are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaires.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.3 Reinsurance business (continued)

Receivables and payables related to insurance contracts and investment contracts

Insurance receivables and insurance payables are recognised when due. These include amounts due to and from insurance and reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method. Insurance receivables and insurance payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in note 3.8.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets, as described in note 3.8.

Liability adequacy test

In performing the liability adequacy test, the carrying value of the insurance liabilities in the reinsurance fund is compared with the current best estimate of future contractual cash flows and claims handling expenses on an undiscounted basis. If the best estimate for the contractual liabilities is discounted using the risk-free interest rate or yield on assets backing the liabilities, the best estimate figures would be lower.

Any deficiency between the balance sheet liabilities and the adequacy test liabilities is recognised in the income statement for the year.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for owner occupied leasehold land and buildings, which are stated at their revalued amounts.

The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

Any increase in the revaluation amount is credited to other comprehensive income and accumulated in equity in the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in other comprehensive income and accumulated in equity in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised net within other income in the income statement in the period of the retirement or disposal.

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives as follows:

Leasehold land and buildings	over period of lease
Furniture, fittings and office equipment	3 years to 5 years

Fully depreciated assets are retained in the financial statements until they are disposed of. Properties are depreciated from the year in which they are ready for use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

3.5 Intangible asset

Intangible asset which comprises an in-house developed integrated web-based Insurance Brokers Management System, is stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis so as to write-off the costs over the estimated useful life of 3 years.

Amortisation methods, useful lives and residual value are reviewed, and adjusted as appropriate, at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.6 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both. It does not include properties for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value, with any change recognised in the income statement. Rental income from investment properties is accounted for in the manner described in note 3.11.

The gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the property and shall be recognised in the income statement in the period of the retirement or disposal.

3.7 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they originate. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise other receivables.

Cash and cash equivalents comprise cash balances and bank deposits.

3 Significant accounting policies (continued)

3.7 Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. The Group's investments in equity securities and debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to the income statement.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they originate. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities comprising other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and shares options are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, excluding directly attributable costs, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.8 Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through the income statement is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together the receivables.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to the income statement. The cumulative loss that is removed from other comprehensive income and recognised in the income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the income statement.

3 Significant accounting policies (continued)

3.8 Impairment (continued)

Financial assets (including receivables) (continued)

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement, then the impairment loss is reversed, with the amount of the reversal recognised in the income statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets other than investment properties and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to statement of comprehensive income, in which case it is charged to other comprehensive income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

3.9 Employee benefits

Contributions to a statutory defined contribution scheme are recognised as an expense in the income statement when incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.9 Employee benefits (continued)

Short-term benefits (continued)

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Government grants

Cash grants received from the government in relation to the Special Employment Credit Scheme are recognised upon receipt. Such grants are provided to defray the wage costs incurred by the Company and are offset against staff costs in the financial statements.

3.10 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.11 Revenue recognition

The accounting policy in relation to revenue from reinsurance business is disclosed in note 3.3.

Investment income

Investment income comprises gains on the disposal of available-for-sale financial assets, dividend income and interest income.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income in respect of interest bearing investments is accounted on an accrual basis. Interest receivable and payable on reinsurance deposits attributable to the reinsurance business are accounted for in the same period as the relevant statements are received from cedants and brokers or are rendered to reinsurers.

Investment income generated from assets attributable to the reinsurance business is allocated to the reinsurance operations in the income statement. Investment income arising from assets attributable to the non-reinsurance business is allocated to the non-reinsurance operations in the income statement.

3 Significant accounting policies (continued)

3.11 Revenue recognition (continued)

Rental income

Rental income receivable under operating leases is recognised in the income statement on a straight-line basis over the term of the lease.

Non-reinsurance income

Non-reinsurance income includes revenue from management services rendered, advertising fees, subscriptions for magazines and other publications, and advertising income.

Revenue from services rendered is recognised on performance of services.

Revenue from advertising fees are recognised on completion of the services. Revenue is arrived at after deduction of trade discounts. Subscriptions for magazines and other publications and advertising income are recognised on an accrual basis.

3.12 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is computed using the balance sheet method and the methodology provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (continued)

3.12 Income tax expense (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Deferred tax asset are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and the senior management are considered as key management personnel of the Group.

3.14 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

3.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.16 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

4 Property, plant and equipment

Group	Leasehold land and buildings $'000	Furniture, fittings and equipment $'000	Total $'000
Valuation/Cost	**Valuation**	**Cost**	
At 1 January 2012	23,203	4,336	27,539
Additions	–	108	108
Revaluation surplus	2,385	–	2,385
Disposals	–	(162)	(162)
Reversal of depreciation on revaluation	(152)	–	(152)
At 31 December 2012	**25,436**	**4,282**	**29,718**
Additions	–	121	121
Revaluation surplus	6,941	–	6,941
Write-off/Disposals	–	(184)	(184)
Reversal of depreciation on revaluation	(163)	–	(163)
At 31 December 2013	**32,214**	**4,219**	**36,433**
Accumulated depreciation and impairment losses			
At 1 January 2012	–	3,839	3,839
Depreciation for the year	152	150	302
Disposals	–	(157)	(157)
Reversal of depreciation on revaluation	(152)	–	(152)
At 31 December 2012	**–**	**3,832**	**3,832**
Depreciation for the year	163	155	318
Write-off/Disposals	–	(183)	(183)
Reversal of depreciation on revaluation	(163)	–	(163)
At 31 December 2013	**–**	**3,804**	**3,804**
Carrying amounts			
At 1 January 2012	23,203	497	23,700
At 31 December 2012	**25,436**	**450**	**25,886**
At 31 December 2013	**32,214**	**415**	**32,629**

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (continued)

	Leasehold land and buildings $'000	Furniture, fittings and equipment $'000	Total $'000
Company			
Valuation/Cost	**Valuation**	**Cost**	
At 1 January 2012	23,203	3,909	27,112
Additions	–	59	59
Revaluation surplus	2,385	–	2,385
Disposals	–	(99)	(99)
Reversal of depreciation on revaluation	(152)	–	(152)
At 31 December 2012	**25,436**	**3,869**	**29,305**
Additions	–	74	74
Revaluation surplus	6,941	–	6,941
Disposals	–	(144)	(144)
Reversal of depreciation on revaluation	(163)	–	(163)
At 31 December 2013	**32,214**	**3,799**	**36,013**
Accumulated depreciation and impairment losses			
At 1 January 2012	–	3,483	3,483
Depreciation charge for the year	152	119	271
Disposals	–	(98)	(98)
Reversal of depreciation on revaluation	(152)	–	(152)
At 31 December 2012	**–**	**3,504**	**3,504**
Depreciation charge for the year	163	116	279
Disposals	–	(144)	(144)
Reversal of depreciation on revaluation	(163)	–	(163)
At 31 December 2013	**–**	**3,476**	**3,476**
Carrying amounts			
At 1 January 2012	23,203	426	23,629
At 31 December 2012	**25,436**	**365**	**25,801**
At 31 December 2013	**32,214**	**323**	**32,537**

4 Property, plant and equipment (continued)

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Depreciation charge					
Leasehold land and buildings		**163**	152	**163**	152
Furniture, fittings and equipment		**155**	150	**116**	119
	26	**318**	302	**279**	271
Allocated as follows:					
Reinsurance operations	23	**152**	147	**152**	147
Non-reinsurance operations	23	**161**	150	**122**	119
Investment expenses	21	**5**	5	**5**	5
		318	302	**279**	271

Leasehold land and buildings of the Group and Company are revalued as at 31 December 2013 by firms of independent professional valuers, at open market value on an existing use basis. The measurement is based on the market comparison method. The revaluation surplus amounted to $6,941,000 (2012: $2,385,000).

The carrying amount of leasehold land and buildings of the Group and the Company would have been $14,245,000 (2012: $14,309,000) had the leasehold land and buildings been carried at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are non-current assets.

Details of the owner occupied leasehold properties are set out below:

Owner occupied leasehold land and buildings

Location	Description	Tenure	Land area/ Floor area (sq. m.)	Carrying amount 2013 $'000	Carrying amount 2012 $'000
Singapore					
85 Amoy Street	Office building	999 years lease w.e.f. 1/10/1827	235	**12,800**	10,500
68/69 Amoy Street	Office building	999 years lease w.e.f. 1/10/1827	304	**17,000**	12,800
China					
#1918, The Panorama, 53 Huang Pu Road, Shanghai 200080	Office and residential units	50 years lease w.e.f. 16/6/1998	168	**2,414**	2,136
Total owner occupied leasehold land and buildings				**32,214**	25,436

NOTES TO THE FINANCIAL STATEMENTS

5 Investment properties

Group and Company	Note	$'000
At 1 January 2012		14,099
Change in fair value	21, 26	1,451
At 31 December 2012		**15,550**
Change in fair value	21, 26	4,573
At 31 December 2013		**20,123**

Investment properties are revalued as at 31 December 2013 by firms of independent professional valuers at open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. The measurement is based on the market comparison method.

Investment properties comprise a number of commercial properties that are leased to external customers. The leases contain an initial non-cancellable period of one to two years. Subsequent renewals are negotiated with the lessee.

Investment properties are non-current assets.

Details of the investment properties are set out below:

Investment properties leasehold land and buildings

Location	Description	Tenure	Land area/ Floor area (sq. m.)	Carrying amount 2013 $'000	2012 $'000
Singapore					
55-58 Amoy Street	Office building	999 years lease w.e.f. 25/7/1833	178	**8,300**	6,500
103 Amoy Street	Office building	999 years lease w.e.f. 1/10/1827	185	**9,000**	7,000
China					
#905 to 907 and #2003, Dalian Asia Pacific Finance Centre, 55 Renmin Road, Zhongshan District, Dalian	Office and residential units	50 years lease w.e.f. 28/12/1993	378	**–**	–
#710, 711 & 712, South Office Block, Beijing New World Centre, Chong Wen Men Wai Da Jie, Chong Wen District, Beijing 100062	Office and residential units	50 years lease w.e.f. 1/4/1994	327	**2,823**	2,050
				20,123	15,550

6 Intangible asset

Insurance Brokers Management System (IBMS) is a fully integrated web-based system designed specifically to enable the professional insurance broker/agent to meet the demand of modern business with focus on customer service and quick efficient information retrieval. It comprises different modules and a host of management reports to aid decision-making, credit control, customer servicing as well as local statutory reporting.

The development cost of the IBMS is capitalised as an intangible asset and the asset is stated at cost less amortisation and impairment losses.

	Group	
	2013	2012
	$'000	$'000
Web-based broker software development cost	**137**	137
Provision for amortisation	**(137)**	(137)
	–	–

7 Interest in subsidiaries

	Company	
	2013	2012
	$'000	$'000
Unquoted equity shares, at cost	**1,223**	1,211
Provision for impairment	**(89)**	–
	1,134	1,211

NOTES TO THE FINANCIAL STATEMENTS

7 Interest in subsidiaries (continued)

The following are subsidiaries as at 31 December 2013:

Name of company	Principal activities	Percentage of equity held by the Group	
		2013	2012
		%	%
Singapore-Re Management Services Private Limited[1]	Management, computer advisory services and consultancy	**100**	100
INS Communications Private Limited[1]	Publisher of magazines, books and other publications and organiser of conferences	**85**	85
SR Advertising & Communications Pte Ltd[1]	Advertising and consultancy	**66.67**	66.67
SR-China Advisory Services Co Ltd[2]	Property management and consultancy services	**90**	85

[1] Audited by KPMG LLP Singapore

[2] Audited by Shanghai Hai Ming Certified Public Accountants Co., Ltd. During the year, the Company acquired additional 5% of shares in SR-China Advisory Services Co Ltd with purchase consideration of $12,000. The remaining 10% of equity is held by one senior employee of SR-China Advisory Services Co Ltd.

SR-China Advisory Services Co Ltd is incorporated and carries on business in China.

SR Advertising & Communications Pte Ltd ceased accepting new business from 1 November 2012. As of 31 December 2013, based on expected recoverable amount upon liquidation, the Company had recognised loss on liquidation of $89,000 which is disclosed in note 21. The final meeting for the Members' Voluntary Liquidation was completed on 28 January 2014.

Interest in subsidiaries is non-current.

8 Financial assets

Financial assets consist of equity securities and debt securities:

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Debt securities available-for-sale				
– at fair value	**217,063**	238,497	**217,176**	237,639
Equity securities available-for-sale				
– at fair value	**55,126**	48,658	**55,186**	48,092
Total financial assets	**272,189**	287,155	**272,362**	285,731
Allocated as:				
Non-current assets				
– Equity securities available-for-sale				
– at fair value	**1,069**	1,212	**1,069**	1,212
Total non-current assets	**1,069**	1,212	**1,069**	1,212
Current assets				
– Debt securities available-for-sale				
– at fair value	**217,063**	238,497	**217,176**	237,639
– Equity securities available-for-sale				
– at fair value	**54,057**	47,446	**54,117**	46,880
Total current assets	**271,120**	285,943	**271,293**	284,519
Total financial assets	**272,189**	287,155	**272,362**	285,731

The maximum exposure to credit risk for securities at the reporting date is the carrying amount.

Debt securities include government securities of $2,133,600 (2012: $2,311,600) pledged to a bank for letter of credit facilities.

During the year, the Group recognised an impairment loss of $665,000 (2012: $195,000) for investments in equity securities due to significant or prolonged decline in fair value of these securities since the initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

9 Deferred taxation

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1 January 2012 $'000	Recognised in income statement $'000	Recognised in other comprehensive income $'000	At 31 December 2012 $'000
Group				
Deferred tax (liabilities)/assets				
Unabsorbed tax loss	5	(5)	–	–
Others	43	–	–	43
Financial assets	(755)	–	(1,624)	(2,379)
Property, plant and equipment and intangible asset	(270)	21	1	(248)
Investment properties	(92)	(20)	–	(112)
Other receivables	(388)	(32)	–	(420)
	(1,457)	(36)	(1,623)	(3,116)

	At 31 December 2012 $'000	Recognised in income statement $'000	Recognised in other comprehensive income $'000	At 31 December 2013 $'000
Others	**43**	**(14)**	**–**	**29**
Financial assets	**(2,379)**	**–**	**839**	**(1,540)**
Property, plant and equipment and intangible asset	**(248)**	**–**	**(34)**	**(282)**
Investment properties	**(112)**	**(77)**	**–**	**(189)**
Other receivables	**(420)**	**39**	**–**	**(381)**
	(3,116)	**(52)**	**805**	**(2,363)**

9 Deferred taxation (continued)

	At 1 January 2012 $'000	Recognised in income statement $'000	Recognised in other comprehensive income $'000	At 31 December 2012 $'000
Company				
Deferred tax (liabilities)/assets				
Others	29	(1)	–	28
Financial assets	(755)	–	(1,624)	(2,379)
Property, plant and equipment	(258)	22	1	(235)
Investment properties	(92)	(20)	–	(112)
Other receivables	(386)	(32)	–	(418)
	(1,462)	(31)	(1,623)	(3,116)

	At 31 December 2012 $'000	Recognised in income statement $'000	Recognised in other comprehensive income $'000	At 31 December 2013 $'000
Others	**28**	**1**	**–**	**29**
Financial assets	**(2,379)**	**–**	**839**	**(1,540)**
Property, plant and equipment	**(235)**	**(13)**	**(34)**	**(282)**
Investment properties	**(112)**	**(77)**	**–**	**(189)**
Other receivables	**(418)**	**37**	**–**	**(381)**
	(3,116)	**(52)**	**805**	**(2,363)**

NOTES TO THE FINANCIAL STATEMENTS

9 Deferred taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**`$'000**	$'000
Deferred tax assets	**29**	43	**29**	28
Deferred tax liabilities	**(2,392)**	(3,159)	**(2,392)**	(3,144)
Net deferred tax liabilities	**(2,363)**	(3,116)	**(2,363)**	(3,116)

Deferred tax liabilities are non-current.

10 Insurance contract provisions

a. *Analysis of movements in provision for outstanding claims:*

	Group and Company	
	2013	2012
	$'000	$'000
Gross outstanding claims	**376,798**	378,715
Reinsurers' share of outstanding claims	**(216,285)**	(222,390)
Outstanding claims (net)	**160,513**	156,325
Movements in gross outstanding claims:		
Balance at beginning of the year	**378,715**	351,602
Gross paid claims	**(85,916)**	(66,516)
Gross claims incurred	**83,999**	93,629
Balance at end of the year	**376,798**	378,715
Movements in reinsurers' share of outstanding claims:		
Balance at beginning of the year	**(222,390)**	(199,289)
Reinsurers' share of paid claims	**58,199**	38,395
Reinsurers' share of claims incurred	**(52,094)**	(61,496)
Balance at end of the year	**(216,285)**	(222,390)
Movements in net provision:		
Balance at beginning of the year	**156,325**	152,313
Net paid claims	**(27,717)**	(28,121)
Net claims incurred	**31,905**	32,133
Balance at end of the year	**160,513**	156,325

10 Insurance contract provisions (continued)

b. Analysis of movements in provision for unexpired risks:

	Group and Company	
	2013	2012
	$'000	$'000
Gross unexpired risks	**46,544**	44,705
Reinsurers' share of unexpired risks	**(27,351)**	(26,250)
Unexpired risks (net)	**19,193**	18,455
Movements in gross unexpired risks:		
Balance at beginning of the year	**44,705**	36,858
Transfer from reinsurance operations	**1,839**	7,847
Balance at end of the year	**46,544**	44,705
Movements in reinsurers' share of unexpired risks:		
Balance at beginning of the year	**(26,250)**	(19,958)
Transfer from reinsurance operations	**(1,101)**	(6,292)
Balance at end of the year	**(27,351)**	(26,250)
Movements in net provision:		
Balance at beginning of the year	**18,455**	16,900
Transfer from reinsurance operations	**738**	1,555
Balance at end of the year	**19,193**	18,455

c. Summary

Total insurance contract provisions are allocated as follows:

	Group and Company	
	2013	2012
	$'000	$'000
Non-current liabilities	**301,625**	313,519
Current liabilities	**121,717**	109,901
	423,342	423,420
Non-current assets	**(168,489)**	(183,594)
Current assets	**(75,147)**	(65,046)
	(243,636)	(248,640)
Net	**179,706**	174,780

The current claim liabilities are determined by using the average claim payout ratio for the past three financial years for each individual line of business. The claim payout ratio is calculated using the total paid losses for each financial year, divided by the total claim liabilities as at the beginning of each financial year.

NOTES TO THE FINANCIAL STATEMENTS

11 Insurance receivables

	Group and Company	
	2013	2012
	$'000	$'000
Inward insurance receivables:		
– Related parties	**15,927**	16,875
– Others	**36,024**	20,297
Allowance for doubtful inward insurance receivables	**(3,645)**	(3,891)
	48,306	33,281
Outward reinsurance receivables:		
– Related parties	**6,592**	1,184
– Others	**12,993**	8,704
Allowance for doubtful outward reinsurance receivables	**(860)**	(947)
	18,725	8,941
Deposits retained by cedants:		
– Related parties	**918**	110
– Others	**3,009**	3,615
	3,927	3,725
	70,958	45,947

Insurance receivables are all due within the next financial year.

The Group has exposure to credit risk on insurance receivables. However, these cedants and reinsurers are internationally dispersed, engage in a wide range of insurance and reinsurance activities and operate in a variety of end markets. The Group's historical experience in the collection of insurance receivables falls within the recorded allowances. Due to these factors, Management believes that no additional allowances are required for doubtful inward and outward insurance receivables.

The carrying value of the Group's three most significant insurance receivables as at the balance sheet date amounted to $34,807,000 (2012: $22,440,000) and represented 49% (2012: 49%) of total insurance receivables.

12 Other receivables

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Trade receivables of the subsidiaries		**1,531**	1,595	**–**	–
Allowance for doubtful receivables		**(232)**	(124)	**–**	–
		1,299	1,471	**–**	–
Interest receivable		**2,440**	2,682	**2,438**	2,673
Sundry deposits		**27**	32	**25**	26
Amounts due from subsidiaries (non-trade)	19	**–**	–	**486**	196
Others		**53**	40	**45**	26
Other receivables		**3,819**	4,225	**2,994**	2,921
Deferred expenses		**72**	70	**–**	–
Prepayments		**382**	349	**360**	316
		4,273	4,644	**3,354**	3,237

Other receivables are all due within the next financial year.

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

13 Cash and cash equivalents

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Cash at bank and in hand	**9,398**	5,166	**8,256**	4,021
Fixed deposits	**69,645**	61,215	**67,520**	60,843
	79,043	66,381	**75,776**	64,864
Pledged deposits	**(839)**	(834)	**(839)**	(834)
	78,204	65,547	**74,937**	64,030

Pledged deposits have been excluded from cash and cash equivalents in the cash flow statement.

Deposits with financial institutions of $839,000 (2012: $834,000) have been pledged to a bank for letter of credit facilities granted to the Company.

NOTES TO THE FINANCIAL STATEMENTS

14 Share capital

	Group and Company			
	2013	**2013**	2012	2012
	Number of shares '000	**$'000**	Number of shares '000	$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January and 31 December	**605,220**	**123,300**	605,220	123,300

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future business development. The Board of Directors monitors the return on shareholders' equity, which the Group defines as net operating income divided by total shareholders' equity excluding non-controlling interest. The Board of Directors also recommends to shareholders the level of dividends to be paid.

The Group's return on shareholders' equity was 9.1% (2012: 5.4%).

Pursuant to the Share Buy-Back Mandate, the Group has the flexibility to undertake purchases or acquisitions of its issued shares, at any time and from time to time, subject to market conditions, during the period that the Share Buy-Back Mandate is in force. Buy and sell decisions are made on a specific transaction basis by the Board and the Group does not have a defined share buyback plan.

There were no changes in the Group's approach to capital management during the year.

All insurers and reinsurers that carry on insurance business in Singapore are registered with the Monetary Authority of Singapore and are subject to the prudential standards which set out the basis for calculating the fund solvency requirements (FSR) and capital adequacy requirement (CAR) which is a minimal level of capital that must be held to meet policyholders' obligations. The FSR and CAR apply a risk-based approach to capital adequacy and are determined to be the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the reinsurer under the Act. It is the Company's policy to hold capital levels in excess of FSR and CAR.

15 Reserves

The fair value reserve includes the cumulative net change in fair value of available-for-sale investments until the investment is derecognised.

The revaluation reserve includes the surpluses arising from the revaluations of owner occupied leasehold land and buildings.

16 The process involved in (1) determining outstanding claim liabilities and (2) estimating bilateral cessions business

(1) Determining outstanding claim liabilities

The data used for determining the expected ultimate claim liabilities is collated internally based on information received from cedants relating to business underwritten by the Group. This is further supplemented by externally available information on industry statistics and trends.

The Group's reserving methodology is intended to result in the most likely or expected outcome for the ultimate loss settlement for each type and class of business by analysing the historical claim payments to identify possible trends in order to project future claim payments. The Group also considers the nature of the risks underwritten, geographical location, sum insured, and previous experience to estimate expected loss ratios for each class of business and underwriting year. The derived expected loss ratios are internally checked to ensure that they are consistent with observable market trends or other market information, as considered necessary. Where there is insufficient information, the expected ultimate claim liabilities are arrived at based on prudent assumptions.

For random incidences of large market losses, the Group sets aside case reserves after taking into consideration the claim circumstances, current available information and historical evidence of similar claims. Case estimates are reviewed regularly and updated as and when new information becomes available. However, the ultimate claim liabilities may vary as a result of subsequent developments.

The Group systematically and periodically reviews the provisions established and adjusts the loss estimation process in an effort to achieve minimum variation between the actual final outcome and the original projection. The provisions for outstanding claim liabilities are not discounted for time value of money.

Given the nature of the reinsurance business, it is very difficult to predict with certainty the ultimate cost of claims, both notified and unreported. The difficulties in loss estimation are further compounded by divergence in the many types and classes of business, differences in the underlying insurance contracts and complexity of claims, lack of consistency in the professional standards of cedants, among other dynamic factors. To ensure objectivity, the Group is required to appoint an independent actuary to assess the adequacy of the Group's insurance liabilities on an annual basis. As set out in note 3.3, any deficit arising from the liability adequacy test is recognised in the reinsurance operations for the year.

The actuary uses statistical projections at a given point in time of the Group's expectations of the ultimate claims settlement for losses which occurred in the current financial year and prior. Such statistical tools analyse and extrapolate the development of paid and incurred claims to ultimate.

NOTES TO THE FINANCIAL STATEMENTS

16 The process involved in (1) determining outstanding claim liabilities and (2) estimating bilateral cessions business (continued)

(1) Determining outstanding claim liabilities (continued)

With respect to treaty and facultative business, as in prior years, rather than placing reliance on only one statistical method, the Loss Development Factor (LDF) and Bornheutter-Ferguson (BF) methods are used. The results produced by the method considered most appropriate are used for a particular class of business.

The LDF method involves the analysis of historical claims development factors and the selection of estimated development factors based on the historical pattern. The selected factors are then applied to the cumulative paid and incurred claims data for each underwriting year for which the data is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year. This method is more appropriate for classes of business which have a relatively stable loss development pattern.

The BF method uses the LDF method and combines it with an assessment of the ultimate loss ratios for each class of business. The ultimate loss ratio for a particular class may be based on general industry experience or a combination of both the Group's own experience and general industry experience. The BF method is more relevant for classes of business which lack developed claims experience, or for more recent underwriting years of long-tailed business.

For bilateral and voluntary cessions business, information regarding the general insurance market in Singapore, claims payments and derived loss ratios on a class-by-class basis is considered.

An additional loading is applied, otherwise known as a provision for adverse deviation, having regard to the Insurance Act and Insurance (Valuation and Capital) Regulations and uncertainty introduced by limitations of available data.

To the extent that the statistical method uses historical claims development information, it is assumed that the historical claims development pattern will recur in the future. There are however reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the mathematical models. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political, social and environmental trends, which could result in different expected levels of inflation, claim frequency and severity;
- changes in business composition; and
- random fluctuations, including the impact of a higher frequency of large losses.

16 The process involved in (1) determining outstanding claim liabilities and (2) estimating bilateral cessions business (continued)

(1) Determining outstanding claim liabilities (continued)

The assumption that has the greatest effect on the determination of the outstanding claim liabilities is the expected ultimate loss ratio, particularly for the more recent underwriting years which are not fully developed.

A sensitivity analysis of the change in the expected ultimate loss ratio is shown in note 31.

(2) Estimating bilateral cessions business

Bilateral cessions premiums, commission expenses and claims, to the extent not advised by cedants by the financial year-end, are estimated on a cedant by cedant basis using comparative information after adjusting for revisions in cession terms and conditions. The estimated premium, commission and claim figures may differ from the actual as advised by the cedants subsequent to the financial year-end. The Group will review and adjust the estimation established once advised by cedants. Past experience has shown that this basis of estimation was reasonably close to the actual outcome and a change in the key assumptions by 10%, as a whole, is not expected to have a significant impact on the underwriting margin, both before and after reinsurance for the year ended 31 December 2013 and equity of the Group as at 31 December 2013.

17 Insurance payables

	Group and Company	
	2013	2012
	$'000	$'000
Inward insurance payables:		
– Related parties	**8,977**	4,372
– Others	**22,141**	22,625
Outward reinsurance payables:		
– Related parties	**15,768**	13,445
– Others	**15,719**	7,777
Deposits retained from reinsurers:		
– Related parties	**1,805**	1,277
– Others	**1,401**	1,824
	65,811	51,320

Insurance payables are due within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

18 Other payables

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Accruals	**1,560**	1,637	**1,269**	1,352
Deferred income	**1,130**	889	**–**	–
Employee benefits				
– liability for short term accumulating compensated absences and long service benefit	**266**	256	**177**	171
Sundry creditors	**757**	1,112	**547**	806
Sundry deposits	**128**	122	**154**	142
Trade creditors of the subsidiaries	**130**	96	**–**	–
Unclaimed dividends	**74**	91	**74**	91
	4,045	4,203	**2,221**	2,562

Other payables are due within the next financial year.

Deferred income relates to income from organising conferences and participation in other insurance and other finance related activities which is not recognised until completion of the services.

19 Amounts due to and from subsidiaries

The amounts due to and from subsidiaries are interest-free, unsecured and repayable on demand.

20 Revenue

		Group		Company	
	Note	**2013**	2012	**2013**	2012
		$'000	$'000	**$'000**	$'000
Gross written premiums		**140,881**	130,373	**140,881**	130,373
Non-reinsurance income	22	**6,364**	6,704	**–**	–
		147,245	137,077	**140,881**	130,373

Gross written premiums relate to the reinsurance operations.

21 Investment income and expenses

		Group		Company	
	Note	**2013**	2012	**2013**	2012
		$'000	$'000	**$'000**	$'000
Investment income:					
Dividend income (gross):					
– from subsidiaries		**–**	–	**1,305**	1,238
– other investments		**1,813**	2,180	**1,804**	2,141
Rental income*		**1,507**	1,121	**1,615**	1,219
Net gains on sale of investments		**4,359**	4,732	**4,203**	4,597
Change in fair value of investment properties	26	**4,573**	1,451	**4,573**	1,451
Interest income:					
– Corporate bonds		**6,822**	7,280	**6,790**	7,234
– Deposits		**534**	444	**534**	443
– Government and public authority securities		**1,430**	1,573	**1,430**	1,573
– Others		**16**	10	**5**	4
Interest on premium reserve deposit		**22**	13	**22**	13
Total investment income		**21,076**	18,804	**22,281**	19,913
Allocated as follows:					
Reinsurance operations		**13,282**	11,798	**13,282**	11,798
Non-reinsurance operations		**7,794**	7,006	**8,999**	8,115
		21,076	18,804	**22,281**	19,913

NOTES TO THE FINANCIAL STATEMENTS

21 Investment income and expenses (continued)

	Note	Group		Company	
		2013	2012	**2013**	2012
		$'000	$'000	**$'000**	$'000
Investment expenses:					
Interest on reinsurers' deposits		**(20)**	(14)	**(20)**	(14)
Staff costs	24	**(136)**	(128)	**(136)**	(128)
Other investment expense		**(263)**	(260)	**(281)**	(271)
Directors' fees		**(50)**	(50)	**(50)**	(50)
Consultancy expenses		**(278)**	(277)	**(278)**	(277)
Withholding tax		**(14)**	(11)	**(14)**	(11)
Depreciation of property, plant and equipment	4	**(5)**	(5)	**(5)**	(5)
Rental expense		**(6)**	(4)	**(6)**	(4)
Exchange gain/(loss)		**324**	(467)	**324**	(467)
Impairment losses on investments and club membership	26	**(667)**	(193)	**(659)**	(195)
Loss on liquidation of subsidiary		**–**	–	**(89)**	–
Total investment expenses		**(1,115)**	(1,409)	**(1,214)**	(1,422)
Allocated as follows:					
Reinsurance operations		**(779)**	(1,133)	**(779)**	(1,133)
Non-reinsurance operations		**(336)**	(276)	**(435)**	(289)
		(1,115)	(1,409)	**(1,214)**	(1,422)
Net investment income:					
Allocated as follows:					
Reinsurance operations		**12,503**	10,665	**12,503**	10,665
Non-reinsurance operations		**7,458**	6,730	**8,564**	7,826
		20,051	17,395	**21,067**	18,491

* Rental income includes $857,000 (2012: $548,000) relating to internal charging of rent to departments occupying the Company's premises.

22 Other operating income

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-reinsurance income:					
– advertisements		**1,531**	1,701	**–**	–
– publications and organising of conferences and seminars		**4,219**	4,295	**–**	–
– management services		**62**	42	**–**	–
– net commissions from advertising services*		**–**	100	**–**	–
– computer advisory services and consultancy		**552**	566	**–**	–
	20	**6,364**	6,704	**–**	–
Other income:					
– unclaimed dividends		**26**	26	**26**	26
– others		**–**	64	**–**	–
		6,390	6,794	**26**	26
Allocated as follows:					
Subsidiaries' business		**6,364**	6,768	**–**	–
Company's business		**26**	26	**26**	26
		6,390	6,794	**26**	26

* Net commissions are derived after deduction of advertisement costs payable to media companies and rebates to customers.

23 Management expenses

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Reinsurance operations:					
Staff costs	24	**3,599**	3,228	**3,599**	3,228
Depreciation of property, plant and equipment	4	**152**	147	**152**	147
Other operating expenses	25	**2,296**	4,692	**2,296**	4,692
		6,047	8,067	**6,047**	8,067
Non-reinsurance operations:					
Staff costs	24	**2,701**	2,814	**–**	–
Depreciation of property, plant and equipment	4	**161**	150	**122**	119
Other operating expenses	25	**2,800**	3,108	**402**	466
		5,662	6,072	**524**	585
Allocated as follows:					
Subsidiaries' business		**5,138**	5,487	**–**	–
Company's business		**6,571**	8,652	**6,571**	8,652
		11,709	14,139	**6,571**	8,652

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24 Staff costs

		Group		Company	
	Note	**2013**	2012	**2013**	2012
		$'000	$'000	**$'000**	$'000
Reinsurance operations	23	**3,599**	3,228	**3,599**	3,228
Non-reinsurance operations	23	**2,701**	2,814	**–**	–
Investment expenses	21	**136**	128	**136**	128
		6,436	6,170	**3,735**	3,356

Staff costs include compulsory contributions to a statutory defined contribution plan, relating to:

	Group 2013	Group 2012	Company 2013	Company 2012
Reinsurance operations	**320**	298	**320**	298
Non-reinsurance operations	**229**	242	**–**	–
Investment expenses	**11**	10	**11**	10
	560	550	**331**	308
These comprise:				
Directors of the subsidiaries	**50**	50	**32**	32
Staff	**510**	500	**299**	276
	560	550	**331**	308

25 Other operating expenses

		Group		Company	
	Note	**2013**	2012	**2013**	2012
		$'000	$'000	**$'000**	$'000
Conference, printing and design costs		**1,234**	1,375	**–**	–
Computer expenses		**1,159**	1,179	**918**	914
Rental expenses		**851**	576	**851**	544
Professional fees		**566**	540	**479**	358
Directors' fees		**615**	619	**590**	590
Bad debts recovered		**(165)**	(41)	**(160)**	(123)
Allowance (reversed)/made for doubtful receivables		**(225)**	2,218	**(333)**	2,284
Others		**1,061**	1,334	**353**	591
		5,096	7,800	**2,698**	5,158
Allocated as follows:					
Reinsurance operations	23	**2,296**	4,692	**2,296**	4,692
Non-reinsurance operations*	23	**2,800**	3,108	**402**	466
		5,096	7,800	**2,698**	5,158
** Non-reinsurance operations allocated as follows:*					
Subsidiaries' business		**2,398**	2,642	**–**	–
Company's non-reinsurance business		**402**	466	**402**	466
		2,800	3,108	**402**	466

26 Profit before income tax

Profit before income tax has been arrived at after charging/(crediting):

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Depreciation of property, plant and equipment	4	**318**	302	**279**	271
Change in fair value of investment properties	21	**(4,573)**	(1,451)	**(4,573)**	(1,451)
Impairment write-down/(back) on:					
– investments	21	**665**	195	**659**	195
– club membership	21	**2**	(2)	**–**	–
Exchange loss		**430**	510	**427**	446
Write-off/Loss on sale of property, plant and equipment		**1**	5	**–**	1
Remuneration paid to auditors of the Company:					
– audit fees		**212**	204	**188**	174
– non-audit fees		**96**	33	**83**	22
Bad debts (recovered)/written off:					
– insurance receivables		**(160)**	(123)	**(160)**	(123)
– trade receivables of the subsidiaries		**(5)**	82	**–**	–
Allowance (reversed)/made for doubtful receivables:					
– insurance receivables		**(333)**	2,284	**(333)**	2,284
– trade receivables of the subsidiaries		**108**	(66)	**–**	–
Remuneration paid to directors:					
– directors' fees		**615**	619	**590**	590
– consultancy fees		**396**	396	**396**	396
Senior Management remuneration*		**1,988**	1,915	**1,174**	976

* include short term employee benefits paid to designation Assistant General Managers and above.

NOTES TO THE FINANCIAL STATEMENTS

27 Income tax expense

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Current tax				
– based on current year's results	**2,001**	1,433	**1,873**	1,249
– (over)/under provision in respect of prior years	**(32)**	(5)	**(16)**	25
	1,969	1,428	**1,857**	1,274
Deferred tax				
– origination and reversal of temporary differences	**52**	36	**52**	31
	2,021	1,464	**1,909**	1,305

Reconciliation of tax charge

	Group		Company	
	2013	2012	**2013**	2012
Profit before taxation	**22,563**	12,882	**22,443**	12,697
Income tax using Singapore tax rates at 17%	**3,836**	2,190	**3,815**	2,158
Non-deductible/taxable differences (net)	**(884)**	(197)	**(832)**	(178)
Income not subject to tax	**(268)**	(324)	**(490)**	(534)
Income taxed at concessionary rate	**(493)**	(139)	**(493)**	(139)
Tax benefit from tax exemption scheme	**(120)**	(63)	**(56)**	(26)
(Over)/under provision in respect of prior years	**(32)**	(5)	**(16)**	25
Effect of different tax rate in other countries	**(18)**	2	**(19)**	(1)
	2,021	1,464	**1,909**	1,305

28 Basic and diluted earnings per share

	Group	
	2013	2012
	$'000	$'000
Basic and diluted earnings per share is based on:		
Net profit attributable to ordinary shares	**20,378**	11,259

	2013	2012
	'000	'000
Number of shares	**605,220**	605,220

29 Dividends

After the balance sheet date, the Directors proposed the following dividends. The dividends have not been provided for in the financial statements.

	2013	2012
	$'000	$'000
Final dividend proposed:		
– 0.8 cent (2012: 0.7 cent) per share tax exempt (one-tier)	**4,842**	4,236

30 Segment information

The Group has two reportable segments, which comprise the reinsurance and non-reinsurance segments. The Group is principally engaged in the business of underwriting general reinsurance business which comprises the reinsurance segment. The non-reinsurance segment relates to the Company's investment activities of its non-reinsurance funds and the operations of its subsidiaries. For each of the reportable segments, the Board of Directors reviews the internal management reports on at least a quarterly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports.

NOTES TO THE FINANCIAL STATEMENTS

30 Segment information (continued)

(a) Operating segments

The Group operates mainly in the reinsurance industry.

Group	2013 Reinsurance $'000	2013 Non-reinsurance $'000	2013 Total $'000	2012 Reinsurance $'000	2012 Non-reinsurance $'000	2012 Total $'000
Gross written premiums	**140,881**	**–**	**140,881**	130,373	–	130,373
Net earned premiums	**51,841**	**–**	**51,841**	46,842	–	46,842
Net claims incurred	**(31,905)**	**–**	**(31,905)**	(32,133)	–	(32,133)
Net commission expense	**(12,015)**	**–**	**(12,015)**	(11,877)	–	(11,877)
Management expenses	**(6,047)**	**–**	**(6,047)**	(8,067)	–	(8,067)
Underwriting results	**1,874**	**–**	**1,874**	(5,235)	–	(5,235)
Net investment income*	**12,503**	**–**	**12,503**	10,665	–	10,665
Net income from reinsurance operations (I)	**14,377**	**–**	**14,377**	5,430	–	5,430
Net investment income*	**–**	**7,458**	**7,458**	–	6,730	6,730
Other operating income	**–**	**6,390**	**6,390**	–	6,794	6,794
Management expenses	**–**	**(5,662)**	**(5,662)**	–	(6,072)	(6,072)
Net income from non-reinsurance operations (II)	**–**	**8,186**	**8,186**	–	7,452	7,452
Profit before income tax (I) + (II)			**22,563**			12,882
Income tax expense			**(2,021)**			(1,464)
Profit for the year			**20,542**			11,418
Segment total assets	**597,586**	**125,283**	**722,869**	568,611	125,612	694,223
Segment total liabilities	**492,834**	**4,772**	**497,606**	478,402	5,132	483,534

Other material non-cash items:

	2013 Reinsurance $'000	2013 Non-reinsurance $'000	2013 Total $'000	2012 Reinsurance $'000	2012 Non-reinsurance $'000	2012 Total $'000
Change in fair value of investment properties	**773**	**3,800**	**4,573**	201	1,250	1,451
Impairment write-down on investments	**(626)**	**(39)**	**(665)**	(195)	–	(195)
Exchange loss	**(426)**	**(4)**	**(430)**	(446)	(64)	(510)
Bad debts recovered/ (written off)	**160**	**5**	**165**	123	(82)	41
Allowance reversed/(made) for doubtful receivables	**333**	**(108)**	**225**	(2,284)	66	(2,218)

* Investment income is shown as net basis as the management primarily relies on net investment income to assess the performance of the segments.

30 Segment information (continued)

(b) Major customer

The Group has two external customers in the reinsurance segment whose contribution to the Group's revenue is in excess of 10%. Revenue from these two customers represents approximately $54,936,000 (2012: $48,297,000) of the Group's total revenue.

(c) Geographical information

The Group's reinsurance operations are predominantly in Singapore. It also carries on business in other Asian countries.

Geographical information of the Group's revenue derived from external customers based on country of domicile and the non-current assets based on geographical location of the assets are as follows:

	Revenue		**Non-current assets**	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Singapore	**78,652**	73,614	**47,513**	37,247
Malaysia	**24,347**	24,241	**–**	–
China	**21,069**	14,562	**5,239**	4,189
Others	**23,177**	24,660	**–**	–
Total	**147,245**	137,077	**52,752**	41,436

The Group's non-current assets presented above consist of property, plant and equipment, investment properties and intangible asset only.

31 Insurance and financial risk management

(a) Risk management objectives and policies for mitigating insurance risk

The Group is exposed to a variety of insurance and financial risks in the normal course of its business activities. These include principally underwriting, credit, interest rate and currency risks. Management is guided by risk management policies and guidelines set by the Board as part and parcel of its overall business strategy and philosophy. To facilitate the task of monitoring these exposures, established processes are in place. Regular reviews by Management in conjunction with Internal Audit, and under supervision of the Executive Committee of the Board, as well as the Audit Committee, are conducted to ensure effectiveness and compliance with established policies and guidelines.

Internal audit undertakes both regular and ad hoc reviews of management control procedures, the results of which are reported to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(a) Risk management objectives and policies for mitigating insurance risk (continued)

Underwriting risk

The Group writes proportional treaties, excess of loss treaties, facultative and bilateral cessions business and the key focus is in Property & Casualty reinsurances emanating from the Asian markets.

Underwriting risk arises from the Group's core reinsurance business, in which a part of an insurer's risk or portfolio of risks is assumed in return for a premium. Owing to the complexity of the business which covers all aspects of human endeavours and is subjected to changes in numerous dynamic factors including political, social, economic and environmental, it is not possible to match accurately premium pricing with the ultimate financial liability in the future on each and every contract. A serious miscalculation in pricing of any one contract can give rise to significant financial loss. To minimise such risks, the Group has to ensure that underwriters possess the requisite expertise and experience to assess the risks involved. In addition, there is a need to ensure effective spreading and balancing of risk exposures across a portfolio of businesses of different classes and from diverse territories. As part and parcel of the risk evaluation and management process, the Group regularly reviews the markets that it writes business from, as well as the competence of the ceding companies' management and the proven track record of their insurance business. For this purpose, a set of underwriting guidelines detailing the underwriting policy, territories, classes, risk types, line sizes, exclusions etc are in place to facilitate judicious underwriting.

Sensitivity analysis – underwriting risk

A 10-percentage-points change in the ultimate loss ratio applied to specific types and classes of business for underwriting years which are considered not fully developed, with other variables or assumptions held constant, is estimated to change as follows:

	2013	2012
	$'000	$'000
Change in Loss Ratio (+/-10-percentage-points):		
Impact on profit before income tax	**4,983**	5,432

31 Insurance and financial risk management (continued)

(a) Risk management objectives and policies for mitigating insurance risk (continued)

Sensitivity analysis – underwriting risk (continued)

The impact on the profit before income tax does not take into account the changes in other variables, as they are considered to be less material.

Reinsurance risk

Spreading of risk also includes reinsuring part of the Group's exposures to other reinsurers, or retrocessionaires. The Group uses a combination of proportional and excess of loss retrocession treaty and/or facultative arrangements to limit the exposure to any one risk or loss event in accordance with pre-determined guidelines.

As the Group remains liable to its insurance clients even if any of the Group's retrocessionaires fail to meet their contractual obligations, a high standard of financial security is expected of the retrocessionaires given their important role in providing the last line of defence. The Audit Committee is regularly updated on the collection status of the Group's retrocessionaires.

Concentration of insurance risks

As part of the Group's strategy to diversify its portfolio, the Company is writing more business in identified overseas markets.

Concentrations of risk may arise from a single risk loss or a series of losses arising from one original cause, and this could involve a single reinsurance contract or through an accumulation of reinsurance contracts.

The business that the Group writes is exposed to natural peril losses. The Group monitors zonal or countrywide aggregate accumulation in natural peril exposed territories. Also, the effectiveness of the reinsurance programmes is reviewed at least annually to ensure that the net exposure to the Group remains within reasonable levels under certain loss scenarios. However, forecasts and risk evaluations can be inaccurate by virtue of the inherent unpredictability of the magnitude and frequency of losses.

The key concentration areas are in:

(1) identified markets such as Singapore, Malaysia, China, Hong Kong, India, South Korea and Thailand which the Group derives a significant portion of the total written premiums therefrom; and

(2) the Property class of business, given the underwriting focus.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(a) Risk management objectives and policies for mitigating insurance risk (continued)

Concentration of insurance risks (continued)

As mentioned earlier, the Group utilises a combination of proportional and excess of loss retrocession and/or facultative arrangements to limit its exposure to any one loss event. The outward reinsurance arrangement does not always provide back-to-back coverage for all lines of business written, that is, gaps in coverage and interpretation of coverage issues can exist. A case in point was the loss situation involving the widespread and prolonged flooding in Thailand in 2011 where inward contracts generally treated the flood losses as multiple loss events whilst the retrocession market largely considered the flood losses a single loss event for recovery purposes. Bearing in mind the foregoing, in the event of a property-related loss occurrence affecting multiple business lines, the Group's net loss, after reinsurance outward and assuming the total amount of retrocession protections is adequate and no reinsurance security failure arise, is not expected to exceed $9 million any one loss occurrence as at 31 December 2013.

Territorial distribution of risks based on gross premium

	2013	2012
	%	%
Singapore	**54**	55
Rest of Asean	**22**	22
Others	**24**	23
	100	100

Claims development

Another area of fundamental importance in the Group's core operations is the estimation of its claims liabilities, for which comprehensive procedures and controls are in place to ensure the provisions are adequate to meet the Group's future liabilities. The statistical techniques and broad assumptions used in analysing the outstanding claim liabilities are summarised in Note 16. The adequacy of the estimated claim liabilities are required to be verified annually by an independent actuary appointed with the approval of the Monetary Authority of Singapore.

31 Insurance and financial risk management (continued)

(a) Risk management objectives and policies for mitigating insurance risk (continued)

Claims development (continued)

To the extent possible, bearing in mind the limitation summarised below, the claims development tables below compare the paid claims in recent underwriting years with the outstanding loss provisions established for these claims. The top part of the tables provide a review of current estimates for cumulative incurred claims and demonstrates how the estimated claims have changed at subsequent reporting or underwriting year-ends. The estimates are revised upwards or downwards as losses are settled and more information becomes known about the frequency and severity of unpaid claims. The lower portion of the tables provides a reconciliation of the total provision included in the balance sheet and the estimate of cumulative claims.

In accordance with past years' practice, the bilateral and voluntary cessions quarterly submissions are largely on accounting year basis and ladder statistics are not provided.

In addition, the claims development by underwriting years shown in the table below includes business written on a 'clean cut' basis, where there is no development data beyond the first accounting year. The Group considers that the resulting impact on the claims development does not significantly affect the usefulness of the compiled information and provides an insight into the uncertainty of estimating future claims and information on previous estimates.

The Group believes that the estimates of outstanding claim liabilities as at 31 December 2013 are reasonable. However, due to the inherent uncertainties and complexities in the loss reserving process which involves judgmental input, it cannot be assured that such claim provisions will ultimately prove to be adequate.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(a) Risk management objectives and policies for mitigating insurance risk (continued)

Claims development (continued)

2013 analysis of claims development for Treaty and Facultative businesses – gross of reinsurance

$'000	UNDERWRITING YEARS (UY)										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
At end of UY	38,231	34,053	20,136	17,235	28,834	22,029	34,117	95,363	45,141	42,274	
1 year later	41,793	45,313	33,533	40,424	45,308	44,592	62,629	139,760	76,734		
2 years later	40,277	46,475	31,145	44,289	45,476	48,083	69,302	139,730			
3 years later	38,708	42,237	31,408	42,486	46,757	47,557	70,220				
4 years later	31,185	40,579	27,169	37,155	43,434	46,817					
5 years later	28,785	36,853	22,844	34,824	37,569						
6 years later	27,371	36,457	21,720	33,133							
7 years later	26,347	35,867	21,593								
8 years later	25,849	35,500									
9 years later	25,659										
10 years later											
Cumulative incurred claims 2004 to 2013	25,659	35,500	21,593	33,133	37,569	46,817	70,220	139,730	76,734	42,274	529,229
Cumulative incurred claims 1975 to 2003											697,337
Total cumulative incurred claims											1,226,566
Cumulative paid claims 2004 to 2013	19,441	31,514	18,051	26,976	24,260	30,591	34,846	66,940	15,126	(2,648)	265,097
Cumulative paid claims 1975 to 2003											644,997
Total cumulative paid claims											910,094
Cumulative outstanding claims 2004 to 2013	6,218	3,986	3,542	6,157	13,309	16,226	35,374	72,790	61,608	44,922	264,132
Cumulative outstanding claims 1975 to 2003											52,340
Total cumulative outstanding claims											316,472

Cumulative gross incurred claims	
Treaty and Facultative business (from table above)	1,226,566
Voluntary Cessions & Bilateral Cessions	449,795
	1,676,361
Cumulative gross paid claims	
Treaty and Facultative business (from table above)	910,094
Voluntary Cessions and Bilateral Cessions	389,469
	1,299,563
Gross outstanding claims (refer note 10a)	376,798

31 Insurance and financial risk management (continued)

(a) Risk management objectives and policies for mitigating insurance risk (continued)

Claims development (continued)

2012 analysis of claims development for Treaty and Facultative businesses – gross of reinsurance

$'000	UNDERWRITING YEARS (UY)										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
At end of UY	15,026	38,231	34,053	20,136	17,235	28,834	22,029	34,117	95,363	45,141	
1 year later	28,125	41,793	45,313	33,533	40,424	45,308	44,592	62,629	139,760		
2 years later	22,946	40,277	46,475	31,145	44,289	45,476	48,083	69,302			
3 years later	23,272	38,708	42,237	31,408	42,486	46,757	47,557				
4 years later	21,597	31,185	40,579	27,169	37,155	43,434					
5 years later	17,422	28,785	36,853	22,844	34,824						
6 years later	15,226	27,371	36,457	21,720							
7 years later	14,737	26,347	35,867								
8 years later	14,421	25,849									
9 years later	14,188										
10 years later											
Cumulative incurred claims 2003 to 2012	14,188	25,849	35,867	21,720	34,824	43,434	47,557	69,302	139,760	45,141	477,642
Cumulative incurred claims 1975 to 2002											683,717
Total cumulative incurred claims											1,161,359
Cumulative paid claims 2003 to 2012	12,277	19,392	31,324	17,864	26,376	20,879	28,252	23,404	31,376	(4,174)	206,970
Cumulative paid claims 1975 to 2002											632,492
Total cumulative paid claims											839,462
Cumulative outstanding claims 2003 to 2012	1,911	6,457	4,543	3,856	8,448	22,555	19,305	45,898	108,384	49,315	270,672
Cumulative outstanding claims 1975 to 2002											51,225
Total cumulative outstanding claims											321,897

Cumulative gross incurred claims	
Treaty and Facultative business (from table above)	1,161,359
Voluntary Cessions & Bilateral Cessions	431,003
	1,592,362
Cumulative gross paid claims	
Treaty and Facultative business (from table above)	839,462
Voluntary Cessions and Bilateral Cessions	374,185
	1,213,647
Gross outstanding claims (refer note 10a)	378,715

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(a) Risk management objectives and policies for mitigating insurance risk (continued)

Claims development (continued)

2013 analysis of claims development for Treaty and Facultative business – net of reinsurance

$'000	UNDERWRITING YEARS (UY)										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
At end of UY	6,237	5,941	6,034	5,229	8,173	5,558	9,253	24,876	11,514	12,838	
1 year later	8,089	9,120	9,951	12,288	12,805	10,423	16,304	38,630	19,717		
2 years later	8,195	9,776	9,779	12,717	12,558	11,291	17,733	36,445			
3 years later	8,104	8,561	9,725	12,445	12,892	11,836	18,729				
4 years later	6,284	7,780	8,102	11,093	11,796	11,404					
5 years later	6,025	7,256	7,615	10,783	11,163						
6 years later	5,382	7,147	6,982	10,310							
7 years later	4,974	6,882	6,932								
8 years later	4,886	6,730									
9 years later	4,829										
10 years later											
Cumulative incurred claims 2004 to 2013	4,829	6,730	6,932	10,310	11,163	11,404	18,729	36,445	19,717	12,838	139,097
Cumulative incurred claims 1975 to 2003											277,175
Total cumulative incurred claims											416,272
Cumulative paid claims 2004 to 2013	4,225	5,693	5,626	8,059	7,223	6,656	9,613	12,889	3,158	(885)	62,257
Cumulative paid claims 1975 to 2003											247,664
Total cumulative paid claims											309,921
Cumulative outstanding claims 2004 to 2013	604	1,037	1,306	2,251	3,940	4,748	9,116	23,556	16,559	13,723	76,840
Cumulative outstanding claims 1975 to 2003											29,511
Total cumulative outstanding claims											106,351

Cumulative net incurred claims	
Treaty and Facultative business (from table above)	416,272
Voluntary Cessions and Bilateral Cessions	411,651
	827,923
Cumulative net paid claims	
Treaty and Facultative business (from table above)	309,921
Voluntary Cessions and Bilateral Cessions	357,489
	667,410
Net outstanding claims (refer note 10a)	160,513

31 Insurance and financial risk management (continued)

(a) Risk management objectives and policies for mitigating insurance risk (continued)

Claims development (continued)

2012 analysis of claims development for Treaty and Facultative business – net of reinsurance

$'000	UNDERWRITING YEARS (UY)										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
At end of UY	4,088	6,237	5,941	6,034	5,229	8,173	5,558	9,253	24,876	11,514	
1 year later	5,894	8,089	9,120	9,951	12,288	12,805	10,423	16,304	38,630		
2 years later	5,893	8,195	9,776	9,779	12,717	12,558	11,291	17,733			
3 years later	6,086	8,104	8,561	9,725	12,445	12,892	11,836				
4 years later	5,443	6,284	7,780	8,102	11,093	11,796					
5 years later	4,925	6,025	7,256	7,615	10,783						
6 years later	4,309	5,382	7,147	6,982							
7 years later	4,110	4,974	6,882								
8 years later	3,905	4,886									
9 years later	3,820										
10 years later											
Cumulative incurred claims 2003 to 2012	3,820	4,886	6,882	6,982	10,783	11,796	11,836	17,733	38,630	11,514	124,862
Cumulative incurred claims 1975 to 2002											274,349
Total cumulative incurred claims											399,211
Cumulative paid claims 2003 to 2012	3,208	4,196	5,592	5,574	7,789	6,216	5,916	6,551	8,029	(1,260)	51,811
Cumulative paid claims 1975 to 2002											244,366
Total cumulative paid claims											296,177
Cumulative outstanding claims 2003 to 2012	612	690	1,290	1,408	2,994	5,580	5,920	11,182	30,601	12,774	73,051
Cumulative outstanding claims 1975 to 2002											29,983
Total cumulative outstanding claims											103,034

Cumulative net incurred claims	
Treaty and Facultative business (from table above)	399,211
Voluntary Cessions and Bilateral Cessions	396,807
	796,018
Cumulative net paid claims	
Treaty and Facultative business (from table above)	296,177
Voluntary Cessions and Bilateral Cessions	343,516
	639,693
Net outstanding claims (refer note 10a)	156,325

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(a) Risk management objectives and policies for mitigating insurance risk (continued)

Litigation, mediation and arbitration

The Group could be involved in claim litigation, mediation and arbitration in the normal course of business. Based on available information, there are no current mediation, arbitration and pending or threatened litigation that will materially affect the Group's expected loss ratio, financial position and future cash flow.

Financial strength rating

The Group's ability to write certain reinsurance business, particularly proportional and excess of loss treaties, is dependent on the maintenance of its financial strength rating from independent rating agencies, especially with insurance companies placing greater emphasis on such ratings when dealing with reinsurance companies. The rating is based on company-specific factors, as well as the macro-economic conditions beyond the Group's control. An unfavourable rating or withdrawal of a rating may adversely affect the Group's ability to write or retain reinsurance business, thereby affecting the Group's revenue and financial results.

(b) Financial risk management

Transactions in financial instruments may result in the Group assuming financial risks. These include credit risk, liquidity risk, currency risk, interest rate risk and price risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

(i) Credit risk

Credit risk represents the exposure to the risk that any of the Group's business partners should fail to meet their contractual obligations (mainly relating to insurance and investment transactions). In the case of the Group's core reinsurance operations, credit risk might arise if a cedant fails to meet its obligations, or if a reinsurer is unable to pay a claim. The Group views the management of credit risk as a fundamental and critical part of operations and therefore adopts a very selective policy as regards the choice of its business partners. The receivables' ageing, credit-worthiness of the past and present business partners and security rating of its reinsurance partners where available are reviewed regularly. Allowances are set aside in the financial accounts for non-recoverability due to the default by the business partners, in line with established Group policy.

The Group has exposure to credit risk from cedants and reinsurers. As at 31 December 2013, the top three cedants and reinsurers collectively accounted for about 49% (2012: 49%) of total insurance receivables. All three cedants and reinsurers are regulated by the Monetary Authority of Singapore and are financially viable, and therefore the Group does not expect any default in payments as and when payments fall due.

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Similarly on investment operations, the Investment Committee adopts very stringent quantitative and qualitative criteria, including financial statement analysis, type of securities, credit rating and quality of management in selecting issuers of financial instruments that the Group invests in.

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the financial statements, although in the case of insurance receivables, it is fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by other financial liabilities with the same counterparty.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Management does not expect any of its counterparties to fail to meet its obligations.

The table below summarises the types of debt securities held by the Group and the credit ratings which are based on Standard & Poor's financial strength rating or its equivalent. The debt securities comprise mainly Singapore government securities, public authorities' securities and corporate bonds, bearing in mind that the majority of the Group's reinsurance business emanates from the domestic market. The Group strives to invest a portion of its funds in investment grade bonds of good credit quality, whenever possible.

Fixed income investments are assessed using stringent investment criterion which include, but are not limited to, a thorough analysis of each debt security's terms and conditions, the availability and quality of the guarantor, as well as financial strength of the issuer.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

	Financial strength rating					
	AAA $'000	A to AA $'000	B to BBB $'000	Below B/ Not rated $'000	Equities $'000	Total $'000
Group						
2013						
Debt securities:						
Government bonds	**20,022**	**–**	**–**	**–**	**–**	**20,022**
Public authorities and corporate bonds	**1,571**	**25,056**	**14,680**	**155,734**	**–**	**197,041**
	21,593	**25,056**	**14,680**	**155,734**	**–**	**217,063**
Cash and cash equivalents	**–**	**48,858**	**21,164**	**9,021**	**–**	**79,043**
Equities	**–**	**–**	**–**	**–**	**55,126**	**55,126**
	21,593	**73,914**	**35,844**	**164,755**	**55,126**	**351,232**
2012						
Debt securities:						
Government bonds	24,649	–	–	–	–	24,649
Public authorities and corporate bonds	3,714	43,503	7,845	158,786	–	213,848
	28,363	43,503	7,845	158,786	–	238,497
Cash and cash equivalents	–	–	1,888	64,493	–	66,381
Equities	–	–	–	–	48,658	48,658
	28,363	43,503	9,733	223,279	48,658	353,536

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(i) *Credit risk (continued)*

	Financial strength rating					
	AAA $'000	A to AA $'000	B to BBB $'000	Below B/ Not rated $'000	Equities $'000	Total $'000
Company						
2013						
Debt securities:						
Government bonds	**20,179**	**–**	**–**	**–**	**–**	**20,179**
Public authorities and corporate bonds	**1,571**	**25,056**	**14,680**	**155,690**	**–**	**196,997**
	21,750	**25,056**	**14,680**	**155,690**	**–**	**217,176**
Cash and cash equivalents	**–**	**46,734**	**20,290**	**8,752**	**–**	**75,776**
Equities	**–**	**–**	**–**	**–**	**55,186**	**55,186**
	21,750	**71,790**	**34,970**	**164,442**	**55,186**	**348,138**
2012						
Debt securities:						
Government bonds	24,806	–	–	–	–	24,806
Public authorities and corporate bonds	3,714	43,545	7,845	157,729	–	212,833
	28,520	43,545	7,845	157,729	–	237,639
Cash and cash equivalents	–	–	1,014	63,850	–	64,864
Equities	–	–	–	–	48,092	48,092
	28,520	43,545	8,859	221,579	48,092	350,595

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Impairment

The Group considers financial strength of the cedants and reinsurers, notified disputes and collection experience in determining which assets should be impaired.

The table below shows the ageing of insurance and other receivables that were due at the end of the year:

	Gross 2013 $'000	**Impairment 2013 $'000**	Gross 2012 $'000	Impairment 2012 $'000
Group				
Not past due	**2,520**	**–**	2,754	–
Current to 6 months	**45,694**	**1,696**	31,107	2,747
7 to 12 months	**8,903**	**728**	7,563	151
More than 12 months	**22,397**	**2,313**	13,710	2,064
Insurance and other receivables	**79,514**	**4,737**	55,134	4,962
Company				
Not past due	**2,994**	**–**	2,921	–
Current to 6 months	**44,714**	**1,678**	29,912	2,721
7 to 12 months	**8,683**	**725**	7,378	147
More than 12 months	**22,066**	**2,102**	13,495	1,970
Insurance and other receivables	**78,457**	**4,505**	53,706	4,838

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(i) *Credit risk (continued)*

Impairment (continued)

The following table shows the movements in the allowance for impairment of insurance and other receivables during the year:

	2013 $'000	2012 $'000
Group		
At 1 January	**4,962**	2,744
Charge for the year	**1,401**	2,219
(Write back) for the year	**(1,626)**	(1)
At 31 December	**4,737**	4,962
Company		
At 1 January	**4,838**	2,554
Charge for the year	**1,284**	2,284
(Write back) for the year	**(1,617)**	–
At 31 December	**4,505**	4,838

(ii) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial instruments.

The Group has to meet its liabilities as and when they fall due, notably from claims arising from its general reinsurance contracts. There is therefore a risk that the cash and cash equivalents held will not be sufficient to meet its liabilities when they become due. The Group manages this risk by setting minimum limits on the maturing assets that will be available to settle these short-term liabilities.

Given the credit quality in the Group's financial assets and duration of less than 5 years for the substantial part of the investment portfolio, the Group is able to quickly liquidate its investments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In addition, the Group has cash and cash equivalents of $78,204,000 (2012: $65,547,000) to meet its liquidity requirements.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

The nature of reinsurance is that the requirements of funding cannot be predicted with absolute certainty as the theory of probability is applied on reinsurance contracts to ascertain the likely provision and the time period when such liabilities will be settled. The amounts and maturities in respect of reinsurance liabilities are thus based on the Management's best estimate and past experience.

The following are the contractual maturities of insurance and other liabilities of the Group and the Company, including estimated interest payments.

	Note	Up to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group					
2013					
Net insurance contract provisions	10	**46,571**	**59,041**	**74,094**	**179,706**
Insurance payables	17	**65,811**	**–**	**–**	**65,811**
Other payables	18	**4,045**	**–**	**–**	**4,045**
		116,427	**59,041**	**74,094**	**249,562**
2012					
Net insurance contract provisions	10	44,855	61,753	68,172	174,780
Insurance payables	17	51,320	–	–	51,320
Other payables	18	4,203	–	–	4,203
		100,378	61,753	68,172	230,303

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(ii) *Liquidity risk (continued)*

	Note	Up to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company					
2013					
Net insurance contract provisions	10	**46,571**	**59,041**	**74,094**	**179,706**
Insurance payables	17	**65,811**	**–**	**–**	**65,811**
Other payables	18	**2,221**	**–**	**–**	**2,221**
		114,603	**59,041**	**74,094**	**247,738**
2012					
Net insurance contract provisions	10	44,855	61,753	68,172	174,780
Insurance payables	17	51,320	–	–	51,320
Other payables	18	2,562	–	–	2,562
		98,737	61,753	68,172	228,662

(iii) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to the effects of foreign currency exchange rate fluctuations in currencies such as US Dollar and Ringgit Malaysia, primarily because of its foreign currency denominated underwriting revenues (i.e. premiums) and expenses (i.e. claims). In order to minimise the foreign exchange risks, Management under the direction of the Investment Committee closely monitors the Group's foreign currency liabilities to ensure that they are closely matched against the appropriate financial assets to the extent that it is prudent to do so. The Group does not use derivative financial instruments to hedge its foreign currency risks.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(iii) Currency risk (continued)

The Group's and Company's exposures to foreign currency in Singapore dollar equivalent are as follows:

	Singapore dollar $'000	US dollar $'000	Ringgit Malaysia $'000	Other currencies $'000	Total $'000
Group					
2013					
Insurance receivables	**44,599**	**7,538**	**8,426**	**10,395**	**70,958**
Other receivables	**4,223**	**–**	**37**	**13**	**4,273**
Financial assets	**259,435**	**3,255**	**2,494**	**7,005**	**272,189**
Cash and cash equivalents	**61,311**	**4,616**	**8,576**	**4,540**	**79,043**
Insurance payables	**(40,157)**	**(5,153)**	**(16,902)**	**(3,599)**	**(65,811)**
Other payables	**(4,045)**	**–**	**–**	**–**	**(4,045)**
	325,366	**10,256**	**2,631**	**18,354**	**356,607**
2012					
Insurance receivables	24,147	6,567	7,372	7,861	45,947
Other receivables	4,539	40	50	15	4,644
Financial assets	269,971	4,024	3,237	9,923	287,155
Cash and cash equivalents	49,371	5,195	7,492	4,323	66,381
Insurance payables	(30,147)	(3,839)	(13,575)	(3,759)	(51,320)
Other payables	(4,203)	–	–	–	(4,203)
	313,678	11,987	4,576	18,363	348,604

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(iii) Currency risk (continued)

	Singapore dollar $'000	US dollar $'000	Ringgit Malaysia $'000	Other currencies $'000	Total $'000
Company					
2013					
Insurance receivables	**44,599**	**7,538**	**8,426**	**10,395**	**70,958**
Other receivables	**3,304**	**–**	**37**	**13**	**3,354**
Financial assets	**259,608**	**3,255**	**2,494**	**7,005**	**272,362**
Cash and cash equivalents	**58,747**	**4,221**	**8,542**	**4,266**	**75,776**
Insurance payables	**(40,157)**	**(5,153)**	**(16,902)**	**(3,599)**	**(65,811)**
Other payables	**(2,221)**	**–**	**–**	**–**	**(2,221)**
	323,880	**9,861**	**2,597**	**18,080**	**354,418**
2012					
Insurance receivables	24,147	6,567	7,372	7,861	45,947
Other receivables	3,135	40	50	12	3,237
Financial assets	268,705	4,024	3,237	9,765	285,731
Cash and cash equivalents	48,266	5,069	7,448	4,081	64,864
Insurance payables	(30,147)	(3,839)	(13,575)	(3,759)	(51,320)
Other payables	(2,562)	–	–	–	(2,562)
	311,544	11,861	4,532	17,960	345,897

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(iii) Currency risk (continued)

Sensitivity analysis

A 10% strengthening or weakening of the Singapore dollar against the following currencies at the reporting date would decrease or increase equity and income statement by the amounts shown below respectively. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Equity $'000	**Income statement $'000**	**Equity $'000**	**Income statement $'000**
2013				
US dollar	**326**	**700**	**326**	**661**
Ringgit Malaysia	**249**	**14**	**249**	**10**
Other currencies	**700**	**1,135**	**700**	**1,108**
2012				
US dollar	402	796	402	784
Ringgit Malaysia	324	134	324	130
Other currencies	992	844	976	820

(iv) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to the impact of changes in market interest rates on interest income from cash and cash equivalents and other fixed income investments.

The Group'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, Management, under the close direction of the Investment Committee, regularly monitors the interest rate environment in order to assess and minimise risks to the Group's investment portfolio.

The Group does not use derivative financial instruments to hedge its interest rate risks.

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

The tables below summarise the effective interest rates at the balance sheet date for interest-bearing assets, together with the contractual maturity dates of those assets:

		Fixed interest rate maturing			
Group	**Effective interest rate %**	**less than 1 year $'000**	**1 to 5 years $'000**	**over 5 years $'000**	**Total $'000**
2013					
Debt securities available-for-sale	**3.2 – 3.9**	**31,219**	**93,849**	**91,995**	**217,063**
Cash and cash equivalents	**0.9**	**79,043**	**–**	**–**	**79,043**
		110,262	**93,849**	**91,995**	**296,106**
2012					
Debt securities available-for-sale	3.2 – 3.9	42,269	99,468	96,760	238,497
Cash and cash equivalents	0.7	66,381	–	–	66,381
		108,650	99,468	96,760	304,878
Company					
2013					
Debt securities available-for-sale	**3.2 to 3.9**	**31,332**	**93,849**	**91,995**	**217,176**
Cash and cash equivalents	**0.9**	**75,776**	**–**	**–**	**75,776**
		107,108	**93,849**	**91,995**	**292,952**
2012					
Debt securities available-for-sale	3.2 to 3.9	42,442	98,437	96,760	237,639
Cash and cash equivalents	0.7	64,864	–	–	64,864
		107,306	98,437	96,760	302,503

The deposits with financial institutions generally mature or will re-price within the next 12 months and earn interest at prevailing market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

Sensitivity analysis

A change of 50-basis points for all interest-bearing debt securities, with all other variables and assumptions held constant, would increase or decrease equity by $8,777,000 (2012: $8,733,000) respectively.

(v) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis

The Group's equity securities are designated as available-for-sale investments. A 10% increase or decrease in the underlying equity prices at the reporting date with all other variables held constant would increase or decrease equity by $5,020,000 (2012: $4,313,000) respectively.

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(v) Price risk (continued)

Sensitivity analysis (continued)

Fair values versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in balance sheets, are as follows:

	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities within scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group					
2013					
Cash and cash equivalents	**79,043**	**–**	**–**	**79,043**	**79,043**
Other receivables	**3,819**	**–**	**–**	**3,819**	**3,819**
Available-for-sale securities:					
– Debt securities	**–**	**217,063**	**–**	**217,063**	**217,063**
– Equity securities	**–**	**55,126**	**–**	**55,126**	**55,126**
	82,862	**272,189**	**–**	**355,051**	**355,051**
Insurance and other payables	**–**	**–**	**(68,726)**	**(68,726)**	**(68,726)**
2012					
Cash and cash equivalents	66,381	–	–	66,381	66,381
Other receivables	4,225	–	–	4,225	4,225
Available-for-sale securities:					
– Debt securities	–	238,497	–	238,497	238,497
– Equity securities	–	48,658	–	48,658	48,658
	70,606	287,155	–	357,761	357,761
Insurance and other payables	–	–	(55,523)	(55,523)	(55,523)

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(v) Price risk (continued)

Sensitivity analysis (continued)

Fair values versus carrying amounts (continued)

	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities within scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Company					
2013					
Cash and cash equivalents	**75,776**	**–**	**–**	**75,776**	**75,776**
Other receivables	**2,994**	**–**	**–**	**2,994**	**2,994**
Available-for-sale securities:					
– Debt securities	**–**	**217,176**	**–**	**217,176**	**217,176**
– Equity securities	**–**	**55,186**	**–**	**55,186**	**55,186**
	78,770	**272,362**	**–**	**351,132**	**351,132**
Insurance and other payables	**–**	**–**	**(68,032)**	**(68,032)**	**(68,032)**
2012					
Cash and cash equivalents	64,864	–	–	64,864	64,864
Other receivables	2,921	–	–	2,921	2,921
Available-for-sale securities:					
– Debt securities	–	237,639	–	237,639	237,639
– Equity securities	–	48,092	–	48,092	48,092
	67,785	285,731	–	353,516	353,516
Insurance and other payables	–	–	(53,882)	(53,882)	(53,882)

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(v) Price risk (continued)

Sensitivity analysis (continued)

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company:

Investments in equity and debt securities

The fair values of investments are based on current bid prices or last traded prices at the reporting date, obtained from the Company's custodian's external sources. For investments where prices are not readily available, quotes are obtained from brokers or the issuing agents. Where available, two quotes will be obtained to ensure the reasonableness of the prices.

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities with a maturity of less than one year (including other receivables, cash and cash equivalents, and other payables) are assumed to approximate their fair values because of the short period to maturity.

Valuation processes applied by the Group

The Group has an established control framework with respect to the measurement of fair values.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair value, the Company will assess and document the evidence obtained from the third parties to support the fair value, the Company will assess and document the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level of fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(v) *Price risk (continued)*

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2013				
Available-for-sale financial assets	**229,291**	**41,829**	**1,069**	**272,189**
2012				
Available-for-sale financial assets	241,278	44,665	1,212	287,155
Company				
2013				
Available-for-sale financial assets	**229,447**	**41,846**	**1,069**	**272,362**
2012				
Available-for-sale financial assets	240,879	43,640	1,212	285,731

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(v) Price risk (continued)

Fair value hierarchy (continued)

Financial assets measured at fair value based on Level 3

	Group and Company Available-for-sale financial assets $'000
At 1 January 2013	**1,212**
Total losses recognised in other comprehensive income	
– net change in fair value of investments	**(143)**
At 31 December 2013	**1,069**
At 1 January 2012	1,300
Total losses recognised in other comprehensive income	
– net change in fair value of investments	(88)
At 31 December 2012	1,212

The Level 3 relates to an unquoted investment where observable market data is not available. Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used would have immaterial effects on the income statement and equity.

NOTES TO THE FINANCIAL STATEMENTS

31 Insurance and financial risk management (continued)

(b) Financial risk management (continued)

(v) Price risk (continued)

Fair value hierarchy (continued)

The following table shows the valuation technique and the key unobservable inputs used in the determination of fair value of available-for-sale equity securities:

31 December 2013

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
The fair value is determined considering the expected annual dividend payment, discounted to present value using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast equity, the amount to be paid under each scenario, and the probability of each scenario.	• Forecast return of investment (3%) • Risk adjusted discount rate (4%)	The estimated fair value would increase if: • The forecast return of investment was higher; • The risk-adjusted discount rate was lower.

Non-financial assets

The table below analyses recurring non-financial assets carried at fair value.

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group and Company					
2013					
Owner-occupied leasehold land and buildings	4	–	32,214	–	32,214
Investment properties	5	–	20,123	–	20,123
		–	52,337	–	52,337

The fair value of the above non-financial asset is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's non-financial assets annually.

31 Insurance and financial risk management (continued)

Significant related party transactions

The following significant transactions between the Group and related parties have been included in the profit before income tax at terms agreed between the parties:

	Group and Company	
	2013	2012
	$'000	$'000
Related parties transactions		
Income/(expense):		
Gross written premiums	**29,236**	46,024
Reinsurance premiums	**(44,701)**	(46,452)
Claims paid	**(23,676)**	(14,757)
Claims recoveries	**26,899**	17,106
Commission expense	**(7,558)**	(10,091)
Commission income	**12,653**	13,366

32 Commitments

The Group and Company have no significant commitments for future payments.

The Company leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Group and Company	
	2013	2012
	$'000	$'000
Within 1 year	**640**	638
After 1 year but within 5 years	**621**	662
After 5 years	**–**	–
	1,261	1,300

PROFILE OF SHAREHOLDERS

AS AT 28 FEBRUARY 2014

Share Capital	Number of Issued Shares	Class of Shares	Voting Rights
S$123,300,490	605,219,785	Ordinary	One vote per share

Shareholdings held by the Public

Based on the information available to the Company on 28 February 2014, approximately 57.76% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 999	332	8.99	148,019	0.02
1,000 – 10,000	919	24.88	5,252,915	0.87
10,001 – 1,000,000	2,394	64.81	169,914,132	28.08
1,000,001 and above	49	1.32	429,904,719	71.03
Total	**3,694**	**100.00**	**605,219,785**	**100.00**

	Twenty Largest Shareholders	No. of Shares	%
1.	First Capital Insurance Limited	114,187,835	18.87
2.	DBS Nominees Pte Ltd	60,725,577	10.03
3.	United Overseas Insurance Ltd	36,382,885	6.01
4.	The Overseas Assurance Corporation Ltd	30,482,490	5.04
5.	India International Insurance Pte Ltd	30,197,062	4.99
6.	The Great Eastern Life Assurance Co. Ltd	19,724,453	3.26
7.	MayBank Kim Eng Securities Pte Ltd	11,304,628	1.87
8.	Singapore Warehouse Co Pte Ltd	9,949,974	1.64
9.	Mr Tan Chee Jin	9,680,000	1.60
10.	Mr Quah Wee Lai	7,600,000	1.26
11.	Mr Chong Chew Lim @ Chong Ah Kau	7,288,800	1.20
12.	DBS Vickers Securities (S) Pte Ltd	7,217,505	1.19
13.	Citibank Nominees Singapore Pte Ltd	6,739,318	1.11
14.	United Overseas Bank Nominees Pte Ltd	6,027,987	1.00
15.	Mr Ng Kiat Siong	5,070,078	0.84
16.	China Taiping Insurance (Singapore) Pte Ltd	4,840,000	0.80
17.	BNP Paribas Nominees Singapore Pte Ltd	4,816,236	0.80
18.	OCBC Nominees Singapore Pte Ltd	4,265,844	0.70
19.	DBSN Services Pte Ltd	4,076,848	0.67
20.	Mr Lai Weng Kay	3,805,000	0.63
Total		**384,382,520**	**63.51**

Substantial Shareholders (as recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1.	Fairfax Financial Holdings Limited[1]	–	–	166,852,957	27.57
2.	First Capital Insurance Limited	114,187,835	18.87	–	–
3.	Oversea-Chinese Banking Corporation Limited[2]	–	–	50,948,847	8.42
4.	Great Eastern Holdings Limited[2]	–	–	50,948,847	8.42
5.	United Overseas Bank Limited[3]	–	–	36,382,885	6.01
6.	United Overseas Insurance Limited	36,382,885	6.01	–	–
7.	The Overseas Assurance Corporation Limited	30,487,330	5.04	–	–

1 Fairfax Financial Holdings Limited is deemed to have an interest in shares held by First Capital Insurance Limited and Odyssey America Reinsurance Corporation, Singapore Branch.

2 Oversea-Chinese Banking Corporation Limited and Great Eastern Holdings Limited are deemed to have an interest in shares held by The Overseas Assurance Corporation Limited and The Great Eastern Life Assurance Company Limited.

3 United Overseas Bank Limited is deemed to have an interest in shares held by United Overseas Insurance Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting of the Company will be held at Taurus, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Wednesday, 23 April 2014 at 12.00 noon to transact the following business:

AS ORDINARY BUSINESS

1. **Resolution 1** To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 December 2013.

2. **Resolution 2** To declare a final dividend of 0.8 cent per share tax exempt (one-tier) for the year ended 31 December 2013 (2012: final dividend of 0.7 cent per share tax exempt (one-tier)).

3. **Resolution 3** To approve the payment of $590,000 as Directors' fees for the year ended 31 December 2013 (2012: $590,000).

4. To re-elect each of the following Directors retiring by rotation pursuant to Article 98 of the Company's Articles of Association:

   Resolution 4 Mr Ramaswamy Athappan.

   Resolution 5 Mr Christopher Brian Wei.

5. To re-appoint each of the following Directors retiring pursuant to Section 153(6) of the Companies Act, Chapter 50 (the Act), as a Director of the Company in accordance with the Act:

   Resolution 6 Mr Hwang Soo Jin.

   Resolution 7 Mr Ong Choo Eng.

6. **Resolution 8** To re-appoint Messrs KPMG LLP as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following Ordinary Resolutions:

Resolution 9 To approve the issue of shares pursuant to Section 161 of the Companies Act, Chapter 50.

"**THAT** pursuant to Section 161 of the Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited (**SGX-ST**), authority be and is hereby given to the Directors of the Company to (a) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); (b) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, **Instruments**) including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; (c) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (d) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) to issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued shares in the capital of the Company;

(ii) for the purpose of determining the aggregate number of shares that may be issued (subject to such manner of calculation as may be prescribed by SGX-ST) under (i) above, the percentage of issued share capital shall be based on the issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting when this Resolution is passed; and (2) any subsequent consolidation or sub-division of shares;

NOTICE OF ANNUAL GENERAL MEETING

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance is waived by the SGX-ST) and the Company's Articles of Association; and

(iv) unless revoked or varied by the Company in General Meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

Resolution 10 To approve the renewal of the Share Buy-Back Mandate.

"**That**:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the **Act**), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (**Shares**) not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the Singapore Exchange Securities Trading Limited (**SGX-ST**) through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST), in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **Share Buy-Back Mandate**);

(b) unless varied or revoked by the Company in General Meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or is required by law to be held;

(ii) the date on which the authority contained in the Share Buy-Back Mandate is revoked or varied; or

(iii) the date on which share purchases are carried out to the full extent mandated.

(c) in this Resolution:

Average Closing Price means the average of the last dealt prices of the Shares over the last five Market Days on which the Shares were transacted on the SGX-ST immediately preceding the date of the making of the market purchase by the Company, or as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with any rules that may be prescribed by the SGX-ST, for any corporate action that occurs after the relevant five-day period;

date of the making of the offer means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating the purchase price (which shall not be more than the Maximum Price) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

Market Day means a day on which the SGX-ST is open for trading in securities;

Maximum Percentage means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

NOTICE OF ANNUAL GENERAL MEETING

Maximum Price in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) which shall not be more than, in the case of a market purchase of the Share and an off-market purchase of the Share, 5% above the Average Closing Price of the Shares; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE IS ALSO HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 5 May 2014 to determine the shareholders' entitlements to the proposed dividend. Duly completed registrable transfers of shares received by the Company's Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902, up to 5.00 p.m. on 2 May 2014 will be registered to determine shareholders' entitlements to the proposed dividend. In respect of shares in securities accounts with The Central Depository (Pte) Limited (**CDP**), the said proposed dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice. The dividend, if approved by the shareholders at the Annual General Meeting, will be paid on 14 May 2014.

BY ORDER OF THE BOARD

GERARD SEAH JIM HONG
Company Secretary

Singapore
26 March 2014

Note: A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies shall in the case of an individual, be signed by the appointor or his attorney, and in case of a corporation shall be either under the Common Seal or signed by its attorney or a duly authorised officer on behalf of the corporation. The instrument appointing a proxy or proxies, must be deposited at the office of the Company's Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for holding the Annual General Meeting.

Explanatory Note To Special Business To Be Transacted

1. The Ordinary Resolution 9 proposed in item 7 above, if passed, is to enable the Directors to issue further shares in the Company and to make or grant securities convertible into ordinary shares, and to issue ordinary shares pursuant to instruments, up to an amount not exceeding 50% of the issued shares in the capital of the Company of which the aggregate number of shares to be issued other than on a *pro-rata* basis to existing shareholders, does not exceed 20% of the Company's issued shares. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company shall be based on the issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting when this Resolution is passed; and (2) any subsequent consolidation or sub-division of shares. This authority will, unless revoked or varied at a General Meeting, expire at the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

2. The Ordinary Resolution 10 proposed in item 7 above, if passed will renew, effective until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, the Share Buy-Back Mandate for the Company to make purchases or acquisition of its shares up to a maximum of 10% of the total number of issued ordinary shares as at the date of the passing of the resolution at the Maximum Price computed in the manner prescribed by the resolution.

   The Company will use internal sources to fund purchases or acquisitions of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact of the Company's financial position cannot be ascertained as at the date of this Notice as these will depend, *inter alia*, on the number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, and the price at which such Shares were purchased or acquired.

   Based on the existing issued and paid-up Shares of the Company as at 28 February 2014, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 60,521,979 Shares. Assuming that the Company purchases or acquires the 60,521,979 Shares at the Maximum Price of $0.29 for one Share (being the price equivalent to 5% above the average of the closing market prices of the Shares for the five Market Days on which the Shares were traded on the SGX-ST immediately preceding 28 February 2014), the maximum amount of funds required for the purchase or acquisition of the 60,521,979 Shares is $17,551,374.

   The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Buy-Back Mandate based on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2013 and certain other assumptions are set out in paragraph 6 of the Letter to Shareholders dated 26 March 2014.

NOTES TO THE PROXY FORM

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members.
2. A Member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his stead.
3. Where a member appointed two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
9. In the case of members whose Shares are entered against their names in the Depository Register, the Company shall reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 48 hours before the time appointed for the Annual General Meeting as certified by the Central Depository (Pte) Limited to the Company.
10. Agent Banks acting on the request of the CPF Investors who wish to attend the meeting as Observers are required to submit in writing, a list with details of the investors' name, NRIC/Passport numbers, addresses and number of shares held. The list, signed by an authorised signatory of the agent bank, should reach the Company's Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time appointed for the Annual General Meeting.

Singapore Reinsurance Corporation Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 197300016C

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT:
1. For investors who have used their CPF moneys to buy shares in the capital of Singapore Reinsurance Corporation Limited, this Report circulated to Shareholders is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective CPF Approved Nominees so that their CPF Approved Nominees may register, in the required format, with the Company's Registrar. (Please see note No. 10 on page 130).

I/We .... ID/Registration No. ....

of ....

being a member/members of the above-mentioned Company, hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at Taurus, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Wednesday, 23 April 2014 at 12.00 noon or at any adjournment thereof.

With reference to the agenda set out in the Notice of Annual General Meeting, please indicate with an "X" in the space provided below how you wish your votes to be cast.

No.	Resolutions	For	Against
	Ordinary Business		
1	To receive and adopt the Directors' Report and Audited Accounts		
2	To declare a Final Dividend		
3	To approve Directors' Fees		
4	To re-elect Director: Mr Ramaswamy Athappan		
5	To re-elect Director: Mr Christopher Brian Wei		
6	To re-appoint Director: Mr Hwang Soo Jin		
7	To re-appoint Director: Mr Ong Choo Eng		
8	To re-appoint auditors and authorise the Directors to fix their remuneration		
	Special Business		
9	To approve the issue of shares pursuant to Section 161 of the Companies Act, Chapter 50		
10	To approve the renewal of the Share Buy-Back Mandate		

In the absence of specific directions, the proxy/proxies will vote or abstain, as he/they may think fit.

Dated this .... day of .... 2014.

Shares held in:	**Number of Shares**
(a) CDP Register	
(b) Register of Members	

....

Signature(s) of member(s) or Common Seal

IMPORTANT, PLEASE READ NOTES ON PAGE 130.

(1st fold)

(2nd fold)

Affix
stamp
here

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

(3rd fold to glue and seal)

CORPORATE CALENDAR

Event	Date
Annual General Meeting	23 April 2014
Announcement of 1st Quarter 2014 Financial Results (after close of trading)	23 April 2014
Closure of Registers (for final dividend entitlement)	5 May 2014
Payment of Final Dividend for Year Ended 31 December 2013	14 May 2014
Announcement of 2nd Quarter 2014 Financial Results (after close of trading)	August 2014
Announcement of 3rd Quarter 2014 Financial Results (after close of trading)	November 2014
Financial Year-End	31 December 2014
Announcement of Full Year 2014 Financial Results (after close of trading)	February 2015

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