QBE Insurance (Singapore) Pte Ltd

Financial Statements 2016

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QBE Insurance (Singapore) Pte Ltd
Unique Entity No. 198401363C

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Directors' statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their report to the shareholder together with the audited financial statements of QBE Insurance (Singapore) Pte. Ltd. (the "Company") for the financial year ended 31 December 2016.

In the opinion of the directors,

(a) the financial statements as set out on pages 8 to 30 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date; 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.

Directors

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

Mark Thomas Lingafelter
Bruce Anthony Howe
Karl Ludwig Anthony Hamann
Wong Wing Kam Dora
Arunothayam A/P V Rajaratnam (appointed on 1 June 2016)
Stephen James Lardner (appointed on 1 June 2016)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	HOLDINGS REGISTERED IN NAME OF DIRECTOR		HOLDINGS IN WHICH A DIRECTOR IS DEEMED TO HAVE AN INTEREST	
	AT 31.12.2016	AT 1.1.2016 OR DATE OF APPOINTMENT, IF LATER	AT 31.12.2016	AT 1.1.2016 OR DATE OF APPOINTMENT, IF LATER
Ultimate Holding Corporation				
– QBE Insurance Group Limited				
(Ordinary shares of A$1 each)				
Karl Ludwig Anthony Hamann	760	724	42,713	27,803
Mark Thomas Lingafelter	-	-	45,602	14,405
Bruce Anthony Howe	-	-	156,493	89,613
Wong Wing Kam Dora	-	-	88,890	46,208

Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

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

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

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Mark Thomas Lingafelter
Director

Karl Ludwig Anthony Hamann
Director

10 March 2017

Independent auditor's report

TO THE SHAREHOLDER OF QBE INSURANCE (SINGAPORE) PTE. LTD.

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of QBE Insurance (Singapore) Pte. Ltd. (the "Company") are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:
- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 4 to 5 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

10 March 2017

Statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	2016 S$'000	2015 S$'000
Gross premium written	11(b)	225,551	45,459
Outward reinsurance premiums		(39,907)	(9,500)
Net premium written	11(b)	185,644	35,959
Change in net unearned premium reserves	11(e)(i)	(855)	10,339
Net earned premium		184,789	46,298
Investment income	6	4,127	952
Commission income		2,120	507
Other income		1,504	2,973
		7,751	4,432
Gross claims paid		(123,235)	(34,100)
Reinsurer's share of claims paid		26,375	6,217
Change in gross claims reserve	11(e)(ii)	8,685	20,318
Reinsurer's share of change in claims reserve	11(e)(ii)	(5,277)	(8,126)
Net claims incurred		(93,452)	(15,691)
Investment expenses		(299)	(73)
Commission expenses		(42,464)	(8,306)
Management expenses	4	(47,207)	(13,311)
Total expenses		(89,970)	(21,690)
Profit before tax		9,118	13,349
Income tax expense	7	(952)	(1,722)
Profit after tax		8,166	11,627
Total comprehensive income for the year		8,166	11,627

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

Balance sheet

AS AT 31 DECEMBER 2016

	NOTE	2016 S$'000	2015 S$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	112,058	98,525
Trade and other receivables	9	82,326	73,285
Financial assets, at fair value through profit & loss	10	215,543	260,634
Reinsurer's share of unearned premium reserves	11(d)	14,366	17,683
Reinsurer's share of claims reserves	11(d)	14,766	15,339
Total current assets		439,059	465,466
Non-current assets			
Property, plant and equipment	12	1,652	2,285
Intangible assets	13	4,687	6,899
Reinsurer's share of unearned premium reserves	11(d)	3,939	2,879
Reinsurer's share of claims reserves	11(d)	5,103	9,807
Total non-current assets		15,381	21,870
Total assets		454,440	487,336
LIABILITIES			
Current liabilities			
Trade and other payables	14	30,798	62,571
Tax payable	7(b)	2,613	1,451
Deferred tax liabilities	15	863	1,227
Unearned premium reserves	11(d)	88,735	82,317
Outstanding claims reserves	11(d)	102,375	101,078
Total current liabilities		225,384	248,644
Non-current liabilities			
Unearned premium reserves	11(d)	5,581	13,401
Outstanding claims reserves	11(d)	46,874	56,856
		52,455	70,257
Total liabilities		277,839	318,901
NET ASSETS		176,601	168,435
EQUITY			
Share capital	17	156,580	156,580
Retained profits		20,021	11,855
Total Equity		176,601	168,435

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

Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	SHARE CAPITAL S$'000	RETAINED PROFITS S$'000	TOTAL EQUITY S$'000
2016				
Beginning of financial year		156,580	11,855	168,435
Total comprehensive income		-	8,166	8,166
End of financial year		156,580	20,021	176,601
2015				
Beginning of financial year		*	228	228
Share capital issued	17	156,580	-	156,580
Total comprehensive income		-	11,627	11,627
End of financial year		156,580	11,855	168,435

* Denotes amount less than S$1,000

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

Statement of cash flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	NOTE	2016 S$'000	2015 S$'000
Cash flows from operating activities			
Profit before tax		9,118	13,349
Adjustments for:			
- Depreciation of property, plant and equipment		561	91
- Amortisation of intangible assets		3,304	717
- Property, plant and equipment written off		112	82
- Gain on disposal of property, plant and equipment		(17)	-
- Gain on disposal of financial assets at fair value through profit & loss		(356)	(443)
- Unrealised loss on financial assets at fair value through profit & loss		1,140	204
- Investment income		(4,824)	(740)
- Impairment loss on trade receivables		66	524
		9,104	13,784
Change in working capital			
- Trade and other receivables		(8,536)	7,768
- Trade and other payables		(31,773)	29,237
- Net unearned premium reserves		855	(10,339)
- Net outstanding claims reserves		(3,408)	(12,192)
- Income tax paid		(154)	-
Net cash (used in)/provided by operating activities		(33,912)	28,258
Cash flows from investing activity			
Purchase of financial assets, at fair value through profit & loss		(349,851)	(154,177)
Maturity and proceeds from sale of financial assets, at fair value through profit & loss		394,158	183,500
Purchase of property, plant and equipment		(79)	(1,329)
Proceeds from sale of property, plant and equipment		56	-
Purchase of intangible assets		(1,092)	(2,020)
Investment income received		4,253	569
Net cash provided by investing activities		47,445	26,543
Cash flows from financing activity			
Proceeds from issue of shares		-	10,000
Net cash provided by financing activity		-	10,000
Net increase in cash and cash equivalents		13,533	64,801
Cash transferred in due to business transfer from QBE Insurance (International) Limited - Singapore Branch ("QII")	19(d)	-	33,469
Cash and cash equivalents at beginning of financial year		98,525	255
Cash and cash equivalents at end of financial year		112,058	98,525

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Singapore. The address of the registered office is 1 Raffles Quay, #29-10, South Tower, Singapore 048583.

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

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

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

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

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current period or prior financial years.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from rendering of services in the ordinary course of the Company's activities, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

(a) Premium income

Written premiums include premiums on contracts incepting during the financial year, irrespective of whether they relate in whole or in part to later financial years. Written premiums are disclosed gross of commissions to insurance companies and intermediaries.

The earned portion of written premiums is recognised as revenue proportionally over the period of coverage.

Treaty and facultative reinsurance inward premiums are recognised as written upon receipt of statements and closing placement slips respectively from cedants up to the time of closing of the books.

(b) Reinsurance commission income

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying insurance contracts.

(c) Interest income

Interest income is recognised using the effective interest method.

2.3 Financial assets

(a) Classification

The Company classifies its financial assets into trade and other receivables and financial assets at fair value through profit & loss. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date, which are presented as non-current assets.

(ii) Financial assets at fair value through profit & loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit & loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit & loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Company investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

Management has designated all its financial assets as at fair value through profit & loss at inception. The designation of financial assets as at fair value through profit & loss at inception is irrevocable.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the net sale proceeds is recognised in profit & loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit & loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit & loss are recognised immediately as expenses.

(d) Subsequent measurement

Trade and other receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit & loss are subsequently carried at fair value.

Changes in the fair values of financial assets at fair value through profit & loss including the effects of currency translation, interest and dividends, are recognised in profit & loss when the changes arise, and are presented as investment income (net).

(e) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Trade and other receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit & loss.

The allowance for impairment loss account is reduced through profit & loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

2.4 Foreign currency translation

The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

Transactions in a currency other than the Singapore Dollar ("foreign currency") are translated into Singapore Dollar using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit & loss.

2.5 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

The Company accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.6 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and at bank, and deposits held at call with financial institutions which are subject to an insignificant change in value.

2.7 Trade and other payables

Trade and other payables are initially recognised at their fair value, and subsequently carried at amortised cost, using the effective interest method.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). Otherwise they are presented as non-current liabilities.

2.8 Property, plant and equipment

(a) Measurement

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses (see Note 2.10).

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

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Computers	3 years
Furniture and fittings	5 years
Office equipments	5 years
Motor vehicles	5 years
Leasehold improvements	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

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

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

2.9 Intangible assets

(a) *Software development cost*

Intangible assets internally developed are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over their estimated useful lives using the straight-line method on the following bases: Software development cost - 3 years. The estimated useful life and amortisation are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(b) *Club membership*

Club membership acquired is measured initially at cost less any accumulated impairment losses.

2.10 Impairment of non-financial assets

Property, plant and equipment and other non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset, is recognised in profit or loss.

2.11 Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significant when compared to the premiums collected for such contracts.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as unearned premium reserves. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date inclusive of provisions for incurred but not reported claims. The Company discounts its liabilities for unpaid claims using applicable risk free discount rates.

2.12 Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company where significant insurance risk is transferred are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurer's share of insurance liabilities. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original terms of the contract, having regard to market data on the financial strength of each of the reinsurance companies. The amount of the allowance is recognised in profit or loss.

2.13 Insurance liabilities

Insurance liabilities comprise unearned premiums reserves and outstanding claims reserves.

(a) Unearned premium reserves/deferred acquisition cost

An unearned premium reserve is made for the amount of premium not yet earned at the balance sheet date. Unearned premium reserves are calculated using the 1/365th method based on the gross premiums written less return premiums and reinsurance premiums and 25% method for marine cargo business.

Commission that vary with and are related to securing new contracts and renewing existing contracts are netted off against unearned premium provision. All other acquisition costs are recognised as expenses when incurred.

Commission income and commission expense are deferred and subsequently amortised over the life of the policies as the premiums are ceded or earned.

(b) Outstanding claims reserves

Provision for claims is made for the estimated cost of claims notified but not settled at the date of the balance sheet, less reinsurance recoveries using the best information available at that time.

In addition, a provision is made for claims incurred but not reported ("IBNR") for all business written at the balance sheet date based on the past claims experience and statistics derived from prior trends (see Note 3).

The reserve for IBNR losses and loss expenses is established by management based on actuarial determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known.

The claims provisions are intended to provide a 75% level of assurance of adequacy, and as such include a Provision for Adverse Deviation (PAD) beyond the estimated cost of claim including the required IBNR.

(c) Liability adequacy test

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of unearned premium liabilities. In performing the test, current best estimates of future contractual cash flows are used. Any deficiency is immediately charged to profit or loss.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

3. Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments in determining the reported insurance liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimation of the ultimate liability arising from claims is done using conventional actuarial techniques.

The assumptions used by the Company, in determining its insurance liability are disclosed in Note 2.

4. Management expenses

	2016 S$'000	2015 S$'000
Employee compensation (Note 5)	19,025	5,428
Consultant services	918	25
Management fees paid to a related company	15,399	3,654
Office rent	2,620	619
Other expenses		
- Depreciation of property, plant and equipment	561	91
- Amortisation of intangible assets	3,304	717
- Advertising and subscriptions	1,078	491
- Impairment loss on trade receivables	66	524
- Audit fees	354	65
- Property, plant and equipment written off	112	82
- Other expenses	3,770	1,615
	47,207	13,311

5. Employee compensation

	2016 S$'000	2015 S$'000
Wages and salaries	12,725	3,485
Employer's contribution to defined contribution plans	1,708	492
Other benefits	4,592	1,451
	19,025	5,428

6. Investment income

	2016 S$'000	2015 S$'000
Interest income		
- Interest income on financial assets at fair value through profit & loss	3,485	638
- Cash and cash equivalents	1,339	102
Net realised gain from sale of financial assets at fair value through profit & loss	356	431
Net loss from re-measurement of financial assets at fair value	(1,380)	(167)
Net gain/(loss) on foreign exchange	327	(52)
	4,127	952

7. Income tax

(a) Income tax expense

	2016 S$'000	2015 S$'000
Tax expense attributable to profit is made up of:		
Current income tax	1,316	1,451
Deferred income tax (Note 15)	(364)	271
Tax expense	952	1,722
Current income tax		
Current year	2,397	1,451
Over provision in respect of prior years	(1,081)	-
	1,316	1,451
Deferred income tax		
Origination and reversal of temporary difference (Note 15)	(364)	271
	952	**1,722**

The tax on profit before tax differs from the amount that would arise using the Singapore standard rate of income tax as follows:

	2016 S$'000	2015 S$'000
Profit before tax	9,118	13,349
Tax calculated at a tax rate of 17% (2015: 17%)	1,550	2,269
Tax effect of:		
Offshore insurance fund profit taxed at a lower rate of 10% instead of at 17%	191	(390)
Income not subject to tax	(123)	-
Statutory income exemption	(26)	-
Expense not deductible for tax purpose	247	12
Tax losses utilised	-	(149)
Tax incentives	1	-
Utilisation of previously unrecognised capital allowances	(336)	-
Corporate tax rebate	(20)	-
Temporary differences	250	-
Over provision in prior year	(1,081)	-
Others	299	(20)
Income tax expense attributable to profit	952	1,722

Pursuant to Section 43C of the Singapore Income Tax Act, Chapter 134, income from offshore business is subject to the tax concessionary rate of 10% (2015 : 10%), instead of the standard rate of 17% (2015 : 17%).

(b) Movements in current income tax liabilities

	2016 S$'000	2015 S$'000
Beginning of financial year	1,451	-
Income tax paid	(154)	-
Over provision in prior years	(1,081)	-
Tax payable on profit for current financial year	2,397	1,451
End of financial in year	2,613	1,451

8. Cash and cash equivalents

	2016 S$'000	2015 S$'000
Bank and cash balances	112,058	98,525

Cash and cash equivalents at the balance sheet date are denominated in the following currencies:

	2016 S$'000	2015 S$'000
United States Dollar	11,412	12,016
Singapore Dollar	100,646	86,509
	112,058	98,525

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 18.

9. Trade and other receivables

	2016 S$'000	2015 S$'000
Insurance receivables – Related parties	980	1,367
Insurance receivables – Non-related parties	77,742	69,128
Prepayments	71	95
Interest receivables	1,511	940
Deposits	1,074	1,046
Other receivables – Related parties	819	703
Other receivables – Non-related parties	129	6
	82,326	73,285

At the balance sheet date, all trade, interest receivables, deposits and other receivables are current, and the carrying amounts approximate their fair values.

Trade, interest receivables, deposits and other receivables are unsecured, interest free and are recoverable on demand.

10. Financial assets, at fair value through profit & loss

	2016 S$'000	2015 S$'000
Government securities	146,190	217,902
Corporate bonds	69,353	42,732
	215,543	260,634

The maturity profile and exposure of financial assets, at fair value through profit & loss to interest rate risks is disclosed in Note 18.

Financial assets, at fair value through profit & loss, at the balance sheet date are denominated in the following currencies:

	2016 S$'000	2015 S$'000
Singapore Dollar	203,652	249,851
United States Dollar	11,891	10,783
	215,543	260,634

11. Insurance liabilities and reinsurer's share of insurance liabilities

	2016 S$'000	2015 S$'000
Gross		
Insurance contracts:		
- unearned premium reserves	94,316	95,718
- outstanding claims reserves	149,249	157,934
Total insurance liabilities - gross	243,565	253,652
Reinsurance Outwards		
Insurance contracts:		
- unearned premium reserves	18,305	20,562
- outstanding claims reserves	19,869	25,146
Total reinsurers' share of insurance liabilities	38,174	45,708
Net		
Insurance contracts:		
- unearned premium reserves	76,011	75,156
- outstanding claims reserves	129,380	132,788
Total insurance liabilities - net	205,391	207,944

The estimated timing of the net cash outflows arising from the reinsurance assets and insurance liabilities are disclosed in Note 11 (d).

(a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company faces the possibility of incurring higher claims costs than expected owing to the nature of the claims, their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting pricing and conditions of insurance or reinsurance cover.

The Company seeks to minimise and manage these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The Company's underwriting policy supports the seeking of risks with adequate pricing that is commensurate with the risk profiles and claims experience.

The underwriting strategy attempts to ensure that there are appropriate risk criteria. There are underwriting policies setting the Company's risk appetite, risk management and control. Also in place are underwriting and claims authority limits. Where applicable, the Company has the right not to renew any policy, impose deductibles and reject payment of any fraudulent claim.

(i) Loss reserves

Outstanding claims reserves include unpaid losses, loss adjustment expenses and estimates for ultimate reserves for IBNR.

The reserves represent estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available and assessed regularly by reference to both levels of business and actual claims development. The statistics are divided by class of business and arranged on an accident year basis. Estimates of ultimate outcome are assessed by accident year allowing for past experience, levels of business and known claims trends.

The establishment of an ultimate outcome for older accident years is more certain and IBNR is established mainly to allow for the adverse deterioration in the case of more recent years, and the most recent year in particular. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

IBNR allowance is established for the onshore and offshore fund as a whole. The IBNR allowance is reflecting this approach and is allocated to the respective funds on a consistent basis. Comfort should be taken from looking at the development of earlier accident years that adequate provisions have been established reflecting an allowance for adverse deviation.

(ii) Reinsurance

The Company cedes insurance premiums and risks in a normal course of its business in order to limit the potential for single large loss or losses arising from a single event or longer exposures. Reinsurance does not, however, relieve the originating insurer of its liability. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claims liability associated with the reinsured policy. Reinsurance is recorded gross in the balance sheet unless a right of offset exists.

(b) Concentration of insurance risk

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted by the Company is summarised below, with reference to the carrying amount of the premiums (gross and net of reinsurance) arising from insurance contracts:

	2016 GROSS PREMIUM WRITTEN S$'000	2016 NET PREMIUM WRITTEN S$'000	2015 GROSS PREMIUM WRITTEN S$'000	2015 NET PREMIUM WRITTEN S$'000
Property	27,810	15,329	5,670	2,445
Motor	15,587	15,317	2,144	2,059
Marine Cargo	18,681	15,408	3,876	3,283
Marine Hull	61,905	54,314	13,679	11,767
Work Injury Compensation	23,542	23,359	4,227	4,185
Health	18,645	18,645	3,729	3,729
Public Liability	11,461	10,756	2,250	2,019
Engineering	13,139	10,847	1,918	1,555
Professional Indemnity	14,888	13,119	3,558	3,202
Others	19,893	8,550	4,408	1,715
Total	225,551	185,644	45,459	35,959

(c) Sensitivity analysis

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movement in key assumptions with all other assumptions held constant, showing the impact on Gross and Net Liabilities and Profit before Tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

2016	CHANGE IN ASSUMPTIONS	IMPACT ON GROSS LIABILITIES S$'000	IMPACT ON NET LIABILITIES S$'000	IMPACT ON PROFIT BEFORE TAX S$'000
Ultimate loss ratio	+5%	7,211	5,824	(5,824)
Discount rate	+1%	(1,534)	(1,358)	1,358
Provision for adverse deviation	+1%	1,376	1,203	(1,203)

2015	CHANGE IN ASSUMPTIONS	IMPACT ON GROSS LIABILITIES S$'000	IMPACT ON NET LIABILITIES S$'000	IMPACT ON PROFIT BEFORE TAX S$'000
Ultimate loss ratio	+5%	5,096	4,599	(4,599)
Discount rate	+1%	(1,753)	(1,442)	1,442
Provision for adverse deviation	+1%	1,462	1,242	(1,242)

(d) *Maturity analysis*

The table below indicates the estimated timing of the net cash outflows arising from recognised insurance liabilities of the Company:

	2016 PAYABLE WITHIN 12 MONTHS S$'000	2016 PAYABLE AFTER 12 MONTHS S$'000	2016 TOTAL S$'000	2015 PAYABLE WITHIN 12 MONTHS S$'000	2015 PAYABLE AFTER 12 MONTHS S$'000	2015 TOTAL S$'000
Gross						
Unearned premium reserves	88,735	5,581	94,316	82,317	13,401	95,718
Outstanding claims reserves	102,375	46,874	149,249	101,078	56,856	157,934
Total as at end of financial year	191,110	52,455	243,565	183,395	70,257	253,652
Reinsurance						
Unearned premium reserves	(14,366)	(3,939)	(18,305)	(17,683)	(2,879)	(20,562)
Outstanding claims reserves	(14,766)	(5,103)	(19,869)	(15,339)	(9,807)	(25,146)
Total as at end of financial year	(29,132)	(9,042)	(38,174)	(33,022)	(12,686)	(45,708)
Net						
Unearned premium reserves	74,369	1,642	76,011	64,634	10,522	75,156
Outstanding claims reserves	87,609	41,771	129,380	85,739	47,049	132,788
Total as at end of financial year	161,978	43,413	205,391	150,373	57,571	207,944

(e) *Movements in insurance liabilities and reinsurance assets*

(i) *Unearned premium reserves*

2016	GROSS S$'000	REINSURANCE S$'000	NET S$'000
Total at beginning of financial year	95,718	(20,562)	75,156
(Decrease)/increase in unearned premium reserves	(1,402)	2,257	855
Total at end of financial year	94,316	(18,305)	76,011

2015	GROSS S$'000	REINSURANCE S$'000	NET S$'000
Total at beginning of financial year	-	-	-
Transferred from QII	105,358	(19,863)	85,495
Decrease in unearned premium reserves	(9,640)	(699)	(10,339)
Total at end of financial year	95,718	(20,562)	75,156

(ii) Outstanding claims reserves

2016	GROSS S$'000	REINSURANCE S$'000	NET S$'000
Total at beginning of financial year	157,934	(25,146)	132,788
(Decrease)/increase in unearned premium reserves	(8,685)	5,277	(3,408)
Total at end of financial year	149,249	(19,869)	129,380

2015	GROSS S$'000	REINSURANCE S$'000	NET S$'000
Total at beginning of financial year	-	-	-
Transferred from QII	178,252	(33,272)	144,980
(Decrease)/increase in claims reserves	(20,318)	8,126	(12,192)
Total at end of financial year	157,934	(25,146)	132,788

(f) Loss development tables

The loss development tables presented below are net of reinsurance.

Accident Year	Prior	2008	2009	2010	2011	2012	2013	2014	2015	2016	TOTAL
NET INCURRED											
0									91,097	112,753	
1								41,636	82,265		
2							16,954	36,286			
3						5,209	14,903				
4					2,155	3,921					
5				735	2,274						
6			1,239	495							
7		311	838								
8	1,336	89									
9	733										
Movement	(603)	(222)	(401)	(240)	119	(1,288)	(2,051)	(5,350)	(8,832)	112,753	93,885
Current estimate	733	89	838	495	2,274	3,921	14,903	36,286	82,265	112,753	254,557
Cumulative payments	309	0	270	310	1,489	2,491	8,259	22,498	51,320	38,231	125,177
Net outstanding liability	424	89	568	185	785	1,430	6,644	13,788	30,945	74,522	129,380

The loss development and cumulative payments presented are subsequent to 1 October 2015, the date of the Scheme of Transfer.

Notes to the financial statements CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. Property, plant and equipment

2016	COMPUTERS S$'000	FURNITURE AND FITTINGS S$'000	MOTOR VEHICLES S$'000	OFFICE EQUIPMENT S$'000	LEASEHOLD IMPROVEMENT S$'000	TOTAL S$'000
Cost						
Beginning of financial year	315	7	244	355	1,448	2,369
Additions	67	7	-	7	329	410
Disposals	-	-	(55)	-	-	(55)
Adjustments	-	-	-	(2)	(441)	(443)
End of financial year	382	14	189	360	1,336	2,281
Accumulated depreciation						
Beginning of financial year	53	1	18	12	-	84
Depreciation charge	169	4	63	73	252	561
Disposals	-	-	(16)	-	-	(16)
Adjustment	-	-	-	-	-	-
End of financial year	222	5	65	85	252	629
Net book value						
End of financial year	160	9	124	275	1,084	1,652

2015	COMPUTERS S$'000	FURNITURE AND FITTINGS S$'000	MOTOR VEHICLES S$'000	OFFICE EQUIPMENT S$'000	LEASEHOLD IMPROVEMENT S$'000	TOTAL S$'000
Cost						
Beginning of financial year	-	-	-	-	-	-
Transferred from QII	313	96	244	15	461	1,129
Disposals	-	(89)	-	-	-	(89)
Additions	2	-	-	340	987	1,329
End of financial year	315	7	244	355	1,448	2,369
Accumulated depreciation						
Beginning of financial year	-	-	-	-	-	-
Disposals	-	(7)	-	-	-	(7)
Depreciation charge	53	8	18	12	-	91
End of financial year	53	1	18	12	-	84
Net book value						
End of financial year	262	6	226	343	1,448	2,285

13. Intangible assets

SOFTWARE DEVELOPMENT COST	2016 TOTAL S$'000	2015 TOTAL S$'000
Cost:		
Beginning of financial year	7,091	-
Transferred from QII	-	5,071
Additions	1,092	2,020
End of financial year	8,183	7,091
Accumulated amortisation		
Beginning of financial year	717	-
Transferred from QII	-	-
Amortisation	3,304	717
End of financial year	4,021	717
Carrying Amount:		
End of financial year	4,162	6,374
Club membership	525	525
Total intangible assets	4,687	6,899

14. Trade and other payables

	2016 S$'000	2015 S$'000
Trade payables consists of:		
- amounts due to non-related parties	8,419	7,857
- amounts due to related parties	2,594	6,830
	11,013	14,687
Other payables consists of:		
- amounts due to related parties	5,855	8,475
- investment payables	-	26,942
- accrued expenses and other payables	13,930	12,467
	19,785	47,884
	30,798	62,571

15. Deferred tax assets and liabilities

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 tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2016 S$'000	2015 S$'000
Deferred tax liability as at 1 January	1,227	-
Change in deferred income taxes	-	956
Recognised in income statement	(364)	271
Deferred tax liability as at 31 December	863	1,227

The movements in deferred tax liabilities and assets during the financial year comprise the tax effects of the following:

2016	BEGINNING OF FINANCIAL YEAR S$'000	DEFERRED INCOME TAXES S$'000	CHARGED S$'000	END OF FINANCIAL YEAR S$'000
Recognised in income statement:				
Excess of capital allowance over depreciation	1,227	-	(364)	863
	1,227	-	(364)	863
2015				
Transferred from QII	-	956	-	956
Recognised in income statement:				
Excess of capital allowance over depreciation	-	-	271	271
	-	956	271	1,227

16. Immediate and ultimate holding corporation

The Company's immediate holding corporation is QBE Asia Pacific Holdings Limited ("QAPH"), incorporated in Hong Kong. The ultimate holding corporation is QBE Insurance Group Limited, incorporated in Australia.

17. Share capital

	2016 NO. OF SHARES	2016 S$'000	2015 NO. OF SHARES	2015 S$'000
Issued and fully paid ordinary shares:				
At 1 January	156,579,532	156,580	2	*
Issue of new shares during the year	-	-	156,579,530	156,580
At 31 December	156,579,532	156,580	156,579,532	156,580

* denotes amount less than S$1,000

In 2015, the increase in the share capital during the year comprises of the following:

(a) issue of 10,000,000 ordinary shares amounting to S$10,000,000 for cash; and

(b) issue of 146,579,530 ordinary shares amounting to S$146,579,530 to immediate holding company to meet minimum paid up capital and capital adequacy requirement.

18. Management of financial risk

The Company's activities also expose it to a variety of financial risks, including the effects of changes in debt market prices and foreign currency exchange rates.

Financial risk management objectives

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from claims as they fall due. The most important components of this financial risk are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company manages these positions within an investment strategy that has been developed with the following objectives:

(i) to preserve capital in reasonably liquid investments to pay claims, and

(ii) to maximise returns to the Company's income needs

The Company's investment strategy is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

(a) Market risk

(i) *Currency risk*

The Company maintains cash and deposits mainly in Singapore Dollars ("SGD") which is consistent with its functional currency. The foreign exchange exposure arose mainly from exchange rate movements of the United States Dollar ("USD") against the SGD. The Company manages its exposure to foreign exchange risk by monitoring its level of assets and liabilities that are denominated in foreign currencies.

If the USD changed against SGD by 2% (2015: 7%) with all other variables being held constant, the effects to the profit after tax would have been S$227,000 (2015: S$994,000).

(ii) *Interest rate risk*

The Company's exposure to changes in interest rates relate primarily to interest-earning financial assets. Interest rate risk is managed by the Company on an on-going basis with the primary objective limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. However, the Company does not hedge against such exposures.

Summary quantitative data of the Company's interest-bearing financial instruments can be found in below.

Effective interest rates and maturity analysis

Non-derivative financial assets

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

		INTEREST BEARING FINANCIAL ASSETS			
MATURITY DATE		WITHIN 1 YEAR	1 YEAR-5 YEARS	MORE THAN 5 YEARS	TOTAL
As at 31 December 2016					
Fixed Interest	S$'000	178,041	83,369	10,042	271,452
Weighted Average Interest Rate	%	1.18	1.77	3.66	1.45
Floating Rate	S$'000	5,505	33,744	-	39,249
Weighted Average Interest Rate	%	1.98	1.31	-	1.40
As at 31 December 2015					
Fixed Interest	S$'000	265,830	58,224	11,949	336,002
Weighted Average Interest Rate	%	1.04	1.29	2.80	5.14
Floating Rate	S$'000	-	5,387	-	5,387
Weighted Average Interest Rate	%	-	1.74	-	1.74

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(b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit rating to its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The carrying amount of reinsurers' share of insurance contract provisions, insurance and other receivables, financial assets at fair value through profit & loss, and cash and cash equivalents represent the Company's maximum exposure to credit risk.

As at 31 December 2016, the Company had exposure to concentration of credit risk arising from one trade debtor (2015: one trade debtor) that represented 29% (2015: 32%) of trade receivables at balance sheet date.

At the end of the reporting period, there is no other significant concentration of credit risk and exposures are well spread. The Company's exposure to credit risk relating to its financial and insurance assets are summarised below:

2016	AAA	A- TO AA+	BB TO BBB+	NOT RATED	TOTAL
Financial Assets, at fair value through profit & loss	143,439	62,062	10,042	-	215,543
Cash and Cash Equivalent	-	112,055	-	3	112,058
Insurance Receivables	-	3,400	1	75,321	78,722

2015	AAA	A- TO AA+	BB TO BBB+	NOT RATED	TOTAL
Financial Assets, at fair value through profit & loss	217,901	32,790	9,943	-	260,634
Cash and Cash Equivalent	-	98,522	-	3	98,525
Insurance Receivables	-	4,097	2	66,396	70,495

The following table provides information regarding the ageing of the Company's financial assets that are past due but not impaired at the balance sheet date.

		PAST DUE BUT NOT IMPAIRED			
2016	NEITHER PAST DUE NOR IMPAIRED S$'000	0-3MTHS S$'000	3-9MTHS S$'000	MORE THAN 9MTHS S$'000	TOTAL S$'000
Insurance receivables	39,548	21,111	12,290	5,773	78,722

		PAST DUE BUT NOT IMPAIRED			
2015	NEITHER PAST DUE NOR IMPAIRED S$'000	0-3MTHS S$'000	3-9MTHS S$'000	MORE THAN 9MTHS S$'000	TOTAL S$'000
Insurance receivables	34,075	22,798	9,715	3,907	70,495

(c) Liquidity risk

An important aspect of the Company's management of financial and insurance assets and liabilities is to ensure that cash is available to settle liabilities as they fall due. The Company maintains sufficient cash and liquid deposits, and internally generated cash flows to finance its activities. In normal circumstances, the majority of claims are settled with the cash at bank balances and bank deposits available.

(d) Capital risk

The Company's policy is to maintain a suitable capital base so as to support its underwriting strategy. With effect from 1 October 2015, the Company is also required to comply with the regulatory capital requirement prescribed in the Insurance (Valuation and Capital) Regulations 2004 under the Insurance Act (Chapter 142). Under the Risk-based Capital Framework regulation set by MAS, insurance companies are required to satisfy a minimum capital adequacy ratio of 120%. MAS may prescribe different fund solvency requirements or capital adequacy requirements for different classes of insurance business and for different insurers. The Company has a capital adequacy ratio in excess of the minimum requirement.

(e) Fair value measurements

The Company's assets measured at fair value are its fair value through profit & loss financial assets, which are classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

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

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

As at 31 December 2016, the Company holds financial assets, at fair value through profit & loss of $138,168,000 (2015: $105,693,000) which are based on Level 1 inputs and $77,375,000 (2015: $154,941,000) which are based on Level 2 inputs. The fair value of financial instruments traded in active markets (at fair value through profit & loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying value less impairment provision of current trade receivables and payables approximate to their fair values. The fair value of financial liabilities approximates their carrying amount.

(f) Financial instruments by category

The carrying amounts of financial assets measured at fair value through profit & loss are disclosed on the face of the balance sheet and in Note 10 to the financial statements respectively.

The aggregate carrying amounts of trade and other receivables and financial assets, at fair value through profit & loss, are as follows:

	2016 S$'000	2015 S$'000
Cash and cash equivalents	112,058	98,525
Trade and other receivables (excluding prepayments)	82,254	73,190
Financial assets, at fair value through profit & loss	215,543	260,634

19. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Company and related parties during the financial year.

		2016 S$'000	2015 S$'000
(a)	Revenue		
	Reinsurance premiums received from related parties	1,113	812
	Reinsurance commissions received from related parties	19	24
	Reinsurance claims recovered from related parties	8,334	1,853

		2016 S$'000	2015 S$'000
(b)	Expenses		
	Reinsurance premiums ceded to related parties	30,896	6,526
	Reinsurance commissions paid to related parties	243	177
	Reinsurance claims paid to related parties	25	4
	Management fees paid to a related party	15,399	3,654
	Management expenses paid to related parties	1,156	936
	Payments made on behalf by the Company	16,886	3,656

(c) Key management personnel compensation

Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

	2016 S$'000	2015 S$'000
Salary and other remuneration	587	91
Benefits in kind and share based compensation	194	37
	781	128

(d) Transfer of net assets

On 1 October 2015, the following net assets were transferred from QII to the Company under a Scheme of Transfer, dated 24 July 2015, and Order of Court, dated 27 August 2015:

	2015 S$'000
Cash and cash equivalents	33,469
Trade and other receivables	81,406
Financial assets, at fair value through profit & loss	289,718
Reinsurer's share of unearned premium reserves	19,863
Reinsurer's share of loss reserves	33,272
Property, plant and equipment	1,129
Intangible assets	5,596
Total assets	464,453
Trade and other payables	33,307
Unearned premium reserves	105,358
Outstanding claims reserves	178,252
Deferred tax liabilities	956
Total liabilities	317,873
Net assets	146,580

20. Operating lease arrangements

Operating lease payments represent rentals payable by the Company for its office premises. At the end of the financial year, the Company has outstanding commitment under non-cancellable operating lease, which falls due as follows:

	2016 S$'000	2015 S$'000
Within one year	3,566	3,471
In the second to fifth year inclusive	10,846	14,412
	14,412	17,883

21. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors of the Company on 10 March 2017.

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