FIRST CAPITAL INSURANCE LIMITED

ANNUAL REPORT

2016

CORPORATE DATA

Board of Directors
Dr. Ker Sin Tze
Mr. Sammy Sum Yu Chan
Mr. Chandran Ratnaswami
Mr. Brandon Sweitzer
Mr. Ramaswamy Athappan
Mr. Robert Quinn Mclean
Mr. Lee Kwong Foo, Edward
Mr. Ajit Nair
Mr. Arumugam Muthu

Chief Executive
Mr. Ramaswamy Athappan

Secretary
Mr. Gerard Seah

Registered Office
6 Raffels Quay
#21-00
Singapore 048580

Auditor
PricewaterhouseCoopers LLP

MANAGEMENT TEAM

Senior Management

Mr. Gobinath Arvind Athappan, Regional Director
Mr. Rajesh Sinha, Regional Director A&H
Mr. T. U. Shetty, General Manager
Ms. Chin Oi Leng, General Manager
Ms. Angeline Ang, Chief Financial Officer
Mr. R. Vaidyanathan, Assistant General Manager

Heads of Department

Ms. G. Neelamalar, Senior Manager
Mr. Low Weng Seng, Senior Manager
Ms. Mary Nelson, Senior Manager
Ms. Kwok Pui Chee, Manager
Ms. Tan Li Choo, Manager
Ms. Sonia Too, Manager
Mr. Alex Salikin, Manager

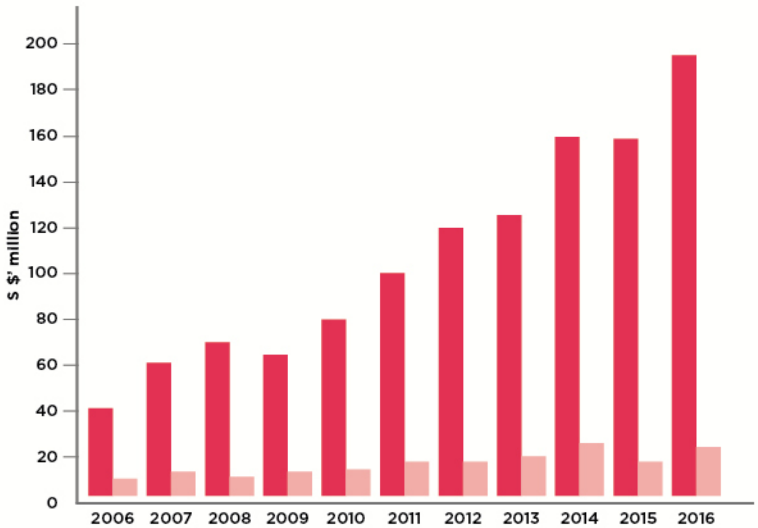
CONTENT

SGD '000

Segment	2016	2015
Total Assets#	1,359,445	1,263,805
Shareholders' Fund	664,172	578,080
Technical Reserves	443,308	442,352
Gross Written Premium	542,441	548,104
Net Written Premium	209,451	184,819
Underwriting Balance	67,617	55,029
Combined Ratio	67.2%	71.3%
Profit Before Tax	103,881	92,045
Profit After Tax	89,581	80,045

#Exclude Reinsurance Assets

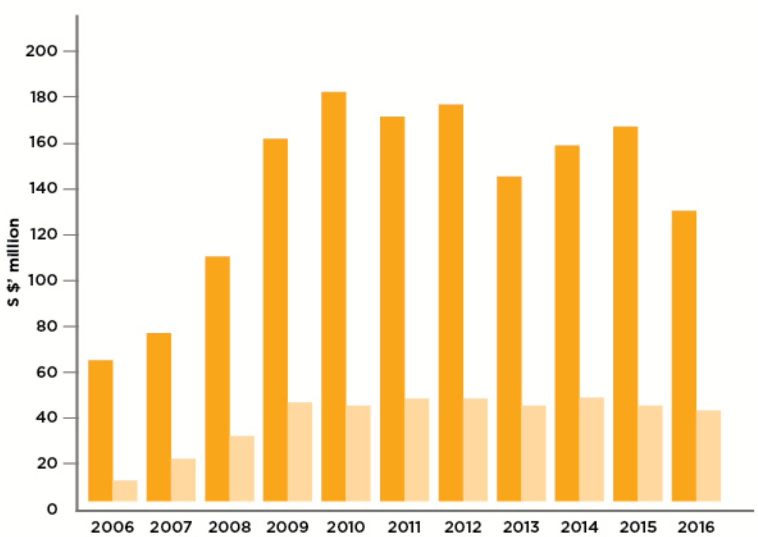
Fire



	Gross Premium	Net Premium
	S$'million	S$'million
2006	42.6	10.7
2007	62.2	13.9
2008	69.6	11.4
2009	66.1	13.2
2010	81.1	14.0
2011	102.0	17.1
2012	119.2	17.0
2013	124.7	20.3
2014	158.0	25.5
2015	157.7	19.6
2016	195.8	24.8

Gross Premium
Net Premium

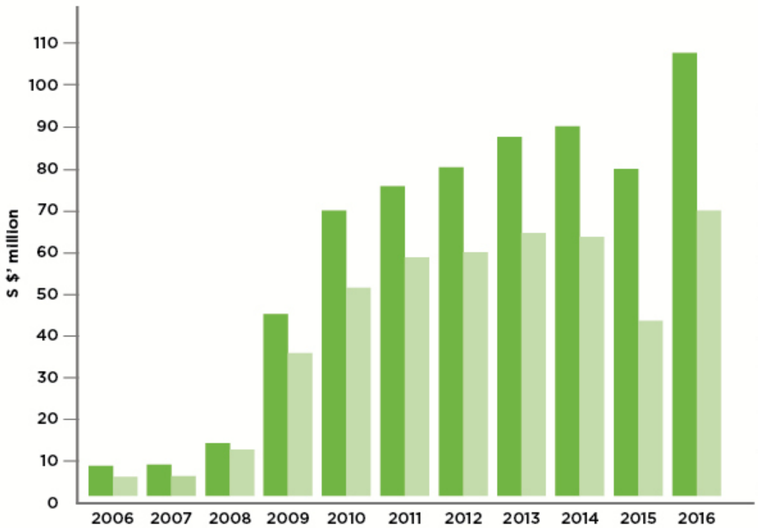
Marine



	Gross Premium	Net Premium
	S$'million	S$'million
2006	64.4	13.5
2007	77.5	21.5
2008	110.4	32.6
2009	162.4	46.9
2010	180.9	46.0
2011	169.4	48.3
2012	174.8	48.0
2013	146.8	46.0
2014	159.2	48.4
2015	166.1	45.7
2016	130.5	43.1

Gross Premium
Net Premium

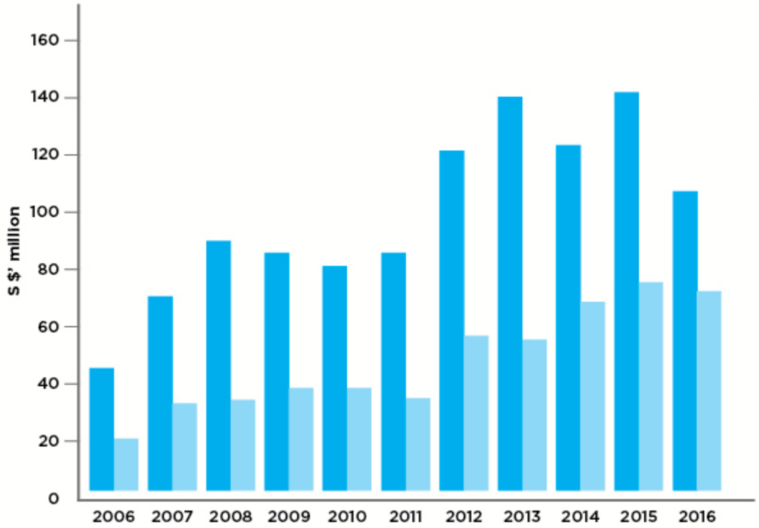
Motor



	Gross Premium S$'million	Net Premium S$'million
2006	9.1	6.2
2007	9.4	6.1
2008	13.2	12.3
2009	46.0	35.0
2010	69.7	50.9
2011	76.9	57.2
2012	81.0	60.3
2013	87.4	64.9
2014	90.7	63.6
2015	79.8	42.8
2016	108.0	69.3

Gross Premium
Net Premium

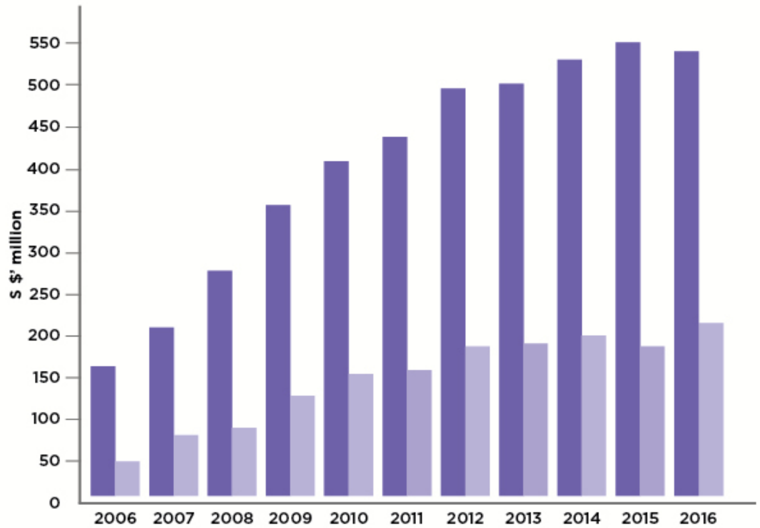
Miscellaneous



	Gross Premium S$'million	Net Premium S$'million
2006	42.9	19.6
2007	69.7	32.6
2008	87.7	33.9
2009	85.4	36.5
2010	81.8	36.9
2011	88.4	34.4
2012	121.2	56.0
2013	140.3	55.2
2014	124.4	68.9
2015	144.4	76.7
2016	108.1	72.4

Gross Premium
Net Premium

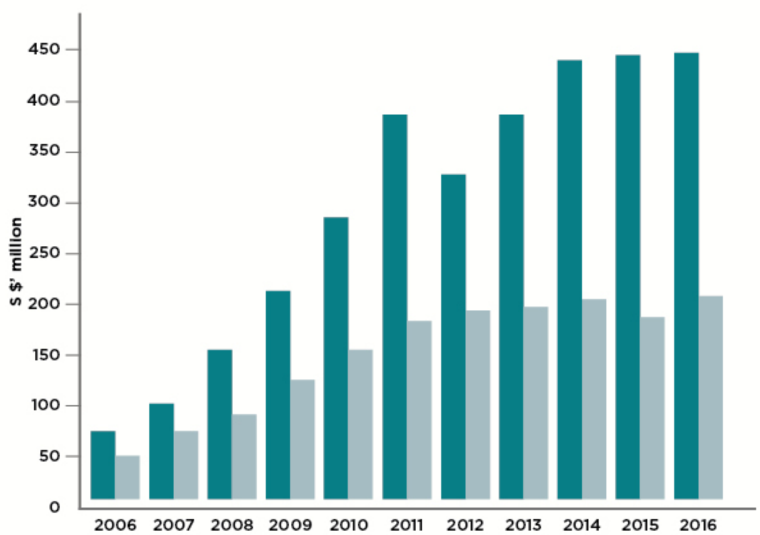
Total Gross and Net Premium



	Gross Premium	Net Premium
	S$'million	S$'million
2006	159.0	50.0
2007	218.8	74.1
2008	280.9	90.2
2009	359.9	131.6
2010	413.5	147.8
2011	436.7	157.0
2012	496.3	181.3
2013	499.1	186.3
2014	532.4	206.4
2015	548.1	184.8
2016	542.4	209.5

Gross Premium
Net Premium

Technical Provision Compared to Net Premium

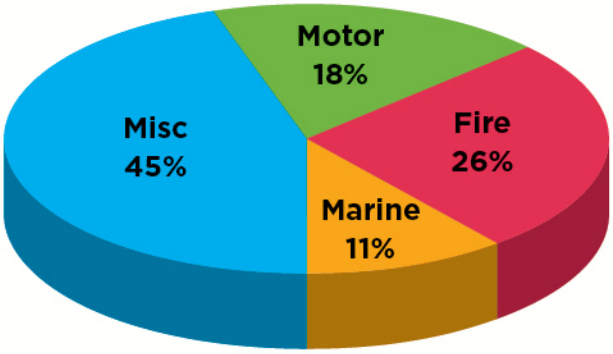


	Technical Provision	Net Premium
	S$'million	S$'million
2006	74.3	50.0
2007	105.0	74.1
2008	152.4	90.2
2009	216.9	131.6
2010	279.1	147.8
2011	325.7	157.0
2012	382.6	181.4
2013	422.9	186.3
2014	441.9	206.4
2015	442.4	184.8
2016	443.3	209.5

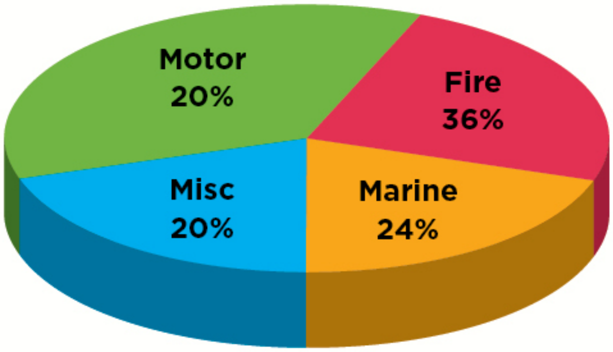
Gross Premium
Net Premium

Gross Premium Composition

YEAR 2002

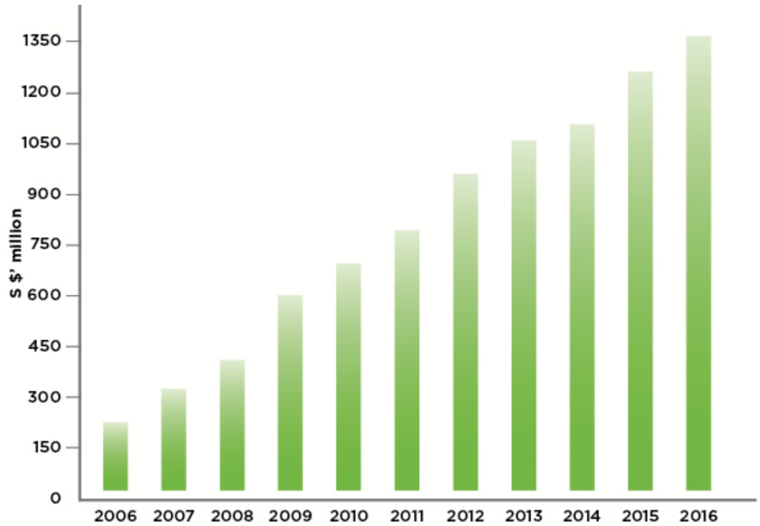


YEAR 2016



	Year 2002 ($'000)	Year 2016 ($'000)
Marine	3,481	130,452
Fire	7,941	195,836
Motor	5,517	108,005
Misc	13,634	108,147
Total	30,573	542,441

Total Assets

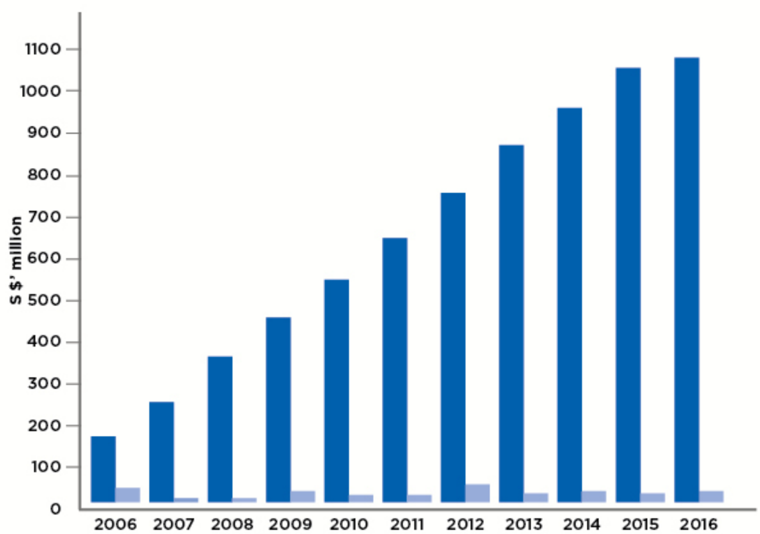


	Total Assets#
	S$'million
2006	230.2
2007	323.6
2008	424.1
2009	596.1
2010	689.7
2011	785.6
2012	972.8
2013	1,069.9
2014	1,156.0
2015	1,263.8
2016	1,359.4

Total Assets

Exclude reinsurance assets

Total Investment and Investment Income



	Total Investment	Investment Income (*)
	S$'million	S$'million
2006	184.6	43.2
2007	266.5	10.3
2008	342.8	9.1
2009	462.7	28.3
2010	545.6	17.7
2011	652.8	18.7
2012	731.9	48.6
2013	876.2	25.1
2014	947.4	30.5
2015	1,053.9	24.5
2016	1,087.9	31.8

Total Investment

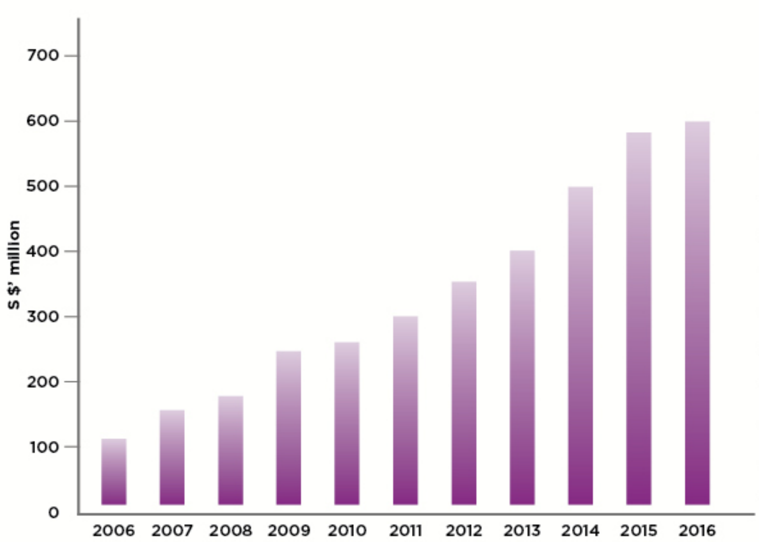
Investment Income (*)

Profit Before and After Tax

	Profit before tax S$'million	Profit after tax S$'million
2006	60.8	56.2
2007	37.4	32.0
2008	32.0	27.1
2009	46.1	40.7
2010	29.1	24.8
2011	53.3	46.5
2012	64.2	54.6
2013	63.6	55.5
2014	92.1	79.4
2015	92.0	80.0
2016	103.9	89.6

Profit before tax
Profit after tax

Shareholder's Equity



	Shareholders' Equity S$'million
2006	112.1
2007	145.9
2008	173.6
2009	243.5
2010	261.6
2011	296.5
2012	357.5
2013	412.1
2014	501.4
2015	578.1
2016	664.2

Shareholders' Equity

The directors present their report to the members together with the audited consolidated financial statements of the Group and the statement of comprehensive income, balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

In the opinion of the directors,

(a) the financial statements set out on pages 20 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2016, and of the results of the business and changes in equity, of the Company and of the Group and cash flows of the Group for the financial year then ended; 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 of the Company in office at the date of this report are as follows:

Sammy Sum Yu Chan
Chandran Ratnaswami
Ramaswamy Athappan
Brandon Sweitzer
Ker Sin Tze
Robert Quinn Mclean
Lee Kwong Foo, Edward
Ajit Nair
Arumugam Muthu

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 or nominee	
	At 31.12.2016	At 01.01.2016
Ultimate Holding Corporation		
Fairfax Financial Holdings Limited		
(Common or Subordinate voting shares of no par value each)		
Sammy Sum Yu Chan	25,863	25,863
Chandran Ratnaswami	12,308	12,120
Brandon Sweitzer	2,004	1,785
Ramaswamy Athappan	15,646	5,781
Robert Quinn Mclean	1,955	1,826
The Company		
First Capital Insurance Limited		
(Ordinary share of $1 each)		
Ramaswamy Athappan	1#	1#

The share is held in trust for the immediate holding corporation, Fairfax Asia Limited.

Share options

There were no share options 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 ordinary 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

RAMASWAMY ATHAPPAN Director	SAMMY SUM YU CHAN Director

Singapore
30 March 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST CAPITAL INSURANCE LIMITED

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of First Capital Insurance LImited (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 14 to 16 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

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.

Other Information (continued)

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.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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, 30 March 2017

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
General Insurance Business					
Gross insurance premium revenue		**542,440,569**	548,103,758	**542,440,569**	548,103,758
Reinsurance premium ceded to reinsurers		**(332,989,071)**	(363,284,516)	**(332,989,071)**	(363,284,516)
Net insurance premium revenue		**209,451,498**	184,819,242	**209,451,498**	184,819,242
Change in reserve for unexpired risks	17(c)	**(2,945,090)**	5,302,303	**(2,945,090)**	5,302,303
Change in reserve for unexpired risks on reinsurance ceded	17(c)	**(517,339)**	1,919,942	**(517,339)**	1,919,942
Change in net reserve for unexpired risks	17(c)	**(3,462,429)**	7,222,245	**(3,462,429)**	7,222,245
Net premiums earned		**205,989,069**	192,041,487	**205,989,069**	192,041,487
Gross claims paid		**(384,773,036)**	(303,379,067)	**(384,773,036)**	(303,379,067)
Claims recovered from reinsurers		**236,124,486**	166,283,557	**236,124,486**	166,283,557
Net claims paid	17(a)	**(148,648,550)**	(137,095,510)	**(148,648,550)**	(137,095,510)
Change in loss reserves		**37,965,115**	(52,929,550)	**37,965,115**	(52,929,550)
Change in claims recoverable from reinsurers		**(35,456,202)**	45,273,223	**(35,456,202)**	45,273,223
Net claims incurred	17(a)	**(146,139,637)**	(144,751,837)	**(146,139,637)**	(144,751,837)
Gross commissions		**(77,813,989)**	(72,842,322)	**(77,813,989)**	(72,842,322)
Commission income from reinsurers		**113,312,854**	98,311,361	**113,312,854**	98,311,361
Net commissions earned		**35,498,865**	25,469,039	**35,498,865**	25,469,039
Employee compensation	7	**(16,014,586)**	(14,578,025)	**(16,014,586)**	(14,578,025)
Depreciation expense	15	**(231,669)**	(277,153)	**(231,669)**	(277,153)
Other operating expenses	6	**(11,485,144)**	(2,874,597)	**(11,482,248)**	(2,871,727)
		(27,731,399)	(17,729,775)	**(27,728,503)**	(17,726,905)
Underwriting profit from general insurance business		**67,616,898**	55,028,914	**67,619,794**	55,031,784
Net investment income	4	**31,326,888**	31,354,003	**31,326,635**	31,353,825
Other net operating income	5	**4,936,988**	5,661,944	**4,936,988**	5,661,944
Profit before tax		**103,880,774**	92,044,861	**103,883,417**	92,047,553
Income tax expense	8(a)	**(14,300,000)**	(12,000,000)	**(14,300,000)**	(12,000,000)
Profit after tax		**89,580,774**	80,044,861	**89,583,417**	80,047,553
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss:					
Financial assets, available-for-sale					
- Fair value losses	20	**(3,479,240)**	(3,285,008)	**(3,479,240)**	(3,285,008)
- Transfer to profit or loss on disposal	20	**(9,260)**	(35,589)	**(9,260)**	(35,589)
Other comprehensive loss, net of tax		**(3,488,500)**	(3,320,597)	**(3,488,500)**	(3,320,597)
Total comprehensive income		**86,092,274**	76,724,264	**86,094,917**	76,726,956

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

As at 31 December 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
ASSETS					
Current assets					
Cash and cash equivalents	9	**523,648,758**	426,204,825	**523,587,243**	426,140,599
Financial assets	10	**16,459,810**	56,887,937	**16,459,810**	56,887,937
Loans and receivables					
- insurance receivables	11	**186,658,473**	136,825,565	**186,658,086**	136,825,177
- other receivables	12	**20,679,898**	5,404,445	**20,679,850**	5,404,404
- mortgage loans	13	**24,518,000**	19,671,537	**24,518,000**	19,671,537
Reinsurance assets	17	**608,255,358**	644,228,899	**608,255,358**	644,228,899
		1,380,220,297	1,289,223,208	**1,380,158,347**	1,289,158,553
Non-current assets					
Property, plant and equipment	15	**9,084,847**	9,225,312	**9,084,847**	9,225,312
Investment in a subsidiary	14	**-**	-	**300,000**	300,000
Financial assets	10	**441,324,009**	472,721,630	**441,324,009**	472,721,630
Loans and receivables					
- other receivables	12	**100,000,000**	100,000,000	**100,000,000**	100,000,000
- mortgage loans	13	**37,070,830**	36,863,950	**37,070,830**	36,863,950
		587,479,686	618,810,892	**587,779,686**	619,110,892
Total assets		**1,967,699,983**	1,908,034,100	**1,967,938,033**	1,908,269,445
LIABILITIES					
Current liabilities					
Trade and other payables					
- trade payables	16(a)	**174,244,290**	179,058,725	**174,221,686**	179,036,119
- other payables	16(b)	**51,672,377**	26,212,890	**51,669,545**	26,209,998
Due to a subsidiary - trade		**-**	-	**524,079**	524,079
Current income tax liabilities	8(b)	**16,017,127**	13,703,318	**16,017,127**	13,703,318
Insurance liabilities	17	**1,010,268,822**	1,032,584,272	**1,010,268,822**	1,032,584,272
		1,252,202,616	1,251,559,205	**1,252,701,259**	1,252,057,786
Non-current liabilities					
Trade payables	16(a)	**5,411,549**	19,157,776	**5,411,549**	19,157,776
Insurance liabilities	17	**41,291,894**	53,996,469	**41,291,894**	53,996,469
Deferred income tax liabilities	18	**4,622,000**	5,241,000	**4,622,000**	5,241,000
		51,325,443	78,395,245	**51,325,443**	78,395,245
Total liabilities		**1,303,528,059**	1,329,954,450	**1,304,026,702**	1,330,453,031
NET ASSETS		**664,171,924**	578,079,650	**663,911,331**	577,816,414
EQUITY					
Share capital	19	**26,500,000**	26,500,000	**26,500,000**	26,500,000
General reserve		**250,000**	250,000	**250,000**	250,000
Fair value reserve	20	**23,701,142**	27,189,642	**23,701,142**	27,189,642
Retained earnings		**613,720,782**	524,140,008	**613,460,189**	523,876,772
Total equity		**664,171,924**	578,079,650	**663,911,331**	577,816,414

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Share capital $	General reserve $	Fair value reserve $	Retained earnings $	Total $
Group					
Balance at 1 January 2016	26,500,000	250,000	27,189,642	524,140,008	578,079,650
Total comprehensive (loss)/income for the year	-	-	(3,488,500)	89,580,774	86,092,274
Balance at 31 December 2016	**26,500,000**	**250,000**	**23,701,142**	**613,720,782**	**664,171,924**
Balance at 1 January 2015	26,500,000	250,000	30,510,239	444,095,147	501,355,386
Total comprehensive income for the year	-	-	(3,320,597)	80,044,861	76,724,264
Balance at 31 December 2015	26,500,000	250,000	27,189,642	524,140,008	578,079,650
Company					
Balance at 1 January 2016	26,500,000	250,000	27,189,642	523,876,772	577,816,414
Total comprehensive (loss)/income for the year	-	-	(3,488,500)	89,583,417	86,094,917
Balance at 31 December 2016	**26,500,000**	**250,000**	**23,701,142**	**613,460,189**	**663,911,331**
Balance at 1 January 2015	26,500,000	250,000	30,510,239	443,829,219	501,089,458
Total comprehensive income for the year	-	-	(3,320,597)	80,047,553	76,726,956
Balance at 31 December 2015	26,500,000	250,000	27,189,642	523,876,772	577,816,414

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

For the financial year ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Profit after tax		**89,580,774**	80,044,861
Adjustments for:			
Income tax expense		**14,300,000**	12,000,000
Depreciation expense		**231,669**	277,153
Gain on disposal of properly, plant and equipment		**(32,565)**	-
Gain on disposal of financial assets, fair value through profit or		**(2,007,460)**	(2,232,313)
Gain on disposal of financial assets, available-for-sale		**(799,884)**	(62,391)
Net dividend income		**(5,581,841)**	(8,796,438)
Interest income		**(20,825,844)**	(20,817,401)
Accretion of discount (Net of amortisation of premiums)		**(102,151)**	(188,223)
Fair value (gain) on financial assets, at fair value through profit or loss		**(11,434,603)**	(41,751,865)
Fair value loss on financial assets, available-for-sale		**8,997,470**	49,372,796
Unrealised currency translation loss/(gain) on investments		**2,644,035**	(3,469,867)
Operating cash flow before working capital change		**74,969,600**	64,376,312
Change in working capital			
Trade and other receivables		**(65,818,750)**	(16,971,040)
Reserve for unexpired risks		**2,945,090**	(5,302,303)
Loss reserves		**(37,965,115)**	52,929,550
Trade and other payables		**6,898,825**	31,891,400
Reinsurance assets		**35,973,541**	(47,193,164)
Cash generated from operations		**17,003,191**	79,730,755
Interest received		**4,292,504**	3,584,278
Income tax paid		**(11,986,191)**	(12,354,166)
Net cash provided by operating activities		**9,309,504**	70,960,867
Cash flows from investing activities			
Purchases of property, plant and equipment		**(104,505)**	(150,235)
Proceeds from disposals of property, plant and equipment		**45,866**	-
Purchases of financial assets, available-for-sale		**(14,787,014)**	(50,205,795)
Purchases of financial assets, at fair value through profit or loss		**(5,000,000)**	(50,000,000)
Mortgage loans granted		**(14,265,296)**	(9,217,782)
Proceeds from sale/redemption of financial assets, available-for-sale		**23,157,983**	20,651,774
Proceeds from redemption of financial assets, at fair value through profit or loss		**67,049,873**	62,392,650
Mortgage loans repayments received		**9,211,953**	1,500,638
Interest received		**16,879,334**	17,650,897
Net dividends received		**5,945,340**	8,586,312
Amount loaned to related company		**-**	(63,988,164)
Net cash provided by/(used in) investing activities		**88,133,534**	(62,779,705)
Net increase in cash and cash equivalents		**97,443,038**	8,181,162
Cash and cash equivalents at beginning of the financial year	9	**426,126,375**	417,945,213
Cash and cash equivalents at end of the financial year	9	**523,569,413**	426,126,375

1. General

The Company is incorporated and domiciled in Singapore. The address of its registered office is 6 Raffles Quay #21-00 Singapore 048580.

The principal activity of the Company is to carry on the business of general insurance and reinsurance of all classes of insurance business and to perform investment functions incidental thereto. The principal activity of its subsidiary is set out in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the year.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared 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 judgement in the process of applying the Group'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 assumptions and estimates 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 Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group'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 Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2. Significant accounting policies (continued)

2.2 Revenue recognition

The recording of revenue and the determination of underwriting results of each financial year reflect delays in receipt of information from cedants and brokers. Premium income on direct and facultative insurance business is recognised at the time a policy is issued on the basis of final closing advices received from cedants and brokers. Reinsurance premium income on inward treaty insurance business is recognised on the basis of the returns and statement of accounts received from cedants and brokers.

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 reinsurance contracts (see Note 2.5).

Reinsurance profit commission income is recognised based on the terms of the underlying reinsurance contract, and when the amount of revenue and related cost of the reinsurance transaction can be reliably measured.

Interest income on short-term bank deposits, corporate bonds and mortgage loans is accounted for using the effective interest method. Dividends from equity investments are taken up in profit or loss in the accounting period in which the right to receive payment is established.

2.3 Group Accounting

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanied by a shareholding giving rise to the majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Please refer to the paragraph “Investment in subsidiary” for the accounting policy on the investment in subsidiary in the separate financial statements of the Company.

2. Significant accounting policies (continued)

2.4 Product classification

All the Group's existing products are insurance contracts as defined in FRS 104 '*Insurance Contracts*'. Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

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

2.5 Reinsurance

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets.

2.6 Loss reserves

Claims are charged to profit or loss when incurred based on the estimated liability for compensation owed to policyholders or for damage suffered by third party claimants. They comprise direct and indirect claims settlement costs including loss adjustment expenses and professional fees, and arise from events that have occurred up to the balance sheet date.

Loss reserves and reinsurance and other recoveries are assessed by reviewing individual claims, advice from ceding and broking companies, and making allowance for claims incurred but not reported, taking into consideration foreseeable events, past experience and trends. These loss reserves are reviewed by actuaries. Any reduction or increase in the provision is dealt with in profit or loss in the year in which the reduction or increase arises. Any difference between the estimated cost and subsequent settlement is dealt with in profit or loss in the year in which settlement takes place.

2. Significant accounting policies (continued)

2.6 Loss reserves (continued)

In line with section 37(1)(b) of the Singapore Insurance Act, an actuarial investigation is made on the net claim liabilities, and a provision for adverse deviation at a minimum 75 percent level of confidence is included in the net loss reserves.

Net claim liabilities is an amount not less than the value of the expected future payments in relation to all claims incurred prior to the valuation date (other than payments which have fallen due for payment before the valuation date), whether or not they have been reported to the insurer, including any expense expected to be incurred in settling those claims and provision for any adverse deviation from the expected experience, calculated based on the 75 per cent level of sufficiency.

2.7 Premium liabilities

Premium liabilities relate to reserves established to cover the unexpired portion of premium written. Premium liabilities are calculated as an amount not less than the aggregate unearned premium reserves or the unexpired risk reserves, whichever is higher.

Unearned premium reserves are calculated on gross premiums written during the financial year less premiums on reinsurances, using the following methods:

For direct business	$1/365^{th}$ method
For reinsurance business	
- Proportional treaties	40% method
- Facultative	$1/365^{th}$ method

Where the $1/365^{th}$ method is used, provision for unearned premiums is determined after allowing for acquisition costs.

Unexpired risk reserve as at the balance sheet date is calculated based on the requirements under section 19 of the Insurance (Valuation and Capital) Regulations 2004 and any amendments thereof.

Unexpired risk reserve as at the balance sheet date is the sum of the value of the expected future payments arising from future events insured under policies in force as at the valuation date, including any expenses expected to be incurred in administering the policies and settling relevant claims and any provision for any adverse deviation from the expected experience, calculated based on the 75 percent level of sufficiency.

2. Significant accounting policies (continued)

2.8 Liability adequacy tests

Liability adequacy tests are performed as described in Notes 2.6 and 2.7 to ensure the adequacy of the contract liabilities net of related deferred acquisition costs ("DAC").

2.9 Reinsurance – Assumptions and methods

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

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

2.10 Property, plant and equipment

(a) *Measurement*

(i) Land and building

Land and building are initially recorded at cost. No depreciation is provided on freehold land; however the carrying value is adjusted for any impairment losses. Building are subsequently stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

2. **Significant accounting policies** (continued)

2.10 Property, plant and equipment (continued)

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Motor vehicles	10 years
Office equipment	5 years
Furniture and fittings	5 years
Building on freehold land	40 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 when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be reliably measured. All other repair and maintenance expense is 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. **Significant accounting policies** (continued)

2.11 Investment in subsidiary

Investment in subsidiary is carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of the investment in subsidiary, the difference between disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

2.12 Impairment of non-financial assets

Property, plant and equipment
Investment in subsidiary

Property, plant and equipment and investment in subsidiary are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit ("CGU") to which the asset belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease to the extent of any previously recorded revaluation.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the 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 any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment is also recognised in profit or loss.

2. **Significant accounting policies** (continued)

2.13 Financial assets

(a) *Classification*

The Group classifies its investments in financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets, at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated as fair value through profit or 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 fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. 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.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review for loans and receivables.

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.

2. Significant accounting policies (continued)

2.13 Financial assets (continued)

(a) Classification (continued)

(iii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group 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 Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(c) Initial measurement

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

(d) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

2. **Significant accounting policies** (continued)

2.13 Financial assets (continued)

(d) *Subsequent measurement (continued)*

Changes in the fair values of financial assets, at fair value through profit or loss are recognised in profit or loss when the changes arise. The effects of currency translation, interest and dividend income are recognised separately in profit or loss.

Interest and dividend income on financial assets, available-for-sale are recognised separately in profit or loss. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group 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) Loans and 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 or loss.

2. Significant accounting policies (continued)

2.13 Financial assets (continued)

(e) Impairment (continued)

(i) Loans and receivables (continued)

The allowance for impairment loss account is reduced through profit or 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.

(ii) Financial assets, available-for-sale

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

The cumulative loss that was recognised in the fair value reserve is transferred to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss on debt securities. The impairment losses recognised in profit or loss on equity securities are not reversed through profit or loss.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2. **Significant accounting policies** (continued)

2.15 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.16 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 goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investment in subsidiary, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

2. Significant accounting policies (continued)

2.16 Income taxes (continued)

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. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.17 Provisions

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.18 Employee compensation

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

Annual Leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. Significant accounting policies (continued)

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Group is the Singapore dollar.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences 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 or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.20 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change of value. Amounts pledged as collateral are excluded from cash and cash equivalents.

2.21 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.

2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates and judgements

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

(a) Insurance liabilities

Assumptions and sensitivities

(i) Process used to decide on assumptions

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

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

Claims paid and incurred claims net of reinsurance recoveries were obtained for each of the last 12 years, as well as for 2004 and prior, and shown in a triangular form by accident/underwriting year and development year. Then, ratios of claim amounts at successive development years were calculated to build loss development factor triangles.

For most classes of business, the incurred loss development method, or the average of incurred loss and the ultimate loss estimates from the incurred loss development method, have been used to select the ultimate best estimates for the 2012 and prior accident/underwriting years. Other methods, such as the Bornhuetter Ferguson method, along with the expected loss ratio method, were also considered in the selection of the ultimate loss estimates for the 2013 - 2016 accident/underwriting years, and for classes of business with a small claims sample or in cases where little claim information was available as of the valuation date.

The claims data includes external claims handling expenses, but does not include internal claims handling expenses. A provision for internal claims expenses (ULAER) has been determined for the direct and facultative business based on the ratio of paid ULAE to net average of paid and incurred losses of 7.5%. This method assumes that most of the expenses incurred in the claims department result from opening and closing claim

3. **Critical accounting estimates and judgements** (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(i) Process used to decide on assumptions (continued)

files, while also accounting for work performed by the claims department during the time the claim remained opened. This ULAE percentage was applied to one half of the total of the case reserves plus the narrow (i.e. truly incurred but unreported claims, estimated as 1/12 of the claim amounts estimated to have been incurred in the latest accident year) plus wide-sense IBNR (including both narrow IBNR and expected case development) at the line and accident/underwriting year level.

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

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

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

A discounting factor for future investment earnings has been applied to claim and premium provisions. The selected discount rate of 1.85% is consistent with posted five year government bond yields.

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

The provision for adverse deviation allows for inherent uncertainty of the central estimate of the policy liabilities. It takes into consideration the variability of claim experience within a class of business (PAD before diversification) and also the diversification between classes of business (diversification allowance).

To estimate the variability around the central estimate, an internal model based on internal company data was used. In deriving the 75% level of sufficiency for the claims liabilities, a Bootstrap method was used.

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

Assumptions and sensitivities (continued)

(i) Process used to decide on assumptions (continued)

Bootstrapping procedures are useful when the theoretical distribution of a statistic of interest is complicated or unknown.

The indicated PAD loading for the claims liabilities is based on the ratio of the 75th percentile estimate to the mean estimate of the total claims reserves from the model. Based on the model output and judgment, the PAD loading is selected for claims liabilities, consistent with last year's selections. The Company has assumed that the PAD loading for premium liabilities is the same as the selected PAD loading for claims liabilities. A diversification allowance of around 7% is also selected for total Singapore Insurance Fund ("SIF") and Offshore Insurance Fund ("OIF") business combined.

(ii) Change in assumptions and sensitivity analysis

The Company maintains separate insurance funds – Singapore Insurance Fund and Offshore Insurance Fund - for each class of insurance business carried on by the Company that relates to Singapore policies and offshore policies respectively. The Company's claims liabilities are analysed on a fund level basis i.e. SIF and OIF and not at Company level.

The actual loss development on SIF direct and facultative business on an accident year basis was better than expectation by $3.8 million. Actual loss development on SIF direct and treaty business on an underwriting year basis was better than expected by $13.8 million. Overall, SIF business experienced reported loss development of $14.6 million, which was better than expected loss development of $32.2 million by $17.6 million. For more homogeneous grouping of business, taxi fleet programs (SMRT, Comfort, SMART, TransCab, Prime Car and CityCab), as well as Singapore Law Society professional indemnity direct business, are separated out from Motor and Miscellaneous lines respectively and analyzed on an underwriting year basis.

The ultimate loss estimates on SIF business for this year's valuation are lower than last year's by $20.3 million or 2.5%, stemming from decreases in most prior years.

3. Critical accounting estimates and judgements (continued)

(a) Insurance liabilities (continued)

(ii) Change in assumptions and sensitivity analysis (continued)

The claims liabilities on SIF business using current assumptions is $238.0 million. If last year's loss development and ultimate loss ratios, discount and PAD loading factors had been used then the claims liabilities would have been higher, at $261.4 million. The difference stems mainly from lower ultimate loss estimates in the current valuation, as discussed above.

For OIF direct and facultative business on an accident year basis, the actual incurred loss development of $5.0 million was better than expected loss development of $14.4 million by $9.4 million. The OIF direct and treaty business on an underwriting year basis experienced better than expected loss development, of $4.3 million. Overall, OIF business experienced reported loss development of $4.5 million, which was better than expected loss development of $18.2 million by $13.7 million.

The ultimate loss estimates on OIF business for this year's valuation are lower than last year's by $17.2 million or 5.1%, stemming from decrease in most of prior years.

The claims liabilities on OIF business using current assumptions is $130.6 million. If last year's loss development and ultimate loss ratios, discount and PAD loading factors had been used then the claims liabilities would have been higher, at $150.8 million. The difference stems mainly from lower ultimate loss estimates in the current valuation, as discussed above.

(iii) Sensitivity analysis

There is uncertainty inherent in the estimation process; the actual amount of ultimate claims can only be ascertained once all claims are closed. If the undiscounted reserve estimate is incorrect by 10%, then it could change by +/-$20.8 million for SIF and +/-$11.2 million for OIF. The provision for adverse deviation would incorporate such adverse scenarios. If the loading for adverse deviation were increased 10%, then the total reserve estimate would increase by approximately $5.8 million, or 1.6%.

3. Critical accounting estimates and judgements (continued)

(b) Investments in financial assets

Impairment of financial assets, available-for-sale

The Group follows the guidance of FRS 39 in determining when an investment is considered impaired. This determination requires significant judgment. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and near-term business outlook of the issuer of the instrument, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) Income taxes

The Group is subject to Singapore income tax laws. Judgement is involved in determining the group-wide provision for income taxes. The Group recognises liabilities for tax based on estimates. For these estimates the ultimate tax determination is based on the final assessment. Where the final assessment is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Revenue recognition

In line with the Company's accounting policy described in Note 2.2, the Company records premium income from businesses in pipeline only upon receipt of documents from counterparty, rather than recording it as of the date of inception of risk.

The directors are of the view that due to the nature of the business, specifically where it relates to large risks, recording of the premium should only be done upon receipt of documents from the counterparty and consider the impact of the time lag to the financial statements as being insignificant as this application has been adopted consistently year on year and that the insurance liabilities recognised as at 31 December 2016 are adequate. In addition, the directors have also considered the credit risk arising from the unprocessed business not recognised as at 31 December 2016 to be insignificant.

4. Net investment income

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Fair value (losses)/gains				
- financial assets, fair value through profit or loss	**8,743,043**	44,878,775	**8,743,043**	44,878,775
- financial assets, available-for-sale	**(8,949,945)**	(49,029,839)	**(8,949,945)**	(49,029,839)
Realised gains on disposal				
- financial assets, fair value through profit or loss	**2,007,460**	2,232,313	**2,007,460**	2,232,313
- financial assets, available-for-sale	**799,884**	62,391	**799,884**	62,391
Dividend income				
- quoted equities	**5,333,959**	7,594,101	**5,333,959**	7,594,101
- unquoted equities	**247,882**	1,202,337	**247,882**	1,202,337
Interest income (net)	**14,809,406**	15,017,292	**14,809,153**	15,017,114
Interest on loan to related company	**6,016,438**	5,800,110	**6,016,438**	5,800,110
Amortisation of discount	**102,151**	188,223	**102,152**	188,223
Investment expenses	**(2,611,569)**	(2,693,211)	**(2,611,569)**	(2,693,211)
Net gain on foreign exchange	**4,828,179**	6,101,511	**4,828,179**	6,101,511
Net investment income	**31,326,888**	31,354,003	**31,326,635**	31,353,825

5. Other net operating income

	Group and Company	
	2016	2015
	$	$
Brokerage income	**1,523,263**	1,654,042
Net currency exchange gain/(loss) on operations	**(567,649)**	1,623,473
Loss on disposal of property, plant & equipment	**32,565**	-
(Provision)/Write-back of allowance for impairment of receivables	**(98,119)**	(23,321)
Fee income due from related company	**2,860,634**	1,362,698
Miscellaneous income	**1,186,294**	1,045,052
	4,936,988	5,661,944

6. Expenses by nature

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Professional fees	**516,735**	261,437	**513,909**	258,737
Rental & occupancy expenses	**904,822**	792,907	**904,822**	792,907
Management fees	**8,136,609**	250,000	**8,136,609**	250,000
Directors' fees	**211,411**	52,000	**211,411**	52,000
Advertising and promotional expenses	**310,734**	209,876	**310,734**	209,876
Travelling expenses	**372,429**	235,784	**372,429**	235,784
Levy and subscriptions	**106,427**	136,571	**106,427**	136,571
Computer supplies & maintenance	**179,097**	139,614	**179,097**	139,614
Other operating expenses	**746,880**	796,408	**746,810**	796,238
	11,485,144	2,874,597	**11,482,248**	2,871,727

7. Employee compensation

	Group and Company 2016 $	Group and Company 2015 $
Wages and salaries	**14,069,857**	13,019,678
Other benefits	**729,253**	483,237
Employer's contribution to defined contribution plans including Central Provident Fund	**1,215,476**	1,075,110
	16,014,586	14,578,025

8. Income taxes

(a) Income tax expense

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Tax expense attributable to profit is made up of:				
Current income tax - Singapore	**14,300,000**	12,000,000	**14,300,000**	12,000,000
Deferred income tax (Note 18)	**-**	-	**-**	-
Overprovision in prior financial year	**-**	-	**-**	-
Tax charge	**14,300,000**	12,000,000	**14,300,000**	12,000,000

8. **Income taxes** (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Profit before tax	**103,880,774**	92,044,861	**103,883,417**	92,047,553
Tax calculated at a tax rate of 17% (2015: 17%)	**17,659,732**	15,647,626	**17,660,181**	15,648,084
Effects of:				
- Income not subject to tax	**(554,731)**	(988,133)	**(554,731)**	(988,133)
- Expenses not deductible for tax purposes	**51,212**	34,059	**51,212**	34,059
- Effect of income taxed at rate of 10%	**(3,187,352)**	(2,818,435)	**(3,187,352)**	(2,818,435)
- Singapore statutory stepped income exemption	**(25,925)**	(25,925)	**(25,925)**	(25,925)
- Others	**357,064**	150,808	**356,615**	150,350
	14,300,000	12,000,000	**14,300,000**	12,000,000

(b) Movement in current income tax liabilities

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Beginning of financial year	**13,703,318**	14,057,484	**13,703,318**	14,057,484
Income tax paid	**(11,986,191)**	(12,354,166)	**(11,986,191)**	(12,354,166)
Tax payable on current year profit	**14,300,000**	12,000,000	**14,300,000**	12,000,000
Overprovision in prior financial year		-		-
End of financial year	**16,017,127**	13,703,318	**16,017,127**	13,703,318

The Group's tax liabilities have been measured based on the corporate tax rate and tax laws prevailing at balance sheet date.

9. Cash and cash equivalents

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Cash at bank and on hand	**24,954,674**	23,267,835	**24,954,220**	23,266,609
Short-term bank deposits	**498,694,084**	402,936,990	**498,633,023**	402,873,990
	523,648,758	426,204,825	**523,587,243**	426,140,599

Short-term bank deposits at the balance sheet date had an average maturity of 1 month (2015: 1 month) from the end of the financial year with the following weighted average effective interest rates:

	Group and Company 2016	Group and Company 2015
Singapore Dollar	**0.93%**	1.20%
United States Dollar	**1.00%**	0.82%
Others	**3.10%**	2.75%

Included in short-term bank deposits are balances of $79,345 (2015: $78,450) of the Group and the Company held as cash collateral in respect of performance bonds issued on behalf of customers.

For the purposes of the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	Group 2016 $	Group 2015 $
Cash and bank balances	**523,648,758**	426,204,825
Less: Short-term bank deposits held as collateral in respect of performance bonds issued on behalf of customers	**(79,345)**	(78,450)
Cash and cash equivalents per consolidated statement of cash flows	**523,569,413**	426,126,375

10. Financial assets

	Group and Company 2016 $	Group and Company 2015 $
Financial assets, at fair value through profit or loss	**154,538,406**	205,732,852
Financial assets, available-for-sale	**303,245,413**	323,876,715
Total financial assets	**457,783,819**	529,609,567

10. **Financial assets** (continued)

Financial assets, at fair value through profit or loss

	Group and Company	
	2016	2015
	$	$
Beginning of financial year	**205,732,852**	170,822,680
Currency translation differences	**(2,691,560)**	3,126,910
Additions	**5,104,923**	50,191,735
Disposals	**(65,042,412)**	(60,160,338)
Fair value recognised in profit or loss	**11,434,603**	41,751,865
End of financial year	**154,538,406**	205,732,852

Financial assets, at fair value through profit or loss are analysed as follows:

	Group and Company	
	2016	2015
	$	$
Equity securities		
- Unlisted	**-**	576,150
Debt securities		
- Listed	**-**	3,504,725
- Unlisted	**96,168,140**	139,059,258
	96,168,140	142,563,983
Derivative financial instrument	**58,370,266**	62,592,719
Total financial assets, at fair value through profit or loss	**154,538,406**	205,732,852

	Group and Company	
	2016	2015
	$	$
Non-current – Equity securities	**-**	576,150
Non-current – Derivative financial instrument	**58,370,266**	62,592,719
	58,370,266	63,168,869
Current – Debt securities	**10,121,000**	55,142,837
Non-current – Debt securities	**86,047,140**	87,421,146
	96,168,140	142,563,983
Total financial assets, at fair value through profit or loss	**154,538,406**	205,732,852

The debt securities are fixed rate bonds with a weighted average effective interest rate of 4.97% (2015: 4.89%).

10. Financial assets (continued)

Financial assets, available-for-sale

	Group and Company	
	2016	2015
	$	$
Beginning of financial year	**323,876,715**	347,528,252
Currency translation differences	**47,525**	342,957
Additions	**14,784,242**	50,202,282
Disposals	**(22,358,099)**	(20,589,383)
Fair value recognised in profit or loss	**(8,997,470)**	(49,372,796)
Fair value recognised in equity (Note 20)	**(4,107,500)**	(4,234,597)
End of financial year	**303,245,413**	323,876,715

Financial assets, available-for-sale are analysed as follows:

	Group and Company	
	2016	2015
	$	$
Equity securities:		
- Listed	**189,816,986**	227,613,757
- Unlisted	**67,632,088**	46,598,792
	257,449,074	274,212,549
Debt securities:		
- Listed	**43,481,674**	47,378,216
- Unlisted	**2,314,665**	2,285,950
	45,796,339	49,664,166
Total financial assets, available-for-sale	**303,245,413**	323,876,715
Non-current - Equity securities	**257,449,074**	274,212,549
Current - Debt securities	**6,338,810**	1,745,100
Non-current - Debt securities	**39,457,529**	47,919,066
	45,796,339	49,664,166
Total financial assets, available-for-sale	**303,245,413**	323,876,715

The debt securities are fixed rate bonds with a weighted average effective interest rate of 4.74% (2015: 4.60%).

The Company has entered into an agreement with its ultimate parent corporation that is a fair value hedge against certain of the Company's equity investments. This agreement is deemed to be a derivative. The equities investments being hedged are recorded as available-for-sale securities. Fair market value changes are recorded in profit or loss to the extent they are hedged by the derivative. Fair value changes in the derivative are also recorded in the profit or loss.

11. Insurance receivables

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Amount due from insureds, agents, brokers and reinsurers	**187,700,224**	137,769,197	**187,699,837**	137,768,809
Less: Allowance for impairment of receivables	**(1,041,751)**	(943,632)	**(1,041,751)**	(943,632)
	186,658,473	136,825,565	**186,658,086**	136,825,177

12. Other receivables

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Deposits	**304,977**	298,938	**304,977**	298,938
Investment receivables due from ultimate holding company	**14,249,702**	(4,435)	**14,249,702**	(4,435)
Other receivables due from related company	**3,009,681**	1,314,037	**3,009,681**	1,314,037
Investment receivables				-
Other receivables and prepayments	**1,435,071**	1,405,945	**1,435,071**	1,405,945
Other receivable due from immediate holding company	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Accrued interest and dividends	**1,680,467**	2,389,960	**1,680,419**	2,389,919
	120,679,898	105,404,445	**120,679,850**	105,404,404

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Current – Other receivables	**20,679,898**	5,404,445	**20,679,850**	5,404,404
Non-current – Other receivables	**100,000,000**	100,000,000	**100,000,000**	100,000,000
	120,679,898	105,404,445	**120,679,850**	105,404,404

Amounts due from the ultimate holding company are unsecured, non-interest bearing and repayable on demand.

Other receivable due from ultimate holding company relates to a loan facility amounting to $100 million granted to Fairfax Asia Limited, the Company's immediate holding company at an interest rate of 6% per annum. As at 31 December 2016, the loan disbursed is $100 million (2015: $100 million).

13. Mortgage loans

	Group and Company 2016 $	2015 $
Mortgage loans maturing within 1 year	**24,518,000**	19,671,537
Mortgage loans maturing after 1 year	**37,070,830**	36,863,950
	61,588,830	56,535,487

Mortgage loans are secured with interest rates ranging from 1.67% to 7.00% per annum (2015: 1.42% to 7.00% per annum).

14. Investment in a subsidiary

Name of subsidiary	Principal activities	Country of incorporation and business	Equity holding held by the Company 2016 %	2015 %	Cost of investment 2016 $	2015 $
Prime Underwriting Managers (Pte) Ltd*	Run-off of a pool of general insurance business	Singapore	**100**	100	**300,000**	300,000

*Audited by PricewaterhouseCoopers LLP, Singapore

15. **Property, plant and equipment**

Group and Company

	Motor vehicles $	Office equipment $	Furniture and fittings $	Building $	Land $	Total $
2016						
Cost						
At 1 January 2016	227,650	1,415,376	926,330	2,350,000	7,264,164	12,183,520
Additions	-	10,135	94,370	-	-	104,505
Written Off	-	(68,808)				(68,808)
Disposals	(227,650)	-	-	-	-	(227,650)
At 31 December 2016	-	1,356,703	1,020,700	2,350,000	7,264,164	11,991,567
Accumulated depreciation						
At 1 January 2016	208,990	1,222,642	762,826	763,750	-	2,958,208
Additions	5,359	101,098	66,462	58,750	-	231,669
Written Off	-	(68,808)	-	-	-	(68,808)
Disposals	(214,349)	-	-	-	-	(214,349)
At 31 December 2016	-	1,254,932	829,288	822,500	-	2,906,720
Net book value at 31 December 2016	**-**	**101,771**	**191,412**	**1,527,500**	**7,264,164**	**9,084,847**

	Motor vehicles $	Office equipment $	Furniture and fittings $	Building $	Land $	Total $
2015						
Cost						
At 1 January 2015	227,650	1,344,651	846,820	2,350,000	7,264,164	12,033,285
Additions	-	70,725	79,510	-	-	150,235
Disposals	-	-	-	-	-	-
At 31 December 2015	227,650	1,415,376	926,330	2,350,000	7,264,164	12,183,520
Accumulated depreciation						
At 1 January 2015	187,555	1,093,054	695,446	705,000	-	2,681,055
Additions	21,435	129,588	67,380	58,750	-	277,153
Disposals	-	-	-	-	-	-
At 31 December 2015	208,990	1,222,642	762,826	763,750	-	2,958,208
Net book value at 31 December 2015	18,660	192,734	163,504	1,586,250	7,264,164	9,225,312

The fair value of the office building for the Group as at 31 December 2016 was approximately $27,000,000 (2015: $23,000,000). The property of the Group was valued by an independent professional valuer based on the property highest-and-best use using the sales comparison approach at the balance sheet date. Under the sales comparison approach, the recent sale prices of properties in close proximity are adjusted for differences in key attributes such as tenure, location, condition of the properties. The most significant input into this valuation approach is selling price per square foot.

16. Trade and other payables

(a) Trade payables

At the balance sheet date, the carrying amounts of balances due to agents, brokers and reinsurers approximated their fair values. Balances due to agents, brokers and reinsurers are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Current	**174,244,290**	179,058,725	**174,221,686**	179,036,119
Non-current	**5,411,549**	19,157,776	**5,411,549**	19,157,776
	179,655,839	198,216,501	**179,633,235**	198,193,895

(b) Other payables

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Cash collateral	**35,372,296**	18,622,356	**35,372,296**	18,622,356
Accrued operating expenses	**641,221**	478,782	**639,221**	476,722
Investment payables	**-**	-	**-**	-
Amount due (from)/to related	**(28,352)**	163,244	**(28,352)**	163,244
Amount due to immediate holding company	**8,136,609**	-	**8,136,609**	-
Other creditors	**7,550,603**	6,948,508	**7,549,771**	6,947,676
	51,672,377	26,212,890	**51,669,545**	26,209,998

Amounts due to a related company are unsecured, non-interest bearing and repayable on demand.

17. Insurance liabilities and reinsurance assets

	Group and Company	
	2016	2015
	$	$
Gross		
Insurance liabilities		
- premium liabilities	**190,236,199**	187,291,109
- loss reserves	**861,324,517**	899,289,632
Total insurance liabilities, gross	**1,051,560,716**	1,086,580,741
Reinsurance assets		
- premium liabilities on reinsurance ceded	**115,524,777**	116,042,116
- claims recoverable from reinsurers	**492,730,581**	528,186,783
Total reinsurers' share of insurance liabilities	**608,255,358**	644,228,899
Net		
- premium liabilities	**74,711,422**	71,248,993
- loss reserves	**368,593,936**	371,102,849
Total insurance liabilities, net	**443,305,358**	442,351,842

Insurance liabilities are disclosed as follows:

Current	**1,010,268,822**	1,032,584,272
Non-current	**41,291,894**	53,996,469
	1,051,560,716	1,086,580,741

(a) Movements in loss reserves are as follows:

	Group and Company	
	2016	2015
	$	$
Balance at beginning of financial year	**371,102,849**	363,446,522
Net claims paid	**(148,648,550)**	(137,095,510)
Claims incurred	**146,139,637**	144,751,837
Balance at end of financial year	**368,593,936**	371,102,849

17. Insurance liabilities and reinsurance assets (continued)

(b) Loss development triangles

Disclosed below is an exhibit that shows the development of claims over a period of time on a gross and net of reinsurance basis. The tables show the cumulative incurred claims, including both notified and IBNR claims, for each successive accident and underwriting year at each balance sheet date, together with cumulative claims as at the current balance sheet date.

Insurance liabilities (Gross)

Group and Company

Direct & Fac Lines Accident Year Basis
As at December 31, 2016

Accident Year	2012	2013	2014	2015	2016	Total
Estimate of ultimate claim costs:						
- At end of accident year	306,316,233	277,138,592	278,592,505	277,353,568	271,138,805	
- one year later	336,211,343	254,372,104	289,368,606	263,379,015		
- two years later	349,483,925	252,771,077	302,228,755			
- three years later	333,737,038	243,024,704				
- four years later	328,508,524					
Current estimate of cumulative claims	328,508,524	243,024,704	302,228,755	263,379,015	271,138,805	1,408,279,803
Cumulative payments to date	(299,691,566)	(193,293,466)	(188,575,272)	(135,992,485)	(60,775,996)	(878,328,785)
Liability recognized in Actuarial Valuation	28,816,958	49,731,238	113,653,483	127,386,530	210,362,809	529,951,018

Direct/Treaty Lines Underwriting Year Basis
As at 31 December 31, 2016

Underwriting Year	2012	2013	2014	2015	2016	Total
Estimate of ultimate claim costs:						
- At end of underwriting year	54,047,393	63,987,293	51,416,485	53,507,297	55,573,915	
- one year later	80,217,758	94,136,238	80,587,884	89,862,466		
- two years later	86,559,954	95,858,744	86,454,099			
- three years later	80,881,703	96,016,620				
- four years later	84,353,436					
Current estimate of cumulative claims	84,353,436	96,016,620	86,454,099	89,862,466	55,573,915	412,260,536
Cumulative payments to date	(65,614,075)	(71,192,614)	(60,991,092)	(66,193,581)	(18,028,279)	(282,019,641)
Liability recognized in Actuarial Valuation	18,739,361	24,824,006	25,463,007	23,668,885	37,545,636	130,240,894

Total All Lines (Direct & Fac. & Treaty)	
Liability recognized in Actuarial Valuation	660,191,912
Reserve in respect of prior years	80,111,834
Total reserve incl ULAE	740,303,746
PAD, Discounting	120,971,459
Total reserve included in Actuarial Valuation	861,275,204
Total reserve included in the balance sheet	861,324,517

17. Insurance liabilities and reinsurance assets (continued)

(b) Loss development triangles (continued)

Insurance liabilities (Net)

Group and Company

Accident Year	2012	2013	2014	2015	2016	Total
Estimate of ultimate claim costs:						
- At end of accident year	85,784,271	93,941,800	100,786,358	104,540,573	94,566,547	
- one year later	82,212,995	97,280,424	98,001,603	101,451,166		
- two years later	80,652,297	96,484,073	94,716,851			
- three years later	78,299,531	89,602,576				
- four years later	76,131,674					
Current estimate of cumulative claims	76,131,674	89,602,576	94,716,851	101,451,166	94,566,547	456,468,814
Cumulative payments to date	(68,107,785)	(70,971,950)	(56,526,196)	(50,649,209)	(17,269,063)	(263,524,203)
Liability recognized in Actuarial Valuation	8,023,889	18,630,626	38,190,655	50,801,957	77,297,484	192,944,611

Direct/Treaty Lines Underwriting Year Basis
As at 31 December 31, 2016

Underwriting Year	2012	2013	2014	2015	2016	Total
Estimate of ultimate claim costs:						
- At end of underwriting year	35,753,754	42,873,726	33,346,716	29,267,577	30,349,724	
- one year later	56,513,029	79,537,530	61,039,439	62,832,688		
- two years later	65,303,770	76,694,059	65,787,207			
- three years later	55,149,489	76,638,605				
- four years later	58,157,522					
Current estimate of cumulative claims	58,157,522	76,638,605	65,787,207	62,832,688	30,349,724	293,765,746
Cumulative payments to date	(43,818,607)	(56,708,153)	(47,352,813)	(50,186,429)	(10,495,568)	(208,561,570)
Liability recognized in Actuarial Valuation	14,338,915	19,930,452	18,434,394	12,646,259	19,854,156	85,204,176
Total All Lines (Direct & Fac. & Treaty)						
Liability recognized in Actuarial Valuation						278,148,785
Reserve in respect of prior years						41,314,283
Total reserve incl ULAE						319,463,068
PAD, Discounting						49,081,558
Total reserve included in Actuarial Valuation						368,544,626
Total reserve included in the balance sheet						368,593,936

17. Insurance liabilities and reinsurance assets (continued)

(c) Movements in premium liabilities are as follows:

	Group and Company		
	Gross $	Reinsurance $	Net $
2016			
Balance at beginning of financial year	187,291,109	(116,042,116)	71,248,993
Premiums written in the financial year	545,385,659	(332,471,732)	212,913,927
Premiums earned in the financial year	(542,440,569)	332,989,071	(209,451,498)
Balance at end of financial year	**190,236,199**	**(115,524,777)**	**74,711,422**
2015			
Balance at beginning of financial year	192,593,412	(114,122,174)	78,471,238
Premiums written in the financial year	542,801,455	(365,204,458)	177,596,997
Premiums earned in the financial year	(548,103,758)	363,284,516	(184,819,242)
Balance at end of financial year	187,291,109	(116,042,116)	71,248,993

18. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group and Company	
	2016 $	2015 $
Deferred income tax liabilities:		
- to be settled within one year	**70,000**	70,000
- to be settled after one year	**4,552,000**	5,171,000
	4,622,000	5,241,000

Movement in deferred income tax account is as follows:

Group and Company

	Accelerated tax depreciation $	Fair value gains $	Total $
2016			
Beginning of financial year	70,000	5,171,000	5,241,000
Credited to:			
- Profit or loss (Note 8 (a))	-	-	-
- Equity (Note 20)	-	(619,000)	(619,000)
End of financial year	**70,000**	**4,552,000**	**4,622,000**
2015			
Beginning of financial year	70,000	6,085,000	6,155,000
Credited to:			
- Profit or loss (Note 8 (a))	-	-	-
- Equity (Note 20)	-	(914,000)	(914,000)
End of financial year	70,000	5,171,000	5,241,000

18. Deferred income taxes (continued)

The Group's and Company's deferred tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date.

19. Share capital of the Company

The Company's share capital comprises of fully paid-up 25,000,000 (2015: 25,000,000) ordinary shares with no par value, amounting to a total of $26,500,000 (2015: $26,500,000).

20. Fair value reserve

	Group and Company	
	2016	2015
	$	$
Beginning of financial year	**27,189,642**	30,510,239
Financial assets, available-for-sale		
Fair value (losses)/gains (Note 10)	**(4,096,740)**	(4,194,008)
Tax on fair value changes (Note 18)	**617,500**	909,000
	(3,479,240)	(3,285,008)
Transfer to profit or loss on disposal (Note 10)	**(10,760)**	(40,589)
Tax effect (Note 18)	**1,500**	5,000
	(9,260)	(35,589)
End of financial year	**23,701,142**	27,189,642

21. Management of insurance and financial risk

Exposure to insurance, credit, interest rate and currency risks arise in the normal course of business. The management of these risks is discussed below:

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

	Singapore	Others
	%	%
Marine and aviation	19	28
Fire	11	60
Motor	41	-
Workmen's compensation	8	-
Miscellaneous accident	21	12
	100	100

21. Management of insurance and financial risk (continued)

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

(a) Underwriting risk

Underwriting risks include the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover. This may result in the Company having either received insufficient premiums for the risks it has agreed to underwrite and hence not having adequate funds to invest and pay claims. The Company seeks to minimise underwriting risks with a balanced mix and spread of classes of business and by observing underwriting guidelines and limits, and high standards applied to the security of reinsurers. The Company adopted the Company's appointed actuary's view on its claims and premium liabilities at balance sheet date.

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

	Gross claims liabilities	Net Claims liabilities	Gross premium liabilities	Net premium liabilities
	%	%	%	%
Marine and aviation	31	27	18	19
Fire	31	15	30	21
Motor	19	31	6	14
Workmen's compensation	5	10	6	13
Miscellaneous accident	14	17	40	33
	100	100	100	100

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance, reinsurance and investment transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties by reviewing credit grades provided by rating agencies and other publicly available financial information. The exposure to individual counterparties is managed by monitoring the payment history for significant contract holders with whom the Group regularly transacts. The exposure to individual counterparties is also managed by other mechanisms, such as, withholding premiums deposits and the right to offset where counterparties are both debtors and creditors of the Group.

21. **Management of insurance and financial risk** (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have credit-ratings as determined by international credit-rating agencies. Investment in debt securities, insurance receivables and reinsurance assets that are neither past due nor impaired are substantially companies with good collection track records with the Company.

Mortgage loans are not exposed to credit risk as the loans are fully collaterised. For financial assets that do not have any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial assets presented on the balance sheet.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for loans and receivables.

The age analysis of loans and receivables past due but not impaired is disclosed below.

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2016 $	2015 $
Gross amount	**187,700,224**	137,769,197
Less: Allowance for impairment	**(1,041,751)**	(943,632)
	186,658,473	136,825,565

Movement in provision for impairment:

	Group	
	2016 $	2015 $
At 1 January	**943,632**	920,311
Provision for the year	**98,119**	23,321
At 31 December	**1,041,751**	943,632

21. Management of insurance and financial risk (continued)

(b) *Credit risk* (continued)

The credit risk exposure for financial assets categorised by Standard & Poor's (S&P) rating (or equivalent when not available from S&P) is as follows:

	AAA $	AA $	A $	BBB $	BB $	Not Rated / Analysed $	Total $
As at 31 December 2016							
Group							
Cash and cash equivalents	-	101,579,370	23,820,586	380,772,467	-	17,476,335	523,648,758
Investment in debt securities	519,292	78,916,740	23,676,450	21,566,932	-	17,285,066	141,964,480
Loans and receivables	6,038	6,908,531	29,850,837	15,428,807	-	255,144,158	307,338,371
Reinsurance assets	426,519	19,618,568	495,655,620	3,452,606	-	89,102,045	608,255,358
<u>Analysis of financial assets</u>:							
Neither past due nor impaired							
Cash and cash equivalents	-	101,579,370	23,820,586	380,772,467	-	17,476,335	523,648,758
Investment in debt securities	519,292	78,916,740	23,676,450	21,566,932	-	17,285,066	141,964,480
Loans and receivables	6,038	3,763,023	25,136,286	15,420,005	-	219,650,851	263,976,203
Reinsurance assets	426,519	19,618,568	495,655,620	3,452,606	-	89,102,045	608,255,358
Past due but not impaired							
Cash and cash equivalents	-	-	-	-	-	-	-
Investment in debt securities	-	-	-	-	-	-	-
Loans and receivables	-	3,145,508	4,714,550	8,803	-	35,493,307	43,362,168
Reinsurance assets	-	-	-	-	-	-	-

Ageing analysis for past due but not impaired	Outstanding for			
	<u>4-6 months</u>	<u>7-12 months</u>	<u>>12 months</u>	<u>Total Overdue</u>
Loans and receivables	18,283,212	10,690,219	14,388,737	43,362,168

21. Management of insurance and financial risk (continued)

(b) *Credit risk* (continued)

As at 31 December 2015	AAA $	AA $	A $	BBB $	BB $	Not Rated / Analysed $	Total $
Group							
Cash and cash equivalents	-	160,354,080	21,647,046	244,201,699	-	2,000	426,204,825
Investment in debt securities	514,938	75,269,647	65,296,298	26,095,206	-	25,052,060	192,228,149
Loans and receivables	6,038	3,295,953	16,501,008	443,797	-	221,983,214	242,230,010
Reinsurance assets	-	150,659,855	407,097,848	11,992,552	-	74,478,644	644,228,899
<u>Analysis of financial assets</u>:							
Neither past due nor impaired							
Cash and cash equivalents	-	160,354,080	21,647,046	244,201,699	-	2,000	426,204,825
Investment in debt securities	514,938	75,269,647	65,296,298	26,095,206	-	25,052,060	192,228,149
Loans and receivables	6,038	2,391,756	14,207,208	443,671	-	196,257,231	213,305,904
Reinsurance assets	-	150,659,855	407,097,848	11,992,552	-	74,478,644	644,228,899
Past due but not impaired							
Cash and cash equivalents	-	-	-	-	-	-	-
Investment in debt securities	-	-	-	-	-	-	-
Loans and receivables	-	904,197	2,293,800	126	-	25,726,983	28,925,106
Reinsurance assets	-	-	-	-	-	-	-

Ageing analysis for past due but not impaired	Outstanding for 4-6 months	7-12 months	>12 months	Total Overdue
Loans and receivables	10,048,610	8,350,856	10,524,640	28,924,106

21. Management of insurance and financial risk (continued)

(c) Market risk

(i) Currency risk

The Group is exposed to foreign exchange rate fluctuations because of its foreign currency denominated investments, bank deposits and insurance policies. Exposures to foreign currency risks on investments and bank deposits are monitored on an ongoing basis. The exposures to foreign currency risks on insurance policies are reviewed annually. The currency giving rise to this foreign currency risk is primarily the US Dollar. The Group does not enter into derivative contracts to manage this risk.

The table below summarises the Group's exposures to foreign currency exchange rate movements as at 31 December 2016. The Group's assets and liabilities at carrying amounts are included in the table, categorised by currency at their carrying amount. All the amounts are presented in Singapore Dollars.

Group	SGD $	USD $	Others $	Total $
As at 31 December 2016				
Cash and cash equivalents	**254,574,975**	**248,291,934**	**20,781,849**	**523,648,758**
Financial assets	**220,737,614**	**121,087,586**	**115,958,619**	**457,783,819**
Loans and receivables	**263,829,816**	**74,130,387**	**32,008,749**	**369,968,952**
Reinsurance assets	**420,170,061**	**136,133,352**	**51,951,945**	**608,255,358**
Financial assets	**1,159,312,466**	**579,643,259**	**220,701,162**	**1,959,656,887**
Trade and other payables	**182,941,925**	**39,844,137**	**8,542,154**	**231,328,216**
Insurance liabilities	**814,477,183**	**169,140,009**	**67,943,524**	**1,051,560,716**
Total liabilities	**997,419,108**	**208,984,146**	**76,485,678**	**1,282,888,932**
Net financial assets	**161,893,358**	**370,659,113**	**144,215,484**	**676,767,955**
As at 31 December 2015				
Cash and cash equivalents	230,593,543	177,187,580	18,423,702	426,204,825
Financial assets	434,975,185	92,718,341	1,916,041	529,609,567
Loans and receivables	243,913,563	41,954,828	13,840,738	299,709,129
Reinsurance assets	412,243,478	188,202,913	43,782,508	644,228,899
Financial assets	1,321,725,769	500,063,662	77,962,989	1,899,752,420
Trade and other payables	206,965,435	14,220,587	3,243,369	224,429,391
Insurance liabilities	795,950,729	232,130,227	58,499,785	1,086,580,741
Total liabilities	1,002,916,164	246,350,814	61,743,154	1,311,010,132
Net financial assets	318,809,605	253,712,848	16,219,835	588,742,288

21. Management of insurance and financial risk (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

If the foreign currencies change against the Singapore dollar by 0.5% (2015: 0.5%) with all other variables including tax rate being held constant the effects arising from the net financial asset position will be as follows:

	Increase /(Decrease)			
	2016 Profit after tax	**2016 Equity**	2015 Profit after tax	2015 Equity
Foreign currencies against SGD	**0.5%**	**0.5%**	0.5%	0.5%
- Strengthened	**1,243,921**	**944,296**	963,647	183,568
- Weakened	**(1,243,921)**	**(944,296)**	(963,647)	(183,568)

(ii) Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified on the consolidated balance sheet as financial assets, available-for-sale and financial assets, fair value through profit or loss. These securities comprise those listed in Singapore and overseas exchanges, as well as unquoted investments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Company has an agreement with Fairfax Financial Holdings Limited ("FFH"), its ultimate holding company, in which FFH agreed to protect the Company from any losses on the international equities purchased based on the recommendation by the investment manager of the Company. Under the agreement, the Company passes on to FFH 40% of any gains made on disposal of the securities.

If prices for listed equity securities change by 5% (2015: 5%) with all other variables including tax rate being held constant, the effects on equity will be:

	Change in variables	**2016 Impact on equity**	2015 Impact on equity
Listed	+5%	**4,074,191**	4,913,440
Listed	-5%	**(4,074,191)**	(4,913,440)

The Group's unquoted equity investments are stated at cost and hence are subjected to minimal price risks. Management periodically assesses whether there is objective evidence that the investments are impaired and writes down the value of the investment accordingly when such evidence exists.

21. Management of insurance and financial risk (continued)

(c) Market risk (continued)

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily arising from its interest-bearing short-term bank deposits, interest-bearing debt securities and interest-bearing loans and receivables. Strict investment guidelines are used to monitor the risks in the Group's investments.

The tables below set out the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity date.

	Variable rates			Fixed rates					
Group **As at 31 December 2016**	Less than 6 months $	6 to 12 months $	More than 1 year $	Less than 6 months $	6 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Cash and cash equivalents	**-**	**-**	**-**	**498,694,084**	**-**	**-**	**-**	**24,954,674**	**523,648,758**
Loans and receivables	**1,380,000**	**7,906,000**	**37,070,830**	**-**	**15,232,000**	**-**	**-**	**307,338,371**	**368,927,201**
Financial assets	**-**	**-**	**-**	**10,121,000**	**6,338,811**	**96,900,193**	**40,540,276**	**303,883,539**	**457,783,819**
As at 31 December 2015									
Cash and cash equivalents	-	-	-	402,936,990	-	-	-	23,267,835	426,204,825
Loans and receivables	-	4,439,537	36,863,950	232,000	15,000,000	100,000,000	-	142,230,010	298,765,497
Financial assets	-	-	95,337	18,972,980	37,914,957	104,445,061	71,613,663	296,567,569	529,609,567

If interest rates increase/decrease by 2% (2015: 2%) with all other variables including tax rate being held constant, the profit after tax will be higher/lower by $788,100 (2015: $716,200). Other comprehensive income and profit after tax would have been higher/lower by $6,865,764 (2015: $7,914,871) and $3,881,652 (2015: $5,091,903) respectively as a result of market value fluctuations on the debt securities portfolio based on the above movements in interest rates.

21. Management of insurance and financial risk (continued)

(d) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash and marketable securities to meet normal operating commitments. The Group's cash management process assesses the liquidity of assets held to ensure that assets can be realised on a reasonably timely basis to settle policyholder liabilities.

The Company is required to satisfy the solvency requirements prescribed by the Singapore Insurance Act. The Company will assess at each quarter as well as annually whether solvency requirements have been met as part of their reporting process to the Monetary Authority of Singapore, which is the regulatory body for insurance companies in Singapore. Appropriate actions are taken by management to ensure the Company maintains a sound financial position throughout the year and in the long term.

Management believes that the Company's liquid assets and net cash provided by operations will enable it to meet any foreseeable cash requirements.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Group	Less than 1 Year $	Between 1 and 2 Years $	Between 2 and 5 Years $	Over 5 Years $
As at 31 December 2016				
Trade and other payables	**225,916,667**	**3,535,131**	**1,852,184**	**24,234**
Insurance liabilities- loss reserves	**399,483,457**	**300,594,326**	**111,261,469**	**49,985,265**
As at 31 December 2015				
Trade and other payables	205,271,615	6,987,274	11,932,324	238,178
Insurance liabilities- loss reserves	422,787,860	204,557,955	219,862,044	52,081,773

21. Management of insurance and financial risk (continued)

(e) Capital risk

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to comply with capital adequacy requirements prescribed by the Singapore Insurance Act as an authorised insurer to carry on insurance business in or from Singapore, so that it can continue to provide returns for shareholders, by pricing products and services commensurate with the level of risk.

Regulatory capital requirements require the Company to hold assets sufficient to cover liabilities. The Company will assess at each quarter as well as annually whether the capital adequacy requirements as defined by the Singapore Insurance Act have been met as part of their reporting process to the Monetary Authority of Singapore.

The table below shows the minimum amount of capital that must be held by the Company in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year.

	2016	2015
Capital Adequacy Ratio Held	**256%**	201%
Minimum regulatory Capital Adequacy Ratio	**100%**	100%

In addition, MAS may prescribe different fund solvency requirements or capital adequacy requirements for different classes of insurance business and for different types of insurers from time to time. The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 31 December 2015.

(f) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

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

(ii) 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

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

21. **Management of insurance and financial risk** (continued)

(f) *Fair value measurements* (continued)

The following table presents our assets measured at fair value.

At 31 December 2016

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Financial assets, at fair value through profit or loss	**48,502,849**	**96,168,140**	**9,867,417**	**154,538,406**
Financial assets, available-for-sale	**189,816,986**	**45,796,339**	**67,632,088**	**303,245,413**
Total assets	**238,319,835**	**141,964,479**	**77,499,505**	**457,783,819**

At 31 December 2015

Group	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Financial assets, at fair value through profit or loss	49,372,796	156,360,056	-	205,732,852
Financial assets, available-for-sale	227,613,757	49,664,166	46,598,792	323,876,715
Total assets	276,986,553	206,024,222	46,598,792	529,609,567

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of debt securities classified as financial assets, available-for-sale, financial assets at fair value through profit or loss and derivative financial instruments (total return swaps) are based on over-the-counter quotes at the balance sheet date. These are based on market observable inputs such as benchmark yields, reported trades and broker-dealer quotes available for these investments. These investments are included in Level 2.

21. Management of insurance and financial risk (continued)

(f) *Fair value measurements* (continued)

The fair value of credit linked notes classified as financial assets at fair value through profit or loss included under Level 2 is determined by using valuation techniques. The valuation method used takes into account the credit spread of the issuer and the underlying and currency swap points.

Available-for-sale equity securities that do not have quoted market values in active markets are included in level 3. The fair value of these securities is determined based on the net asset values of the underlying portfolios.

The following table presents the changes in level 3 instruments:

	Group and Company	
	2016	2015
	$	$
Financial assets, available-for-sale:		
Balance at beginning of financial year	**46,598,792**	45,476,222
Purchases	**32,915,835**	316,872
Sales	**(124,180)**	(220,523)
Fair value (losses) / gains recognised in other comprehensive income	**(1,890,942)**	1,026,221
Balance at end of financial year	**77,499,505**	46,598,792

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices for dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

(g) *Financial instruments by category*

The carrying amount of the different categories of financial instruments is as disclosed in the face of the balance sheet and in Note 10 to the financial statements, except for the following:

	Group	
	2016	2015
	$	$
Loans and receivables (including cash and cash equivalents)	**892,575,959**	724,970,322
Financial liabilities at amortised cost	**230,663,559**	223,950,609

21. Management of insurance and financial risk (continued)

(h) Financial instruments subject to enforceable master netting arrangements

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2016	(a)	(b)	(c) = (a)-(b)	(d)		(e) = (c)-(d)
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	(d) (i), (d) (ii) Financial instruments	(d) (ii) Cash collateral received	Net amount
Insurance receivables	240,533,537	(53,875,064)	186,658,473	-	-	186,658,473

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2016	(a)	(b)	(c) = (a)-(b)	(d)		(e) = (c)-(d)
				Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	(d) (i), (d) (ii) Financial instruments	(d) (ii) Cash collateral pledged	Net amount
Trade payables	233,530,903	(53,875,064)	179,655,839	-	-	179,655,839

22. Immediate and ultimate holding corporation

The immediate holding corporation is Fairfax Asia Limited, incorporated in Barbados. The ultimate holding corporation is Fairfax Financial Holdings Limited, incorporated in Canada.

23. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties.

(a) Business transactions

	Group and Company	
	2016	2015
	$	$
Revenue		
Premiums received	**30,491,038**	17,505,788
Commissions received	**29,226,370**	28,412,415
Claims recovered	**38,549,471**	29,721,667
Fee income	**2,860,634**	1,362,698
Interest on loan	**6,016,438**	5,800,110
Expenses		
Premiums paid	**95,765,567**	87,841,459
Commissions paid	**5,436,322**	2,876,011
Claims paid	**4,515,318**	4,660,676
Management fees	**8,136,609**	250,000
Investment administrative fees	**2,600,690**	2,484,730

Outstanding balances at 31 December 2016 are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 16 respectively.

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group and Company	
	2016	2015
	$	$
Salaries and other short-term employee benefits	**6,017,104**	5,464,986
Employer's contribution to defined contribution plans including Central Provident Fund	**66,210**	55,751
	6,083,314	5,520,737

25. **New or revised accounting Standards and Interpretations**

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2016 or later periods and which the Group has not early adopted.

The management anticipates that the adoption of these new standards, amendments and interpretation to existing standards in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

26. **Authorisation of financial statements**

These financial statements were authorised for issue in accordance with a resolution of the Directors on 30 March 2017.

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