QBE Insurance (International) Limited – Singapore Branch
Financial Statement 2014

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QBE Insurance (International) Limited - Singapore Branch
Unique Entity No. S16FC0047K

Financial statements

Statement by Chief Executive

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

I, Karl Hamann, the Chief Executive primarily responsible for the financial management of QBE INSURANCE (INTERNATIONAL) LIMITED, Singapore Branch, state that, in my opinion, the accompanying statement of comprehensive income arising out of operations in Singapore, statement of assets used in and liabilities arising out of operations in Singapore, statement of changes in head office account and statement of cash flows, together with the notes therein are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards, so as to give a true and fair view of the assets used in, and liabilities arising out of the Branch's operations in Singapore as at 31 December 2014, and of the results, changes in head office account and cash flows of the Branch's operations in Singapore for the year ended 31 December 2014.

Karl Hamann
Chief Executive

Singapore
30 March 2015

Independent Auditor's Report

TO QBE INSURANCE (INTERNATIONAL) LIMITED, SINGAPORE BRANCH

We have audited the accompanying financial statements of QBE Insurance (International) Limited, Singapore Branch (the "Branch") set out on pages 6 to 27. These financial statements comprise the statement of assets used in and liabilities arising out of operations in Singapore as at 31 December 2014, the statement of comprehensive income arising out of operations in Singapore, the statement of changes in head office account and statement of cash flows for the financial period from 1 January 2014 to 31 December 2014, and a summary of significant accounting policies and other explanatory information.

The Branch is a segment of QBE Insurance (International) Limited, incorporated in Australia, and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded therein.

Management's Responsibility for the Financial Statements
The Branch's management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and statements of assets used in and liabilities arising out of operations in Singapore and to maintain accountability of assets.

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

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

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

Opinion
In our opinion, the financial statements of the Branch are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2014, and of the results of the Branch's operations in Singapore, changes in head office account and the cash flows from such operations for the financial period from 1 January 2014 to 31 December 2014.

Other matter
As stated in Note 1 to the financial statements, the 2013 comparatives in the statement of assets used in and liabilities arising out of operations in Singapore, the statement of comprehensive income arising out of operations in Singapore, the statement of changes in head office account and statement of cash flows were not audited as the Company was not required to prepare and present standalone financial statements for the financial year ended 31 December 2013. Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore
30 March 2015

Statement of comprehensive income
arising out of operations in Singapore

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	NOTE	2014 S$'000	2013 S$'000
Gross premium written		219,999	195,117
Outward reinsurance premiums		(44,538)	(34,757)
Net premium written		175,461	160,360
Change in net unearned premium reserves	9(e)(i)	(7,635)	(12,712)
Net earned premium		167,826	147,648
Investment income		3,742	1,248
Commission income		2,273	1,983
Other income		1,427	1,019
Net income		7,442	4,250
Gross claims paid		(91,338)	(71,901)
Reinsurer's share of claims paid		12,216	15,716
Change in gross claims reserve	9(e)(ii)	(18,697)	(11,019)
Reinsurer's share of change in claims reserve	9(e)(ii)	2,467	(6,078)
Net claims incurred		(95,352)	(73,282)
Commission expenses		(36,355)	(30,895)
Management expenses	4	(41,643)	(27,971)
Total expenses		(77,998)	(58,866)
Profit before tax		1,918	19,750
Income tax expense	5	(1,237)	(3,347)
Profit after tax		681	16,403
Total comprehensive income for the year		681	16,403

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

Statement of assets used in and liabilities
arising out of operations in Singapore

AS AT 31 DECEMBER 2014

	NOTE	2014 S$'000	2013 S$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	108,498	66,822
Trade and other receivables	7	64,807	55,547
Financial assets, at fair value through profit & loss	8	212,454	286,120
Reinsurer's share of unearned premium reserves	9	21,040	20,763
Reinsurer's share of loss reserves	9	38,300	35,833
Deferred tax asset	13	0	141
Total current assets		445,099	465,226
Non-current assets			
Property, plant and equipment	10	834	857
Intangible asset	11	4,852	1,769
Total non-current assets		5,686	2,626
Total assets		450,785	467,852
LIABILITIES			
Current liabilities			
Trade and other payables	12	37,949	93,659
Tax payable		783	3,451
Deferred tax liabilities	13	910	0
Unearned premium reserves	9	99,578	91,666
Outstanding claims reserves	9	172,764	154,067
Total current liabilities		311,984	342,843
Total liabilities		311,984	342,843
NET ASSETS		138,801	125,009
HEAD OFFICE ACCOUNT			
Head office contributions	15	42,197	29,086
Accumulated profits		96,604	95,923
Total Head Office Account		138,801	125,009

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

Statement of changes in head office account

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	NOTE	HEAD OFFICE CONTRIBUTIONS S$'000	ACCUMULATED PROFITS S$'000	TOTAL S$'000
Balance at 01 January 2013		**29,086**	**79,520**	**108,606**
Total comprehensive income for the year		0	16,403	16,403
Balance at 31 December 2013		**29,086**	**95,923**	**125,009**
Total comprehensive income for the year		0	681	681
Contribution from Head Office	15	13,111	0	13,111
Balance at 31 December 2014		**42,197**	**96,604**	**138,801**

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

Statement of cash flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	NOTE	2014 S$'000	2013 S$'000
Cash flows from operating activities			
Profit after tax		681	16,403
Adjustments for:			
- Depreciation of property, plant and equipment		496	544
- Amortisation of intangible asset		478	0
- Gain on disposal of property, plant and equipment		(39)	(98)
- Gain on disposal of investment		(304)	(501)
- Unrealised (gain)/loss on investment		(846)	1,159
- Investment income		(883)	(421)
- Taxation		1,237	3,347
Operating cash flow before working capital changes:		820	20,433
Changes in working capital:			
- Trade and other receivables		(9,252)	(13,844)
- Trade and other payables		6,266	6,014
- Net unearned premium reserves		7,635	12,712
- Net outstanding claims reserves		16,230	17,097
- Income tax paid		(2,854)	(2,043)
Net cash provided by operating activities		**18,845**	**40,369**
Investing activities			
Purchase of financial assets, at fair value through profit & loss		(855,486)	(661,948)
Maturity and proceeds from sale of financial assets, at fair value through profit & loss		868,327	630,738
Purchase of property, plant and equipment		(538)	(328)
Proceeds from sale of property, plant and equipment		104	101
Purchase of intangible asset		(3,561)	(1,769)
Investment income received		874	205
Net cash flow provided by / (used in) investing activities		**9,720**	**(33,001)**
Financing activities			
Capital contribution from head office		13,111	0
Net cash flows provided by financing activity		**13,111**	**0**
Net increase in cash and cash equivalents		**41,676**	**7,368**
Cash and cash equivalents at beginning of the year		66,822	59,454
Cash and cash equivalents at end of the year	6	**108,498**	**66,822**

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

1. General

The Branch is incorporated and domiciled in Singapore. The address of its registered office is 60 Anson Road, #11-01 Mapletree Anson, Singapore 079914.

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

These financial statements are presented in Singapore Dollars, which is the Branch's functional currency.

This is the first year for the preparation of these Branch financial statements.

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 judgment in the process of applying the Branch's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant and critical to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2014

On 31 December 2013, the Branch adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Branch'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 Branch's accounting policies and had no material effect on the amounts reported for the current period.

2.2 Revenue recognition

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

(a) *Written premiums and earned premium revenue*

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

The earned portion of written premiums is recognised as revenue. Earned premium revenue comprises premiums written during the financial year and changes in provision for unexpired risks.

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

(b) *Reinsurance commission income*

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

(c) *Interest income*

Interest income is recognised using the effective interest method.

2.3 Financial assets

(a) Classification

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

(i) Trade and other receivables

"Trade and other receivables" are presented in the statement of assets used in and liabilities arising out of operations in Singapore.

These financial assets are presented as current assets, except for those expected to be realised later than 12 months after the statement of assets used in and liabilities arising out of operations in Singapore date, which are presented as non-current assets.

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

This category has two sub-categories: financial assets held for trading, and those designated at 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 at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Branch investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the date of the statement of assets used in and liabilities arising out of operations in Singapore.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Branch 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 Branch 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.

(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 as expenses.

(d) Subsequent measurement

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

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

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

(e) Impairment

The Branch assesses at each statement of assets used in and liabilities arising out of operations in Singapore date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Trade and other receivables

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

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

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.

2.4 Foreign currency translation

The financial statements are presented in Singapore Dollars, which is the functional currency of the Branch.

Transactions in a currency other than the Singapore Dollar ("foreign currency") are translated into Singapore Dollars using the exchange rate prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the statement of assets used in and liabilities arising out of operations in Singapore date are recognised in profit or loss.

2.5 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the statement of assets used in and liabilities arising out of operations in Singapore date.

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

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

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantially enacted by the statement of assets used in and liabilities arising out of operations in Singapore date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2.6 Cash and cash equivalents

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

2.7 Trade and other payables

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

2.8 Property, plant and equipment

(a) Measurement

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (see Note 2.10).

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

(b) Depreciation

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

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

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate, at each statement of assets used in and liabilities arising out of operations in Singapore date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

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

(d) Disposal

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

2.9 Intangible assets

Intangible assets internally developed are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives using the straight-line method on the following bases:

Software development cost - 3 years

The estimated useful life and amortisation are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Intangible assets not yet available for use are carried as cost, less any recognised impairment loss. Amortisation of these intangible assets commences when the assets are ready for their intended use.

Impairment of intangible assets

At the end of each reporting period, the Branch reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Where it is not possible, recoverable amount is higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss.

2.10 Impairment of non-financial assets

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

For the purpose of impairment testing of the assets, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows 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.

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 impairment loss is recognised in profit or loss unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

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

A reversal of impairment loss for an asset, is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2.11 Insurance contracts

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

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

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

2.12 Reinsurance contracts held

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

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

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

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

2.13 Insurance liabilities

Insurance liabilities comprise unearned premiums reserves and outstanding claims reserves.

(a) *Unearned premium reserves*

The portion of premium received on in-force contracts that relates to unexpired risks at the statement of assets used in and liabilities arising out of operations in Singapore date is reported as unearned premium reserves. Unearned premium reserves are calculated using the 1/365 method based on the gross premiums written during the financial period less return premiums and reinsurance premiums and 25% method for marine cargo business.

(b) *Outstanding claims reserves*

Provision for claims is made for the estimated cost of claims notified but not settled at the date of the statement of assets used in and liabilities arising out of operations in Singapore, less reinsurance recoveries using the best information available at that time.

In addition, a provision is made for claims incurred but not reported (IBNR) for all business written at statement of assets used in and liabilities arising out of operations in Singapore date based on the past claims experience and statistics derived from prior trends (see Note 3).

The reserve for incurred but not reported losses and loss expenses is established by management based on actuarial determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known.

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

(c) *Liability adequacy test*

At each statement of assets used in and liabilities arising out of operations in Singapore date, a liability adequacy test is performed to ensure the adequacy of unearned premium liabilities. In performing the test, current best estimates of future contractual cash flows are used. Any deficiency is immediately charged to profit or loss.

2.14 Head office account

This amount represents net assets accruing to the head office.

3. Critical accounting estimates, assumptions and judgments

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

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

The ultimate liability arising from claims made under insurance contracts

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

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

4. Management expenses

	2014 S$'000	2013 S$'000
Staff salaries & expenses	19,289	13,508
Consultant services	1,198	603
Management fees	15,111	7,593
Office rent	2,586	2,257
Other expenses	3,459	4,010
	41,643	27,971

5. Income tax

	2014 S$'000	2013 S$'000
Income tax expense		
Current tax	186	3,345
Deferred tax (note 13)	1,051	2
Tax expense	**1,237**	**3,347**
Current tax		
Current year	694	3,361
Over accrual in prior years	(508)	(16)
Deferred tax		
Origination and reversal of temporary difference	1,051	2
	1,237	**3,347**

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

	2014 S$'000	2013 S$'000
Profit before tax	**1,918**	**19,750**
Tax calculated at a tax rate of 17%	326	3,358
Tax effect of:		
Expenses not deductible for tax purposes	25	41
Expense / (income) subject to a concessionary tax rate 10%	968	(26)
Non-Taxable income	(6)	(26)
Others	158	16
Over accrual in tax provision	(234)	(16)
Income tax expense attributable to profit	**1,237**	**3,347**

Pursuant to Section 43C of the Singapore Income Tax Act, Chapter 134, income from offshore business is subject to the tax concessionary rate of 10% (2013 : 10%), instead of the standard rate of 17% (2013 : 17%).

Notes to the financial statements CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

6. Cash and cash equivalents

	2014 S$'000	2013 S$'000
Bank and cash balances	108,498	66,822

At the statement of assets used in and liabilities arising out of operations in Singapore date, the carrying amounts of cash and cash equivalents approximate their fair values.

Included in the cash and cash equivalents is an amount of S$2,955,000 (2013: S$3,182,000) that pertains to collateral held in trust.

Cash and cash equivalents at the statement of assets used in and liabilities arising out of operations in Singapore date are denominated in the following currencies:

	2014 S$'000	2013 S$'000
United States Dollar	38,416	22,964
Singapore Dollar	70,082	43,858
	108,498	**66,822**

7. Trade and other receivables

	2014 S$'000	2013 S$'000
Insurance receivables	63,806	54,560
Prepayments	95	81
Interest receivables	248	239
Deposits	601	582
Other receivables	57	85
	64,807	55,547

At the statement of assets used in and liabilities arising out of operations in Singapore date, all trade and other receivables are current, and the carrying amounts approximate their fair values.

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

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

	2014 S$'000	2013 S$'000
Government Securities	191,885	264,833
Corporate Bonds	20,569	21,287
	212,454	286,120

Financial assets, at fair value through profit & loss, at the statement of assets used in and liabilities arising out of operations in Singapore date are denominated in the following currencies:

	2014 S$'000	2013 S$'000
Singapore Dollar	188,888	266,871
United States Dollar	23,566	19,249
	212,454	286,120

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

	2014 S$'000	2013 S$'000
Gross		
Insurance contracts:		
– unearned premium reserves	99,578	91,666
– outstanding claims reserves	172,764	154,067
Total insurance liabilities – gross	272,342	245,733
Reinsurance Outwards		
Insurance contracts:		
– unearned premium reserves	21,040	20,763
– outstanding claims reserves	38,300	35,833
Total reinsurers' share of insurance liabilities	59,340	56,596
Net		
Insurance contracts:		
– unearned premium reserves	78,538	70,903
– outstanding claims reserves	134,464	118,234
Total insurance liabilities – net	213,002	189,137

The estimated timing of the net cash outflows arising from the reinsurance assets and insurance liabilities are disclosed in Note 9 (d).

(a) Insurance risk

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

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

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

(i) Loss reserves

Outstanding claims reserves include unpaid losses, loss adjustment expenses and estimates for ultimate reserves for incurred but not reported (IBNR).

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

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

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

(ii) Reinsurance

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

(b) Concentration of insurance risk

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

	2014 GROSS PREMIUM WRITTEN S$'000	2014 NET PREMIUM WRITTEN S$'000	2013 GROSS PREMIUM WRITTEN S$'000	2013 NET PREMIUM WRITTEN S$'000
Property	29,110	14,146	26,256	16,455
Motor	12,462	12,072	11,408	11,074
Marine Cargo	19,892	17,990	16,046	14,608
Marine Hull	65,800	55,692	59,990	50,881
Casualty and others	92,735	75,561	81,417	67,342
Total	219,999	175,461	195,117	160,360

(c) Sensitivity analysis

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

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

CHANGE IN ASSUMPTIONS	IMPACT ON GROSS LIABILITIES S$'000	IMPACT ON NET LIABILITIES S$'000	IMPACT ON PROFIT BEFORE TAX S$'000
2014			
Ultimate loss ratio increase by 5%	5,192	4,153	**(4,153)**
Discount rate increase by 1%	(2,009)	(1,556)	**1,556**
Provision for adverse deviation increase by 1%	1,557	1,238	**(1,238)**
2013			
Ultimate loss ratio increase by 5%	4,207	3,568	**(3,568)**
Discount rate increase by 1%	(1,832)	(1,400)	**1,400**
Provision for adverse deviation increase by 1%	1,390	1,094	**(1,094)**

(d) *Maturity analysis*

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

	PAYABLE WITHIN 12 MONTH S$'000	PAYABLE AFTER 12 MONTH S$'000	TOTAL S$'000
As at 31 December 2014 – Insurance liabilities, net	112,792	100,210	213,002
As at 31 December 2013 – Insurance liabilities, net	96,700	92,437	189,137

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

(i) *Unearned premium reserves*

2014	GROSS S$'000	REINSURANCE S$'000	NET S$'000
Total at beginning of financial period	91,666	(20,763)	70,903
Increase/(decrease) in unearned premium reserves	7,912	(277)	7,635
Total at end of financial period	99,578	(21,040)	78,538

2013	GROSS S$'000	REINSURANCE S$'000	NET S$'000
Total at beginning of financial period	84,122	(25,931)	58,191
Increase/(decrease) in unearned premium reserves	7,544	5,168	12,712
Total at end of financial period	91,666	(20,763)	70,903

(ii) *Outstanding claims reserves*

2014	GROSS S$'000	REINSURANCE S$'000	NET S$'000
Total at beginning of financial period	154,067	(35,833)	118,234
Increase/(decrease) in claims reserves	18,697	(2,467)	16,230
Total at end of financial period	172,764	(38,300)	134,464

2013	GROSS S$'000	REINSURANCE S$'000	NET S$'000
Total at beginning of financial period	143,048	(41,911)	101,137
Increase/(decrease) in claims reserves	11,019	6,078	17,097
Total at end of financial period	154,067	(35,833)	118,234

(f) *Loss development tables*

The loss development tables presented below are net of reinsurance.

2014
S$'000

Accident Year		Prior	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
NET INCURRED											
	0	N/A	49,662	52,643	54,678	59,897	68,311	74,727	95,622	114,653	
	1	57,548	45,321	50,444	51,112	52,850	64,604	67,510	94,003		
	2	49,574	42,435	46,142	47,822	50,921	57,417	58,649			
	3	39,804	40,169	44,707	45,572	47,394	52,405				
	4	37,831	39,330	43,454	43,848	45,507					
	5	36,486	37,968	41,671	42,642						
	6	35,501	37,452	41,202							
	7	35,116	37,510								
	8	34,810									
Movement		(306)	58	(469)	(1,206)	(1,887)	(5,012)	(8,861)	(1,619)	114,653	
Current estimate		34,810	37,510	41,202	42,642	45,507	52,405	58,649	94,003	114,653	
Cumulative payments		34,106	36,733	40,664	40,640	43,793	48,859	48,496	61,822	31,806	
Net outstanding liability		704	777	538	2,003	1,714	3,546	10,153	32,181	82,848	134,464

2013
S$'000

Accident Year		Prior	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
NET INCURRED											
	0	N/A	37,165	49,662	52,643	54,678	59,897	68,311	74,727	95,622	
	1	70,765	35,923	45,321	50,444	51,112	52,850	64,604	67,510		
	2	58,565	33,840	42,435	46,142	47,822	50,921	57,417			
	3	52,674	31,451	40,169	44,707	45,572	47,394				
	4	45,293	31,072	39,330	43,454	43,848					
	5	43,699	30,393	37,968	41,671						
	6	43,033	30,155	37,452							
	7	42,286	30,051								
	8	42,005									
Movement		(281)	(104)	(516)	(1,783)	(1,724)	(3,527)	(7,187)	(7,218)	95,622	
Current estimate		42,005	30,051	37,452	41,671	43,848	47,394	57,417	67,510	95,622	
Cumulative payments		41,138	29,902	36,462	40,523	40,247	43,564	47,879	41,047	23,974	
Net outstanding liability		867	149	990	1,148	3,602	3,829	9,538	26,463	71,648	118,234

10. Property, plant and equipment

2014	COMPUTERS S$'000	FURNITURE AND FITTINGS S$'000	MOTOR VEHICLES S$'000	OFFICE EQUIPMENT S$'000	TOTAL S$'000
Cost					
Beginning of financial period	997	1,576	564	239	3,376
Write-off/Reclass/Adjust	(171)	0	0	(11)	(182)
Disposals	0	0	(280)	0	(280)
Additions	271	15	251	1	538
End of financial period	1,097	1,591	535	229	3,452
Accumulated depreciation					
Beginning of financial period	734	1,254	338	193	2519
Write-off/Reclass/Adjust	(171)	0	0	(11)	(182)
Disposals	0	0	(215)	0	(215)
Depreciation charge	153	206	100	37	496
End of financial period	716	1,460	223	219	2,618
Net book value					
End of financial period	**381**	**131**	**312**	**10**	**834**

2013	COMPUTERS S$'000	FURNITURE AND FITTINGS S$'000	MOTOR VEHICLES S$'000	OFFICE EQUIPMENT S$'000	TOTAL S$'000
Cost					
Beginning of financial period	875	1,563	730	227	3,395
Write-off/Reclass/Adjust	0	(13)	0	12	(1)
Disposals	(83)	0	(263)	0	(346)
Additions	205	26	97	0	328
End of financial period	997	1,576	564	239	3,376
Accumulated depreciation					
Beginning of financial period	742	940	488	148	2,318
Write-off/Reclass/Adjust	0	0	0	0	0
Disposals	(83)	0	(260)	0	(343)
Depreciation charge	75	314	110	45	544
End of financial period	734	1,254	338	193	2,519
Net book value					
End of financial period	**263**	**322**	**226**	**46**	**857**

Notes to the financial statements CONTINUED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11. Intangible assets

	TOTAL S$'000
Software development cost	
Cost:	
At January 01, 2013	0
Additions	1,769
At December 31, 2013	1,769
Additions	3,561
At December 31, 2014	5,330
Accumulated amortisation:	
At January 01, 2013	0
Amortisation	0
At December 31, 2013	0
Amortisation	478
At December 31, 2014	478
Carrying Amount:	
At December 31, 2014	4,852
At December 31, 2013	1,769

12. Trade and other payables

	2014 S$'000	2013 S$'000
Trade payables consists of:		
- amounts due to third parties	14,808	6,001
- amounts due to head office	1,821	856
- amounts due to related companies	1,752	1,989
	18,381	**8,846**
Other payables consists of:		
- amounts due to head office	5,275	7,996
- Collateral held in trust (Note 6)	2,955	3,182
- Contingency reserves	2,460	2,460
- Investment payables	0	61,975
- Accrued expenses and other payables	8,878	9,200
	19,568	**84,813**
	37,949	**93,659**

Except for collateral held in trust, trade and other payables are unsecured, interest free and are repayable on demand.

13. Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2014 S$'000	2013 S$'000
Deferred tax asset as at 1 January	141	143
Recognised in income statement	(1,051)	(2)
Deferred tax (liability)/asset as at 31 December	**(910)**	**141**

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

2014	AT 1 JANUARY S$'000	(CHARGED)/CREDITED S$'000	AT 31 DECEMBER S$'000
Recognised in income statement:			
Excess of capital allowance over depreciation	(96)	(814)	(910)
Impairment loss on insurance receivables	28	(28)	0
Other provisions	209	(209)	0
	141	**(1,051)**	**(910)**

2013	AT 1 JANUARY S$'000	(CHARGED)/CREDITED S$'000	AT 31 DECEMBER S$'000
Recognised in income statement:			
Excess of capital allowance over depreciation	(120)	24	(96)
Impairment loss on insurance receivables	28	0	28
Other provisions	235	(26)	209
	143	**(2)**	**141**

14. Immediate and ultimate holding corporation

The Branch is the Singapore Branch of QBE INSURANCE (INTERNATIONAL) LIMITED, ("Head Office"), which is incorporated in Australia. Its ultimate holding corporation is QBE Insurance Group Ltd., which is also incorporated in Australia.

15. Head office contributions

A total of S$ 13,111,000 was transferred to the Branch from its Head Office during the financial year in order to meet Singapore regulatory capital and solvency requirements and the daily operating requirements of the Branch.

16. Management of financial risk

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

Financial risk management objectives

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

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

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

The Branch's investment strategy is integrated with the management of the financial risks associated with the Branch's other financial assets and liabilities not directly associated with insurance and investment liabilities. The Branch does not use hedge accounting.

(a) Market risk

(i) *Currency risk*

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

If the USD changed against SGD by 10% with all other variables being held constant, the effects to the profit after tax would have been S$7,945,000 (2013 : S$3,682,000).

(ii) *Interest rate risk*

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

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

Effective interest rates and maturity analysis

Non-derivative financial assets

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

		INTEREST BEARING FINANCIAL ASSETS			
MATURITY DATE		WITHIN 1 YEAR	1 YEAR-5 YEARS	MORE THAN 5 YEARS	TOTAL
As at 31 December 2014					
Fixed Interest	S$'000	257,457	5,126	2,037	264,620
Weighted Average Interest Rate	%	0.41	0.02	0.02	0.46
Floating Rate	S$'000	52,616	3,716	-	56,332
Weighted Average Interest Rate	%	0.02	0.12	-	0.14
As at 31 December 2013					
Fixed Interest	S$'000	318,206	-	2,038	320,244
Weighted Average Interest Rate	%	0.30	-	0.02	0.32
Floating Rate	S$'000	25,229	7,469	-	32,698
Weighted Average Interest Rate	%	0.05	0.06	-	0.12

(b) Credit risk

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

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

The Branch has exposure to concentration of credit risk arising from one specific reinsurer. The underwriting department is responsible for setting guidelines about the quality of reinsurers used.

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

2014	A-AAA S$'000	NOT RATED S$'000	TOTAL S$'000
Financial assets, at fair value through profit & loss	212,454	0	212,454
Cash and cash equivalents	108,498	0	108,498
Insurance Receivables	2,168	61,638	63,806

2013	A-AAA S$'000	NOT RATED S$'000	TOTAL S$'000
Financial assets, at fair value through profit & loss	286,120	0	286,120
Cash and cash equivalents	66,822	0	66,822
Insurance Receivables	1,066	53,494	54,560

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

		PAST DUE BUT NOT IMPAIRED			
	NEITHER PAST DUE NOR IMPAIRED S$'000	0-3MTHS S$'000	3-9MTHS S$'000	MORE THAN 9MTHS S$'000	TOTAL S$'000
2014					
Insurance receivables	36,754	19,351	6,084	1,617	63,806
2013					
Insurance receivables	29,885	18,729	3,797	2,149	54,560

(c) Liquidity risk

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

All financial and insurance liabilities in 2014 and 2013 are repayable or due within one year from the end of the reporting period.

(d) Capital risk

The Branch's policy is to maintain a suitable capital base so as to support its underwriting strategy. The Branch is also required to maintain a minimum amount of capital as prescribed under the Singapore Insurance Act (Chapter 142) and relevant regulations. There were no changes in the Branch's approach to capital management during the year. The Branch has complied with the abovementioned regulatory requirements.

(e) Fair value measurements

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

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

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

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

As at 31 December 2014, the Branch holds financial assets, at fair value through profit & loss of $8,418,000 which are based on Level 1 inputs and $204,036,000 which is based on Level 2 inputs. The fair value of financial instruments traded in active markets (at fair value through profit & loss) is based on quoted market prices at the statement of assets used in and liabilities arising out of operations in Singapore date. The quoted market price used for financial assets held by the Branch is the current bid price.

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

(f) Financial instruments by category

The carrying amounts of financial assets measured at fair value through profit & loss are disclosed on the face of the statement of assets used in and liabilities arising out of operations in Singapore and in Note 8 to the financial statements respectively.

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

	2014 S$'000	2013 S$'000
Cash and cash equivalents	108,498	66,822
Trade and other receivables	64,807	55,547
Financial assets, at fair value through profit & loss	212,454	286,120

17. Related party transactions

In addition to related party disclosures mentioned in the financial statements, set out below are other significant related party disclosures.

The related parties of, and their relationship with the Branch, are as follows:

	Relationship
QBE Insurance Group Ltd	Ultimate holding corporation
QBE Insurance (International) Ltd	Head office
QBE Insurance (Australia) Ltd	Related company
QBE Re Services Pty Ltd	Related company
QBE Re Asia Pacific	Related company

In the normal course of business, the Branch undertakes various transactions with other companies deemed related on terms agreed between the Branch and related parties.

The significant related party transactions during the financial year and balances at the financial year end between the Branch and these related parties are set out as follows:

(a) The Branch cedes premiums to Equator Re and QBE Insurance (Australia) Ltd etc under a quota share reinsurance agreement.

	2014 S$'000	2013 S$'000
Premiums ceded less commissions paid	31,304	27,989
Claims recovered	4,748	8,066

(b) Other charges and services rendered

	2014 S$'000	2013 S$'000
Amounts received		
QBE Re Services Pty Ltd	7,464	4,616
QBE Re Asia Pacific	10	10
QBE Insurance (Europe) Limited	248	269
Amounts paid		
Head office charges paid to QBE Insurance (International) Ltd	15,007	7,323

(c) Key management personnel compensation

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

	2014 S$'000	2013 S$'000
Salary and other remuneration	1,803	1,988
Benefits in kind and share based compensation	257	42
	2,060	**2,030**

18. Operating lease arrangements

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

	2014 S$'000	2013 S$'000
Within one year	2,615	2,504
In the second to fifth year inclusive	0	2,615
	2,615	**5,119**

19. Authorisation of financial statements

The financial statements were authorised for issue by the Branch's management on 30 March 2015.

QBE Insurance (International) Limited – Singapore Branch
Unique Entity No. S16FC0047K

60 Anson Road #11-01
Mapletree Anson Singapore 079914
Tel : (65) 6224 6633 • Fax : (65) 6533 3270
www.qbe.com.sg