CIGNA EUROPE INSURANCE CO. S.A.-N.V. - SINGAPORE BRANCH

(Incorporated in Belgium. Registration Number: T10FC0145E)

FINANCIAL STATEMENTS

For the year ended 31 December 2015

CIGNA EUROPE INSURANCE CO. S.A.-N.V.
- SINGAPORE BRANCH
(Incorporated in Belgium. Registration Number: T10FC0145E)

FINANCIAL STATEMENTS
For the year ended 31 December 2015

Contents

CIGNA EUROPE INSURANCE CO. S.A.- N.V.
- SINGAPORE BRANCH

STATEMENT BY CHIEF EXECUTIVE
For the year ended 31 December 2015

I, Lena Tsia, the Chief Executive primarily responsible for the financial management of Cigna Europe Insurance Co. S.A.-N.V., Singapore Branch, state that, in my opinion, the accompanying statement of assets used in and liabilities arising out of operations in Singapore, statement of comprehensive income, statement of changes in head office account and statement of cash flows arising out of the Branch's operations in Singapore, 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 financial position of the Branch's operations in Singapore as at 31 December 2015, and of the financial performance, changes in head office account and cash flows of the Branch's operations in Singapore for the year ended 31 December 2015.

LENA TSIA
CHIEF EXECUTIVE

Singapore

17 June 2016

Report on the Financial Statements

We have audited the accompanying financial statements of the Singapore Operations of Cigna Europe Insurance Co. S.A.-N.V. (the "Branch"), pursuant to section 373 of the Singapore Companies Act, Cap. 50 (the "Act"), as set out on pages 4 to 34. These financial statements comprise the statement of assets used in and liabilities arising out of operations in Singapore as at 31 December 2015, the statement of comprehensive income arising out of operations in Singapore, the statement of changes in head office account and the statement of cash flows for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

The Branch is a segment of Cigna Europe Insurance Co. S.A.-N.V. (incorporated in Belgium) 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 financial statements and to maintain accountability of assets.

Auditors' Responsibility

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

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

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

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 financial position of the Branch's operations in Singapore as at 31 December 2015, and of the financial performance of the Branch's operations in Singapore, changes in head office account and statement of cash flows from such operations for the year ended 31 December 2015.

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's operations in Singapore have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore,

17 JUN 2016

CIGNA EUROPE INSURANCE CO. S.A.-N.V.
- SINGAPORE BRANCH

STATEMENT OF COMPREHENSIVE INCOME ARISING OUT OF OPERATIONS IN SINGAPORE

As at 31 December 2015

	Notes	2015 $'000	2014 $'000
Gross premiums written	14(b)(ii)	**57,279**	29,764
Outward reinsurance premiums	14(b)(ii)	**(29,153)**	(14,902)
Net premiums written		**28,126**	14,862
Increase in unearned premium reserves		**(3,190)**	(3,902)
Net earned premiums	14(b)(ii)	**24,936**	10,960
Gross claims paid	14(b)(i)	**(31,104)**	(12,824)
Reinsurer's share	14(b)(i)	**15,914**	6,514
Net claims paid		**(15,190)**	(6,310)
Increase in gross outstanding claims provision		**(3,873)**	(3,220)
Reinsurer's share		**1,936**	1,610
Increase in net outstanding claims reserves		**(1,937)**	(1,610)
Net claims incurred		**(17,127)**	(7,920)
Commission income		**7,444**	3,724
Commission expense		**(3,530)**	(2,480)
Net commission income		**3,914**	1,244
Investment gain/(loss) – net	4	**136**	73
Other miscellaneous gains	5	**3,282**	1,764
Employee compensation	6	**(2,944)**	(1,887)
Other operating expenses	7	**(8,190)**	(5,309)
Profit/(loss) before income tax		**4,007**	(1,075)
Income tax (expense)/benefit	8	**(109)**	630
Net profit/(loss) after income tax		**3,898**	(445)
Other comprehensive income		**-**	-
Total comprehensive income/(loss)		**3,898**	(445)

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

CIGNA EUROPE INSURANCE CO. S.A.-N.V.
- SINGAPORE BRANCH

STATEMENT OF ASSETS USED IN AND LIABILITIES ARISING OUT OF OPERATIONS IN SINGAPORE
As at 31 December 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**11,962**	6,136
Financial assets, at fair value through profit or loss	10	**28,941**	15,924
Insurance receivables	11	**17,748**	9,785
Other current assets	12	**2,639**	1,476
Unearned premiums on reinsurance ceded	14(b)(ii)	**8,229**	6,086
Deferred acquisition cost on unearned premium reserve	14 (a)	**1,099**	625
Outstanding claims on reinsurance ceded	14(a)	**4,811**	2,875
Reinsurance recoverable on paid claims	14(a)	**-**	188
		75,429	43,095
Non-current assets			
Property, plant and equipment	13	**23**	61
Deferred tax asset	8(c)	**506**	630
		529	691
Total assets		**75,958**	43,786
LIABILITIES			
Current liabilities			
Insurance payables	15	**16,435**	8,521
Due to related companies	16	**2,968**	1,988
Other creditors and accruals	17	**1,514**	1,259
Unearned premium reserves	14(a)	**17,864**	12,531
Outstanding claims reserves	14(a)	**9,622**	5,749
		48,403	30,048
Total liabilities		**48,403**	30,048
NET ASSETS		**27,555**	13,738
HEAD OFFICE ACCOUNT			
Head office contributions		**32,500**	22,581
Accumulated losses		**(4,945)**	(8,843)
		27,555	13,738

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

CIGNA EUROPE INSURANCE CO. S.A.-N.V.
- SINGAPORE BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
For the year ended 31 December 2015

		Head office contributions $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2015		22,581	(8,843)	13,738
Funds received from head office	18	9,919	-	9,919
Total comprehensive income		-	3,898	3,898
Balance at 31 December 2015		32,500	(4,945)	27,555
Balance at 1 January 2014		16,900	(8,398)	8,502
Funds received from head office	18	5,681	-	5,681
Total comprehensive loss		-	(445)	(445)
Balance at 31 December 2014		22,581	(8,843)	13,738

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

CIGNA EUROPE INSURANCE CO. S.A.-N.V.
- SINGAPORE BRANCH

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Net gain/(loss) before income tax		4,007	(1,075)
Adjustments for:			
Depreciation charge	13	44	70
Fair value losses	4	135	46
Operating cash flows before working capital changes		4,186	(959)
Changes in working capital			
- Outstanding claims reserves		1,937	1,610
- Reinsurance recoverable on paid claims		188	3,120
- Unearned premium reserves		3,190	3,902
- DAC on unearned premium reserves		(474)	(329)
- Insurance receivables		(7,963)	(4,954)
- Insurance payables		7,914	(381)
- Other current assets		(1,148)	570
- Due to related companies		980	1,083
- Other creditors and accruals		255	792
Net cash generated from operating activities		9,065	4,454
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(6)	(71)
Purchase of financial assets, at fair value through profit or loss		(13,152)	(7,138)
Net cash used in investing activities		(13,158)	(7,209)
Cash flows from financing activities			
Capital funding received from Head Office		9,919	5,681
Net cash provided by financing activities		9,919	5,681
Net increase in cash and cash equivalents		5,826	2,926
Cash and cash equivalents at beginning of year		6,136	3,210
Cash and cash equivalents at end of year	9	11,962	6,136

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

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

1. General information

The Branch is registered and domiciled in Singapore. The address of the Branch's registered office is 152 Beach Road, # 26-05 The Gateway East, Singapore 189721.

The Singapore branch is a segment of Cigna Europe Insurance Co. S.A.-N.V., incorporated in Belgium, and is not a separately incorporated legal entity. The financial statements have been prepared from the records of the Branch and reflect only transactions recorded locally.

The principal activities of the Branch are to undertake the business of healthcare insurance.

2. Significant accounting policies

2.1 Basis of preparation

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

Interpretations and amendments to published standards in 2015

On 1 January 2015, 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 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 or prior financial years.

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

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:

Premium income

Premiums on insurance contracts (see Note 2.8) are recognised as revenue at the time of inception of the policy.

Premiums are shown before movements in unearned premium provision (see Note 2.10(a)) and deduction of commission; and are net of any taxes or duties levied on premiums.

Interest Income

Interest income is recognised using the effective interest method.

2.3 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 2.4).

The cost of property, plant and equipment 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 a straight line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Computers	- 3 years
Office renovation	- 3 years
Office equipment	- 3 years

The residual values and estimated useful lives 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.

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

2.3 Property, plant and equipment (continued)

(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 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.

2.4 Impairment of non-financial assets

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

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

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset 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 financial 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.

2.5 Financial assets

(a) Classification

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

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(a) *Classification* (continued)

(i) *Loans and receivables*

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

(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 the Branch's investment strategy. Derivatives are also categorised as held for trading unless they are designed as hedges. These assets are presented as current assets if they are either held for trading or are expected to be relaised within 12 months after the balance sheet date.

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

(b) *Recognition and derecognition*

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

Financial assets are derecognised when the right 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 net sale proceeds and its carrying amount is recognised in profit or loss.

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

2.5 Financial assets (continued)

(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

Loans and 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 changes arise.

(e) Impairment

The Branch 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.

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.

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 impairment had been recognised in prior periods.

2. Significant accounting policies (continued)

2.6 Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.7 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 asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be realised.

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

Current and deferred income taxes are recognised as income or expense in profit or loss for the period.

2. Significant accounting policies (continued)

2.8 Insurance contracts

The Branch participates in contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risks. 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 balance sheet date is reported as unearned premium reserves. Premiums are shown before deduction of commission.

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

2.9 Reinsurance contracts held

Reinsurance premiums ceded are in respect of the purchase of reinsurance protection of the Branch's healthcare book of business.

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 reinsurance 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. The amount of the allowance is recognised in profit or loss.

An unearned premium reserve on reinsurance ceded is made for the amount of premium ceded not yet incurred at the balance sheet date.

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

2.10 Insurance liabilities

Insurance liabilities comprise unearned premiums reserves and outstanding claims reserves.

(a) Unearned premium reserves

An unearned premium reserve is made for the amount of net premium not yet earned at the balance sheet date. For this purpose, net premium refers to premium income written during the year less acquisition costs (Note 2.11). The unearned premium is calculated on a time apportioned basis and relates to the unexpired period of the contracts written.

Where necessary, premium deficiency reserves calculated using actuarial methods on loss statistics are included in unearned premium reserves.

(b) Outstanding claims reserves

The reserve for losses and loss expenses includes reserves for unpaid reported losses and for the losses incurred but not reported ("IBNR"). The reserve for unpaid reported losses and loss expenses is established by management based on counts of mail in hand and pended claims, and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by the Branch.

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 profit or loss in the period in which they become known.

2.11 Deferred acquisition costs ("DAC")

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

2. Significant accounting policies (continued)

2.12 Liability adequacy test

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

2.13 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Branch has a 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 a reliable estimate of the amount can be made.

2.14 Employee compensation

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

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.

2.15 Currency translation

These financial statements are presented in Singapore Dollars ("SGD" or "$"), which is the Branch's functional currency.

Transactions in a currency other than the Singapore Dollar ("foreign currency") are translated into Singapore Dollars using the exchange rates 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 balance sheet date are recognised in profit or loss.

2. Significant accounting policies (continued)

2.16 Cash and cash equivalents

Cash and cash equivalents include cash on hand, and deposits with financial institutions which are subject to an insignificant change in value.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements 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 and assumptions concerning the future. These estimates are based on management's best knowledge of current events and actions. The actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 actuarial techniques.

Actuarial methodology

The reserves are split into true IBNR (for claims incurred but not yet received), outstanding loss reserves (for claims that have been received in the office but not yet paid) and a claim handling expense/loss adjustment expenses reserve. The true IBNR uses the Bornhuetter-Ferguson approach based on claims triangles and specific loss ratio picks and the outstanding loss reserves use counts of claims forms and data management reports on pended claim forms. The claim handling reserve is a proportion of the IBNR amount.

Changes in assumptions

There have been no significant changes in the business underwritten by the Branch or the way in which the claims are handled. There have been no significant amendments made to the assumptions used to estimate the Ultimate Claims Costs.

4. Investment gain/(loss) – net

	2015 $'000	2014 $'000
Interest income	**448**	205
Fair value losses	**(135)**	(46)
Investment expenses	**(177)**	(86)
	136	73

5. Other miscellaneous gains

	2015 $'000	2014 $'000
Foreign exchange gains – net	**2,059**	710
Service fee income	**1,196**	1,020
Cash grants	**27**	34
	3,282	1,764

6. Employee compensation

	2015 $'000	2014 $'000
Wages, salaries and staff benefits	**2,760**	1,739
Employer's contribution to defined contribution plans including Central Provident Fund	**184**	148
Net employee compensation	**2,944**	1,887

7. Other operating expenses

	2015 $'000	2014 $'000
Rental expense – operating leases	**222**	175
Allocated head office expenses	**5,868**	3,618
Accounting and legal fees	**158**	286
Printing, postage and telecommunications	**96**	66
Office utilities and office costs	**25**	35
Computer costs	**8**	1
Travelling and entertainment expenses	**190**	225
Association and license fees	**75**	66
Advertising	**36**	48
Depreciation	**42**	72
Management recharges	**6**	246
Impairment of receivables	**314**	209
Bank charges	**283**	150
Network provider fees	**436**	-
Programme fees	**139**	-
Other expenses	**292**	112
	8,190	5,309

8. Income tax expense

(a) Analysis of charge in year

	2015 $'000	2014 $'000
Tax expense attributable to profit is made up of:		
- Current income tax – prior year	**(15)**	-
- Deferred income tax – current year	**124**	(630)
	109	(630)

(b) Factors affecting tax charge for year

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

	2015 $'000	2014 $'000
Profit/(Loss) before tax	**4,007**	(1,075)
Tax calculated at tax rate of 17% (2014: 17%)	**(681)**	183
Effects of:		
Expenses not deductible for tax purposes	**(6)**	(4)
Utilisation of previously unrecognised tax losses and capital allowances	**687**	-
Tax losses not recognised	**-**	(179)
Over provision of tax in prior financial years	**15**	-
	15	-

(c) Deferred tax asset

	2015 $'000	2014 $'000
Tax losses	**506**	630

In addition to the above, deferred tax assets have not been recognised for the unutilised tax losses/other timing differences of $2.2m (2014: $5.5m) as the timing of the future taxable profits available for realisation of these temporary differences is uncertain.

9. Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and on hand	**11,962**	6,136

The carrying amounts of cash and cash equivalents approximate their fair values.

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

Financial assets, at fair value through profit or loss, include the following:

	2015 $'000	2014 $'000
At fair value		
Fixed income securities, quoted	**28,941**	15,924

11. Insurance receivables

	2015 $'000	2014 $'000
Insurance receivables (third parties)	**18,743**	10,106
Less: Allowance for impairment of receivables	**(995)**	(321)
Insurance receivables – net	**17,748**	9,785

The carrying amounts of insurance receivables approximate their fair values.

12. Other current assets

	2015 $'000	2014 $'000
Other receivables	**2,420**	1,347
Prepaid operating expenses	**219**	129
	2,639	1,476

The carrying amounts of other current assets (except prepaid operating expenses) approximate their fair values.

13. Property, plant and equipment

	Computers $'000	Office renovation $'000	Office equipment $'000	Total $'000
2015				
Cost				
As at 1 January 2015	47	202	2	251
Additions	6	-	-	6
As at 31 December 2015	53	202	2	257
Accumulated depreciation				
As at 1 January 2015	23	165	2	190
Depreciation charge	14	30	-	44
As at 31 December 2015	37	195	2	234
Net book value				
As at 31 December 2015	**16**	**7**	-	**23**

	Computers $'000	Office renovation $'000	Office equipment $'000	Total $'000
2014				
Cost				
As at 1 January 2014	30	148	2	180
Additions	17	54	-	71
As at 31 December 2014	47	202	2	251
Accumulated depreciation				
As at 1 January 2014	11	107	2	120
Depreciation charge	12	58	-	70
As at 31 December 2014	23	165	2	190
Net book value				
As at 31 December 2014	24	37	-	61

14. Insurance liabilities and reinsurance assets

(a) *Insurance liabilities and reinsurance assets comprise of the following:*

	2015 $'000	2014 $'000
Gross		
Insurance contracts:		
Gross outstanding claims reserves	**9,622**	5,749
Gross unearned premium reserves	**17,864**	12,531
DAC on unearned premium reserve	**(1,099)**	(625)
Total insurance liabilities – gross	**26,387**	17,655
Recoverable from reinsurers		
Reinsurer's share of outstanding claims reserves	**4,811**	2,875
Reinsurer's share of unearned premium reserves	**8,229**	6,086
Reinsurer's share of paid claims	**-**	188
	13,040	9,149
Net		
Insurance contracts:		
Net outstanding claims reserves	**4,811**	2,874
Net unearned premium reserves	**9,635**	6,445
DAC on unearned premium reserve	**(1,099)**	(625)
Net reinsurance recoverable on paid claims	**-**	(188)
Total insurance liabilities – net	**13,347**	8,506

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

(i) *Outstanding claims reserves*

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2015	5,749	(2,875)	2,874
Claims incurred during the year	34,977	(17,850)	17,127
Claims paid during the year	(31,104)	15,914	(15,190)
Balance at 31 December 2015	9,622	(4,811)	4,811

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2014	2,530	(1,265)	1,265
Claims incurred during the year	16,043	(8,124)	7,919
Claims paid during the year	(12,824)	6,514	(6,310)
Balance at 31 December 2014	5,749	(2,875)	2,874

14. Insurance liabilities and reinsurance assets (continued)

(b) Movements in insurance liabilities and reinsurance assets (continued)

(ii) Unearned premium reserves

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2015	12,531	(6,086)	6,445
Written premium during the year	57,279	(29,153)	28,126
Earned premium during the year	(51,946)	27,010	(24,936)
Balance at 31 December 2015	17,864	(8,229)	9,635

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2014	4,234	(1,691)	2,543
Written premium during the year	29,764	(14,902)	14,862
Earned premium during the year	(21,467)	10,507	(10,960)
Balance at 31 December 2014	12,531	(6,086)	6,445

(iii) Deferred acquisition costs

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2015	625	-	625
Net transfer from statement of comprehensive income	474	-	474
Balance at 31 December 2015	1,099	-	1,099

	Gross $'000	Reinsurance $'000	Net $'000
Balance at 1 January 2014	297	-	297
Net transfer from statement of comprehensive income	328	-	328
Balance at 31 December 2014	625	-	625

15. Insurance payables

	2015 $'000	2014 $'000
Insurance payables:		
- Related party – Cigna Global Reinsurance Co.	**13,637**	6,961
- Third parties	**2,798**	1,560
	16,435	8,521

The carrying amounts of insurance payables approximate their fair values.

16. Due to related companies

	2015 $'000	2014 $'000
Due to related companies	**2,968**	1,988

These are unsecured, interest free, repayable on demand and approximate their fair values.

17. Other creditors and accruals

	2015 $'000	2014 $'000
Accrued operating expenses	**1,037**	590
GST payable	**477**	669
	1,514	1,259

Other creditors approximate their fair values.

18. Head office contributions

A total of $9,919K (2014: $5,681K) was transferred to the Branch from its Head Office during the financial year in order to meet the daily operating requirements of the Branch.

19. Operating lease commitments

	2015 $'000	2014 $'000
Not later than one year	**229**	69
Later than one year but not later than five years	**76**	-
	305	69

20. Insurance and financial risk management

(a) Insurance risk factors

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 principal risk that the Branch faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

The Branch has developed an appropriate reinsurance management strategy to ensure the Branch has sufficient capacity to meet claims obligations as they fall due. The reinsurance arrangements include quota share as well as excess of loss coverage. The effect of such reinsurance management is that the Branch is protected from significant catastrophic events.

(i) Concentration risk

The following tables disclose the concentration of gross and net written premiums in relation to the type of insurance risk accepted by the Branch.

	2015 $'000	2014 $'000
Lines of business – Healthcare		
- Gross written premium	**57,279**	29,764
Lines of business – Healthcare		
- Net written premium	**28,126**	14,862

20. Insurance and financial risk management (continued)

(b) Financial risk factors

The Branch's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Branch. The Branch does not undertake any speculative treasury activities.

Risk management is carried out under policies approved by the Board of Directors of the Company (the "Board") which governs the Branch.

(i) Currency risk

The Branch is exposed to some foreign exchange risk due to the fact that premiums are generally paid in US Dollars however the functional currency of the Branch is Singapore Dollars. The risks arising from operational activities are generally short term in nature, and the Branch's policy is to manage this through matching of cash flows in the relevant currencies. Gains and losses on these activities are fully reflected in the profit and loss statement for the period in which they arise.

The Branch foreign currency exposures arise mainly from the exchange rate movements of the United States dollar ("USD") to the Singapore dollar.

<u>2015</u>	CHF $'000	EUR $'000	GBP $'000	USD $'000	Total $'000
Financial assets					
Cash and cash equivalents	70	724	744	3,755	5,293
Insurance receivables	-	313	262	10,164	10,739
	70	1,037	1,006	13,919	16,032
Financial liabilities					
Insurance payables	(14)	(198)	(73)	(1,176)	(1,461)
Net financial assets currency exposure	**56**	**839**	**933**	**12,743**	**14,571**

20. Insurance and financial risk management (continued)

(b) Financial risk factors (continued)

(i) Currency risk (continued)

2014	CHF $'000	EUR $'000	GBP $'000	USD $'000	Total $'000
Financial assets					
Cash and cash equivalents	66	329	268	4,158	4,821
Insurance receivables	-	141	146	8,000	8,287
	66	470	414	12,158	13,108
Financial liabilities					
Insurance payables	-	(258)	(27)	(2,075)	(2,360)
Net financial assets currency exposure	**66**	**212**	**387**	**10,083**	**10,748**

At 31 December 2015, if the USD, GBP, EUR and CHF had strengthened/ weakened by 5% (2014: 5%) against the SGD with all other variables including tax rate being held constant, the Branch's profit after tax for the financial year would have been $528,810 (2014: $418,437), $38,721 (2014: $16,082), $34,824 (2014: $8,794) and $2,308 (2014: $2,745) higher/lower as a result of currency translation gains/losses on the USD and EUR-denominated financial instruments respectively.

(ii) Credit risk

The Branch has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The Branch manages the level of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate exposures is material in relation to the Branch's total exposures. The Branch's portfolio of financial assets is diversified along geographic, industry and product sectors. The Branch has been monitoring its concentration risk by adopting appropriate risk control measures, such as setting limits on exposures to each individual counterparty. The Branch's investments in debt securities include counterparties having appropriate rating (minimum of investment grade) by Standard and Poor's ("S&P") rating or equivalent when not available from S&P. The cash deposits are also placed by the Branch with financial institutions having appropriate credit rating (minimum of investment grade) by S&P rating or equivalent when not available from S&P. The Branch also has policies in place to ensure that contracts are entered into via brokers with an appropriate credit history.

20. Insurance and financial risk management (continued)

(b) Financial risk factors (continued)

(ii) Credit risk (continued)

The Branch's premium debtors are mainly unrated. In order to manage the credit risk, the Branch has in place credit approval, review and monitoring processes and impairment assessment processes. The credit policies also lay down the actions to be taken to handle debts overdue for a certain period of time. There are also monthly management reports showing the aging analysis of balances overdue which are submitted for management review and discussion in the monthly management meeting.

Financial assets that are neither past due nor impaired

Financial assets that are neither past due nor impaired mainly comprise of:

- Deposits with financial institutions with appropriate credit rating by international credit rating agencies;
- Debt securities issued by the Government of Singapore, state-owned corporations and corporations with appropriate credit rating by international credit rating agencies; and
- Premium receivables from agents and brokers with good collection track records with the Branch.
- Reinsurance recoveries on paid claims with Connecticut General Reinsurance Company.

Financial assets that are past due and/or impaired

The following table summarises the carrying value of the Branch's trade receivables and ageing of those that are past due but partially impaired.

	Not due/ up to 3 months $'000	3 to 6 months $'000	6 to 12 months $'000	More than 12 months $'000	Total $'000
As at 31 December 2015					
Insurance receivables	6,993	921	9,779	55	17,748
As at 31 December 2014					
Insurance receivables	6,471	436	2,878	-	9,785

20. Insurance and financial risk management (continued)

(b) Financial risk factors (continued)

(ii) Credit risk (continued)

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

	2015 $'000	2014 $'000
Gross amount	18,743	10,106
Less: Allowance for impairment	(995)	(321)
	17,748	9,785

Allowance for impairment of receivables

	2015 $'000	2014 $'000
Beginning of financial year	321	228
Provision for impairment	674	93
End of financial year	995	321

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Branch manages its liquidity risk by maintaining sufficient cash and bank balances. The Branch also ensures that its assets are invested in varying maturities, which enables it to ensure appropriate matching with insurance liabilities.

20. Insurance and financial risk management (continued)

(b) Financial risk factors (continued)

(iii) Liquidity risk(continued)

The table below summarises the estimated maturity profile of the Branch's financial liabilities in respect of short-term insurance contracts based on expected undiscounted cash flows.

	12 months $'000	Total $'000
As at 31 December 2015		
Outstanding claims reserves (Note 14(a))	**9,622**	9,622
Insurance payables (Note 15)	**16,435**	16,435
Due to related companies (Note 16)	**2,968**	2,968
Other creditors (Note 17)	**1,514**	1,514
Total	**30,539**	30,539
As at 31 December 2014		
Outstanding claims reserves (Note 14(a))	**5,749**	5,749
Insurance payables (Note 15)	**8,521**	8,521
Due to related companies (Note 16)	**1,988**	1,988
Other creditors (Note 17)	**1,259**	1,259
Total	**17,517**	17,517

(iv) Price risk

Price risk is the risk that arises from uncertainties about future prices of financial instruments.

The market prices of financial assets held by the Branch are primarily dependent on prevailing market interest rates, as the Branch invests primarily in listed Singapore sovereign bonds. Hence, no separate price risk sensitivity analysis is prepared as it is covered as part of interest rate risk sensitivity analysis. It is also noted that all Singapore sovereign bonds purchased by the Branch are held to maturity at which point maket value will equal par value.

(v) Cash flow and fair value interest rate risks

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 value of a financial instrument will fluctuate due to changes in market interest rates. The Branch manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

20. Insurance and financial risk management (continued)

(b) Financial risk factors (continued)

(v) Cash flow and fair value interest rate risks (continued)

The income and operating cash flows are substantially independent of the changes in market interest rates as the Branch's investment policy is to only invest in fixed income securities.

An increase/decrease of 50 basis points (2014: 50 basis points) in the interest yield of investments in bonds classified as fair value through profit or loss, with all other variables including tax rate being held constant, would decrease / increase the market value of the investment and profit after tax by $489,000 (2014: $323,000).

(vi) Financial instruments by category

The aggregate carrying amount of financial assets and financial liabilities at amortised costs are as follows:

	2015 $'000	2014 $'000
Financial assets, at fair value through profit or loss (Note 10)	**28,941**	15,924
Cash and cash equivalents (Note 9)	**11,962**	6,136
Insurance receivables (Note 11)	**17,748**	9,785
Other receivables (Note 12)	**2,420**	1,347
Outstanding claims on reinsurance ceded (Note 14(a))	**4,811**	2,875
Reinsurance recoverable on paid claims (Note 14(a))	**-**	188
Total loans and receivables	**36,941**	20,331
Total financial assets	**65,882**	36,255

	2015 $'000	2014 $'000
Insurance payables	**16,435**	8,521
Due to related companies (Note 16)	**2,968**	1,988
Other creditors (Note 17)	**1,514**	1,259
Outstanding claims reserves (Note 14(a))	**9,622**	5,749
Total financial liabilities at amortised cost	**30,539**	17,517

20. Insurance and financial risk management (continued)

(c) Capital management

The Branch's objectives while managing capital are as follows:

- To comply with the capital requirements under the Insurance Act, Insurance (Valuation and Capital) Regulations 2004;
- To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns to its shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

An insurer carrying on general insurance business in Singapore is required to maintain the fund solvency margin and capital adequacy ratio as stipulated in the Insurance (Valuation and Capital) Regulations 2004. For each Insurance Fund, the insurer is required to maintain the financial resources at all times not less than the total risk requirement of the fund. The capital adequacy requirement of a registered insurer shall at all times be such that the financial resources of the insurer are not less than:

(i) The sum of:

- The aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act; and

- Where the insurer is incorporated in Singapore, the total risk requirement arising from the assets and liabilities of the insurer that do not belong to any insurance fund established and maintain under the Insurance Act;

(ii) Minimum amount of $5 million, whichever is higher.

The Branch defines capital as regulatory capital. Regulatory capital is the minimum amount of assets that must be held to meet statutory solvency requirements. The Branch monitors its capital position to ensure that the statutory solvency requirements are met at all times.

The Branch is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2015 and 2014.

20. Insurance and financial risk management (continued)

(d) Fair value measurements

The Branch discloses its fair value measurements by level under 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).

The fair value of financial instruments traded in active markets (financial assets held at fair value through profit and loss) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Branch is the current bid price.

The following table presents assets and liabilities measured at fair value and classified by level 1:

	2015 **$'000**	2014 $'000
Financial assets, at fair value through profit or loss	**28,941**	15,924

21. Immediate and ultimate holding corporations

The Branch is a segment of Cigna Europe Insurance Company S.A.-N.V., incorporated in Belgium. The immediate and ultimate holding corporations of Cigna Europe Insurance Company S.A.-N.V. are Cigna Europe Insurance Company S.A.- N.V. and Cigna Holdings Overseas Inc. respectively, incorporated in Belgium and Delaware, USA respectively.

22. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Branch and related parties during the financial year at terms agreed between the parties:

(a) Income and charges for services rendered

	2015 $'000	2014 $'000
Income		
Recharge of employee compensation to a fellow branch	**1,033**	**842**
Charges		
Outward reinsurance premiums	**29,153**	**14,902**
Management expenses paid to fellow subsidiaries	**6**	**245**
Management expenses paid to ultimate holding corporation	**-**	**1**

(b) Key management personnel compensation

The Branch does not compensate any of its key management personnel.

23. New or revised accounting standards and interpretations

The Branch has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Branch's accounting periods beginning on or after 1 January 2016. However, management anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the financial statements of the Branch in the period of their initial adoption.

24. Authorisation of financial statements

These financial statements were authorised for issue by the Branch's management on 17 June 2016.