ANNUAL REPORT
2014

PRUDENTIAL
Always Listening. Always Understanding.

CONTENTS

ALWAYS LISTENING
ALWAYS
UNDERSTANDING

ABOUT PRUDENTIAL ASSURANCE COMPANY SINGAPORE (PTE) LIMITED (PRUDENTIAL SINGAPORE)

ALWAYS LISTENING ALWAYS UNDERSTANDING

Prudential Singapore, an indirect wholly-owned subsidiary of UK-based Prudential plc, is one of the top life insurance companies in Singapore.

Prudential Singapore, an indirect wholly-owned subsidiary of UK-based Prudential plc, is one of the top life insurance companies in Singapore. We have been serving the financial and protection needs of Singaporeans for 84 years. Our focus is to bring well-rounded financial solutions to customers through our multi-channel distribution network, with product offerings in Protection, Savings and Investment. We are one of the market leaders in Protection, Savings and Investment-linked plans with over S$27.8 billion funds under management as at 31 December 2014. In 2014, we were awarded an AA Rating by leading credit rating agency Standard & Poor's.

For the last 11 consecutive years, we have been awarded the Gold Award in Reader's Digest Trusted Brands. Since 2007, we have been conferred the People Developer Award by SPRING Singapore for our efforts in training and developing employees and in 2013 and 2014, we were presented with Asia's Employer of the Year Brand Award by the Branding Institute and the World HRD Congress. Also in 2014, Prudential Singapore was awarded the NTUC Plaque of Commendation (Gold) Award and the Leading HR Practices in Quality Work-Life, Physical & Mental Well-Being Award.

A YEAR OF EXTRAORDINARY SUCCESSES

A YEAR OF EXTRAORDINARY SUCCESSES

It gives me great pleasure to share the strong performance that Prudential Singapore achieved in 2014: it was another record-breaking year with new business sales growing 5.4% to a record S$744 million and Regular Premium sales reaching S$603 million.

There are several factors for our success – the emphasis on innovation when developing products and services, our focus on staying relevant to our customers' evolving needs, our competence in building on areas of growth and our consistent pursuit of success.

Our comprehensive suite of products effectively caters to our customers' health, protection and investment needs. Our highly successful PRUshield product has been enhanced with a helpline called PRUhealthcare assist that is available at no additional cost to our PRUshield customers. Manned by a team of experienced medical professionals, this value-add service provides customers with pertinent information that can guide them in making good decisions about their medical and healthcare choices.

We stayed true to our aim of addressing the evolving needs of our customers and we continue to innovate with products and services that are accessible and relevant. With retirement needs becoming increasingly important, we launched PRUgolden income which is an endowment plan that caters to the retirement needs of Singaporeans by providing a regular stream of income while protecting against unforeseen circumstances.

The High Net Worth (HNW) segment remains an area of success and growth for us, with New Business Sales in 2014 that was 19.4% above 2013. We are proud of the comprehensive suite of Vantage plans that we have designed to specifically meet the needs of this segment of customers. HNW Protection products like PRUTerm Vantage and Crisis Care (PRUTerm Vantage), together with PRUselect Vantage products, led the growth. This year we introduced PRULife Vantage Achiever to offer high protection coverage so that customers' loved ones are assured of greater financial security. Global provider of investment consulting services, Mercer Investments, continues to provide us with their investment expertise which benefits our PRUVantage customers.

We continue to be market leaders in the Investment-Linked Insurance Product (ILP) segment and we launched PRUselect this year, a regular premium plan that allows the investor to have access to investing in a widely diversified portfolio of funds. In partnership with Mercer Consulting, PRUselect offers customers a range of 4 customised portfolios, based on different levels of return expectations, risk appetite and time horizon.

Our unique multi-channel distribution network continues to achieve success, with our Agency and our Partnerships Distribution channels delivering excellent performance again this year. Our agency force of almost 4000 financial consultants remains one of the largest and most productive in Singapore and we also continue to enjoy strong relationships with our strategic partners.

Corporate Social Responsibility remains at the heart of Prudential Singapore and this year, we continued our efforts in education, helping children, meeting the needs of the less fortunate and giving back to the local community. Our interactive programme, ChaChing Singapore School Tour was taken to children in community organisations this year. Art exhibition and awards programme, Prudential Eye Awards, was also brought to Singapore this year and as part of the programme, we presented the Prudential Singapore Young Artist Award to a talented local contemporary artist.

For the sixth consecutive year, we supported the Boys' Brigade Share-a-Gift programme. Aside from the company's cash sponsorship of the programme, our staff and financial consultants also participated by packing and delivering household hampers to the beneficiaries, and fulfilling the Christmas wishes of the less fortunate.

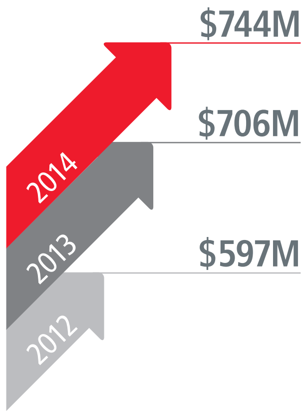
Prudential Singapore again supported sport through activities around golf, swimming and running. Prudential Causeway Trophy continued for the second year and in addition to the tournament this year, we held the Prudential Junior Causeway Trophy to give promising junior golfers the experience of a professional competition. Additionally, there were golf clinics to help junior golfers and the sponsorship of golf talent Quincy Quek. We also sponsored the Youth Golf Network which nurtures youths from all walks of life, in the sport.

To add to the excitement, we sponsored Prudential Singapore Swim Stars, a three-day swim festival which brought world-class swimming champions here for an exciting competition and conducted swim clinics for children. Finally, we continued to support the Standard Chartered Marathon Singapore which saw the participation of staff and members of our agency force.

I would like to take this opportunity to express my gratitude for your continued support. Prudential Singapore consistently strives for excellence and we remain committed to effectively providing for your protection, savings and investment needs. Thank you.

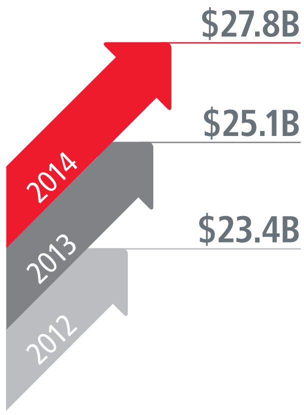
Tomas Urbanec
Chief Executive Officer

A LOOK BACK AT AN EXCEPTIONAL YEAR



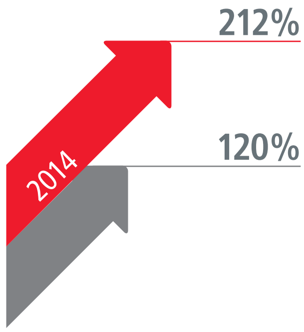
Annual Premium Equivalent New Business Premium[1]

+5%
Over 2013



Total Funds under Management

+11%
Over 2013



Capital Adequacy Ratio

>120%

Minimum Regulatory Requirement

[1] *Annual Premium Equivalents (APEs) are calculated as the aggregate of regular new business amounts and one-tenth of single new business amount. New business premiums for regular premium products are shown on an annualised basis.*

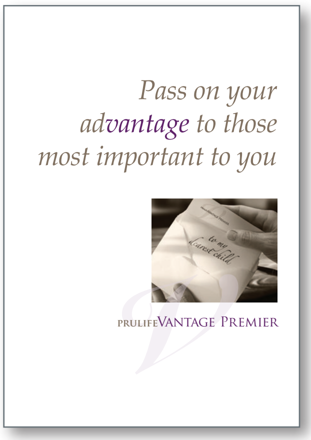
For the year 2014, Prudential Singapore continued to focus on staying relevant to customers' evolving needs and adequately meeting them with innovative products and services. The company kept its finger on the pulse of changing market trends and continued to develop exceptional financial planning services that stood out in a highly competitive environment. Throughout the year, we provided well rounded financial solutions to serve the protection, savings and investment needs of Singaporeans with a suite of products that cover healthcare, wealth accumulation and protection, and retirement funding.

Our multi-channel distribution network, with a productive tied agency force and strong Bancassurance partnerships, provides us with extensive reach to a variety of customers. The Agency Distribution (AD) division and bancassurance channel Partnerships Distribution (PD) delivered outstanding results in the year. AD met and exceeded their goals while our PD channel maintained healthy relationships with our partners. We remained at the forefront of the industry because we were able to effectively serve our customers with a combination of professionalism and a focus on customer excellence.

MEDICAL HELPLINE TO ENHANCE SERVICE

As rising medical costs become an increasing concern for Singaporeans, Prudential Singapore launched PRUhealthcare assist, a helpline service that provides our PRUshield (Prudential Singapore's Medisave-approved integrated medical insurance plan) customers with information that can help address questions on hospitalisation and medical conditions.

Available to all PRUshield customers at no additional cost to them, this value-add service helps customers to make informed choices about their medical needs and in turn helps them to manage their costs. Manned by a team of qualified and trained medical professionals, the exclusive service helps customers find the best solutions for their medical needs at a time when they need it most. By helping to ease the task of decision-making on medical matters, PRUhealthcare assist enables customers to concentrate on more pertinent issues such as treatment for the ailment.



INNOVATIVE AND RELEVANT PRODUCTS

With retirement becoming an increasing concern, the company launched PRUgolden income that effectively caters to the retirement needs of Singaporeans. The endowment plan is designed to provide customers with a regular stream of retirement income while providing coverage against unforeseen circumstances.

The High Net Worth segment remains a significant area of interest for Prudential Singapore and we continued to add to the suite of products to meet the needs of this segment. PRULife Vantage Achiever was launched to offer high protection coverage. This single premium whole-of-life plan is designed to help ensure that customers' love ones enjoy an advantaged lifestyle and to enable them to leave a legacy for their future generations.

The Investment-Linked Insurance Product (ILP) segment remains a core pillar to our business and with the introduction of PRUselect, we are able to provide investors the opportunity to gain access to a wide range of funds. In partnership with Mercer Consulting, PRUselect offers four customised portfolios comprising a variety of funds to allow customers greater ease in choosing a portfolio that caters to their risk appetite.

Promoting Art, Sports and Financial Literacy among Children

Giving back to the community remains a priority for Prudential Singapore and Corporate Social Responsibility values are embedded into our sponsorship activities. With each programme or event that we embark on, we endeavour to incorporate activities that encourage the development of holistic education.

For the sixth consecutive year, Prudential Singapore continued our active participation in the Boys' Brigade Share-A-Gift charity project. Staff and members of the agency force committed time and effort to the programme by helping to pack 3000 food hampers for the programme's beneficiaries, adopting 250 wishes of the Adopt-a-Wish programme and volunteering in the Car Flag Off and Delivery where around 100 cars and drivers helped to deliver food hampers of household items to beneficiaries' homes.

Financial literacy for children is a key pillar of our Corporate Social Responsibility efforts and this year, we continued our animated musical edutainment series Cha-Ching by taking it to children between the ages of seven and 12 at various community organisations with the objective of introducing money-smart values to them (Cha-Ching is developed by Prudence Foundation, the charitable arm of Prudential Corporation Asia, in partnership with Cartoon Network).

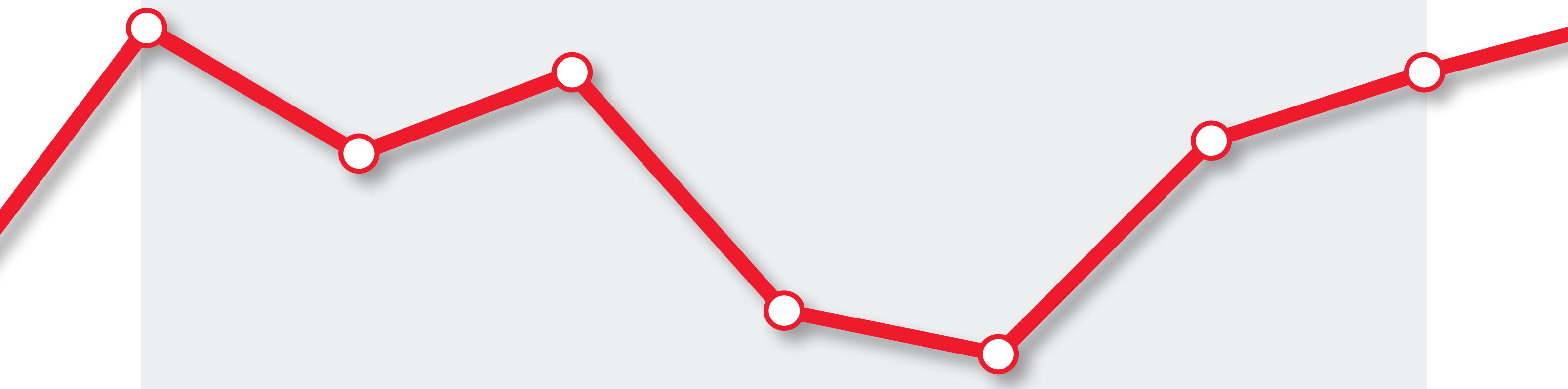
To foster greater appreciation of the arts in Singapore, we introduced Art exhibition and awards programme, Prudential Eye Awards here and presented the Prudential Singapore Young Artist Award to a talented local contemporary artist.

We also continued our support of sports development through golf, swimming and running. The Prudential Causeway Trophy took place for the second year and in addition to the tournament this year, there was also

the Prudential Junior Causeway Trophy which was organised to give some of Singapore and Malaysia's most promising junior golfers under the age of 16 the experience of playing in a professional competition. In addition, there were golf clinics to help junior golfers improve their game and the sponsorship of golf talent Quincy Quek for the second year. The company also sponsored the Youth Golf Network which helped to bring the sport to youths from all walks of life and to help them improve their game.

This year, the company sponsored Prudential Singapore Swim Stars, an exciting three-day swim festival that brought world-class swimming champions together for a spectacular display of athletic talent in Singapore. As part of the activities, swim clinics conducted by the swimming celebrities were also organised for children to help them improve their skills. Furthermore, Prudential Singapore also continued to support the Standard Chartered Marathon Singapore for the third year running and encouraged both staff and agency force members to participate in the event.

ILLUMINATING THE ROAD TO SUCCESS



BOARD OF DIRECTORS

Tony Wilkey
Chairman

Tomas Urbanec
Executive Director

Dr Tan Ng Chee
Non-Executive Director

Kevin Wong Kingcheung
Non-Executive Director

Sir Alan Stanley Collins KCVO CMG
Non-Executive Director

DIRECTORS' PROFILE

Tony Wilkey
Chairman

Tony Wilkey is Chief Executive, Insurance of Prudential Corporation Asia and was appointed Chairman of the Board of Directors of Prudential Singapore since March 2011. Tony has overall responsibility for Prudential's network of life insurance operations across 12 markets in Asia. Under Tony's leadership over the last nine years, Prudential's life insurance operations in Asia have grown to significant market leading positions. Prior to joining Prudential, Tony was Chief Operating Officer of American International Assurance (AIA), based in Hong Kong, overseeing AIA's life insurance companies in South East Asia.

Tomas Urbanec
Executive Director

Tomas Urbanec is an Executive Director of the Board and Chief Executive Officer of Prudential Singapore. Before joining Prudential Singapore, he distinguished himself as a Regional Director at Prudential Corporation Asia in 2008. Tomas brings with him both depth and breadth of experience, having been in the insurance industry for over 22 years, of which 16 years have been in Asia.

Prior to this, he was the Chief Marketing Officer at Prudential since 2009 and in August 2011, his remit was expanded to also include helming the Partnerships Distribution (PD) division. Under his leadership, he led PD to enjoy outstanding bancassurance growth with Prudential's multiple strategic partners.

Tomas holds an MBA in International Finance from Case Western Reserve University, USA and a Bachelor of Science in Finance from Indiana University, USA.

Dr Tan Ng Chee
Non-Executive Director

Dr Tan Ng Chee, a Non-Executive Director of Prudential Singapore since March 2009, is re-appointed as Director in March 2015. The Chairman of the Audit Committee, Dr Tan began his career in academia. In 1973, Dr Tan joined JP Morgan in New York. He joined Overseas Union Bank Limited in Singapore in 1989 as Executive Vice-President, and was appointed Chief Executive, and Chairman, of the International Bank of Singapore and OUB Bullion & Futures Ltd respectively. Dr Tan was the Alternate Chairman of the Association of Banks in Singapore from 1993 to 1995.

Currently, Dr Tan is the Chairman of the Board of Intraco Limited as well as a Director of Hotung Investment Holdings. He retired as an Adjunct Professor of Law at the National University of Singapore in July 2013.

Dr Tan holds a doctorate in law from the University of Oxford, England.

Kevin Wong Kingcheung
Non-Executive Director

Kevin Wong has been a Non-Executive Director of Prudential Singapore since July 2006. He is also a member of the Audit Committee of Prudential Singapore.

He was Group Chief Executive Officer of Keppel Land Limited from 2000 to 2012. He was also the Deputy Chairman and Director of K-REIT Asia Management Limited, the Deputy Chairman of Keppel Land China Limited and a Board Member of the Building and Construction Authority (BCA). He is currently the Deputy Chairman of BCA Academy Advisory Panel.

Other than Singapore, Kevin has extensive experience in the real estate industry, which includes the US and UK. Kevin holds a Bachelor's Degree in Civil Engineering with First Class Honours from Imperial College, London, and a Master's Degree from the Massachusetts Institute of Technology, USA.

Sir Alan Stanley Collins KCVO CMG
Non-Executive Director

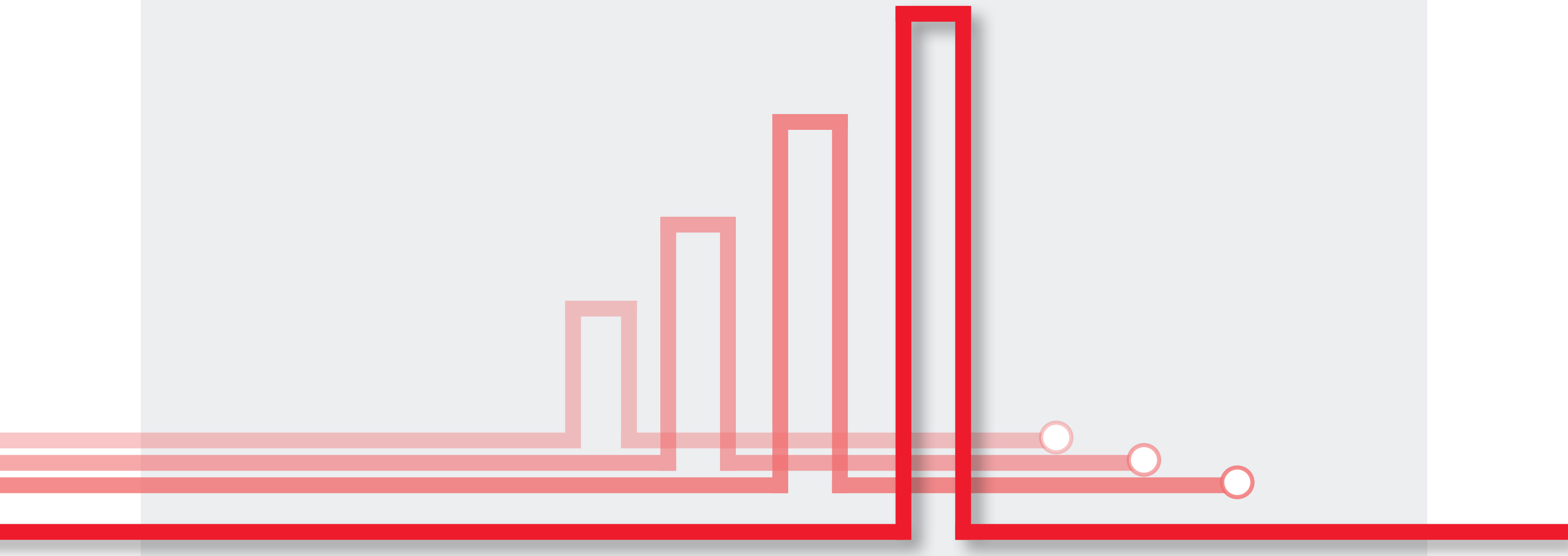
Sir Alan Collins has been a Non-Executive Director of Prudential Singapore since August 2012. He is also a member of the Audit Committee of Prudential Singapore.

Currently, Sir Alan serves as a Director on several companies, including JPMorgan American Investment Trust plc, ICICI Bank UK plc, Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited.

Sir Alan had a distinguished career in the diplomatic service holding a number of Ambassador and High Commissioner appointments representing Britain internationally, and was the British High Commissioner to Singapore from 2003 to 2007.

Sir Alan holds a Bachelor of Science (Econ) from the London School of Economics and Political Science.

WINNING TOGETHER AS ONE



MANAGEMENT EXECUTIVE COMMITTEE

Tomas Urbanec
Chief Executive Officer

Goh Geok Cheng
Chief Financial Officer

Theresa Nai
Chief Operating Officer

Jon Sandham
Chief Agency Officer

Gan Peck Yeow
Chief Human Resources Officer

Lionel King
Chief Risk Officer

David Ng
Chief Marketing Officer

Tomas Urbanec
Chief Executive Officer

Tomas Urbanec is an Executive Director of the Board and Chief Executive Officer of Prudential Singapore. Before joining Prudential Singapore, he distinguished himself as a Regional Director at Prudential Corporation Asia in 2008. Tomas brings with him both depth and breadth of experience, having been in the insurance industry for over 22 years, of which 16 years have been in Asia.

Prior to this, he was the Chief Marketing Officer at Prudential since 2009 and in August 2011, his remit was expanded to also include helming the Partnerships Distribution (PD) division. Under his leadership, he led PD to enjoy outstanding bancassurance growth with Prudential's multiple strategic partners.

Tomas holds an MBA in International Finance from Case Western Reserve University, USA and a Bachelor of Science in Finance from Indiana University, USA.

Goh Geok Cheng
Chief Financial Officer

Goh Geok Cheng is the Chief Financial Officer overseeing Actuarial, Investment, Finance, Strategic Planning and Corporate Governance. She is also the Company Secretary and recently, has been appointed to head Government Relations for the company.

Geok Cheng has more than 20 years of experience in the financial institution industry. She joined Prudential in 1997 to head the Finance Department. Her previous employers include DBS Securities Singapore and Ernst & Young.

She is a Fellow of the Chartered Association of Certified Accountants UK, as well as Fellow of the Institute of Singapore Chartered Accountants (ISCA). She is also a member of the ISCA CFO committee and a mentor for the F-TEN APAC, a business leadership programme developed for finance leaders by The Institute of Chartered Accountants in England and Wales.

Theresa Nai
Chief Operating Officer

Theresa Nai has been the Chief Operating Officer of Prudential Singapore since June 2009. Prior to joining the company, she was Vice-President and Deputy General Manager, as well as the Alternate Principal Officer of a major insurance player in Singapore.

At Prudential Singapore, Theresa is responsible for overseeing the Life Operations of the company, which covers Claims and New Business, as well as Customer Management, Technology, Legal, Procurement and Property Services.

Theresa holds a Bachelor of Science from the National University of Singapore.

Jon Sandham
Chief Agency Officer

Jon Sandham is Chief Agency Officer at Prudential Singapore. His remit includes the stewardship of the Agency Distribution Channel, Academy of Competence and Education, Group Business and Distribution Support Services Departments.

Jon rejoins Prudential Singapore in 2014 after two years in Indonesia where he was initially President Director (CEO) of AXA Financial with responsibility for the overall management of the Agency and the design and implementation of a revised growth strategy. In July 2012, Jon was appointed the President Director (CEO) of AXA Mandiri, Indonesia's largest bancassurance company.

Prior to this, Jon was the Chief Partnerships Distribution Officer at Prudential Singapore. He was responsible for driving distribution through strategic bank and post-assurance partners.

Jon has over 29 years of experience in direct sales, distribution and channel management in the UK and in bancassurance and tied advisor channels in Asia. Besides Indonesia and Singapore, his time in Asia includes driving the Partnerships Distribution business in Prudential Taiwan and Korea.

Gan Peck Yeow
Chief Human Resources Officer

As the Chief Human Resources Officer of Prudential, Peck Yeow is responsible for developing and driving human resources strategy which directly supports the achievement of business priorities and objectives in Singapore and the Malaysia BPO office. Prior to joining Prudential in 2011, Peck Yeow was with M1 Limited where she headed the Human Resources division as Director of Human Resources.

Peck Yeow sits on the Advisory Council of the World HRD Congress and was conferred the following awards in 2013 and 2014:

- HR Leadership Award 2014, Asia Pacific HRM Congress
- Leading HR Leader, The Singapore HR Awards 2014
- HR Leadership Award 2013, Global HR Excellence Awards

Peck Yeow holds a Bachelor of Arts (Honours) from the National University of Singapore and an MBA from the University of Warwick, United Kingdom. She also holds a postgraduate Diploma in Human Resources from the Singapore Institute of Management.

Lionel King
Chief Risk Officer

Lionel King joined Prudential Singapore as Chief Risk Officer in April 2012. He heads the Compliance and Enterprise Risk Management division of the company.

Prior to joining Prudential Singapore, he was the Chief Financial Officer for four years at Prudential Services Asia, Malaysia, followed by three years with the UK Financial Services Authority.

His previous experience includes working in Prudential's Group Head Office from 1991 to 1999. He moved to Prudential Singapore in 2000 and spent the next four years in various roles - Finance Director, Life Operations Director and Chief Operations Director.

Lionel is an Electrical Engineering graduate from the Imperial College and he is also a Chartered Accountant.

David Ng
Chief Marketing Officer

David is the Chief Marketing Officer, overseeing the Marketing Division for Product Development and Management, Customer Marketing and Engagement, Customer Value Management and Corporate Communications.

David joined Prudential Corporation Asia in 2003 as part of the Regional Insurance Management team. Prior to joining Prudential, David spent 12 years as a combat officer in the Singapore Armed Forces and was a recipient of the SAF Local Training Award.

David has an MBA from the Australian Graduate School of Management, Sydney as well as a Bachelor of Arts (Economics and Statistics) from the National University of Singapore. He has also attended the INSEAD Asian International Executive Program held in Singapore.

RESOLUTE
AND PERSISTENT
TO OUR VALUES

Prudential Singapore is committed to high standards of corporate governance in its business operations and dealings with all stakeholders, including policyholders. This report describes Prudential Singapore's approach to corporate governance.

BOARD'S CONDUCT OF AFFAIRS

Board Responsibility and Accountability

The Board oversees the affairs of Prudential Singapore, including providing oversight over the setting of the strategic goals of the company, ensuring that there are adequate resources available, establishing a framework of controls to assess and manage risks, and reviewing the business performance of the company.

Board Committees

Prudential Singapore is an indirect wholly-owned subsidiary of Prudential plc. On its behalf, the Board at Prudential Singapore performs the role of the Nominating, Remuneration and Risk Management Committees. In addition to these Committees, the Board has also established a separate Audit Committee, which has been constituted with a written terms of reference.

Board/Committee Meetings and Attendance

The Board meets at least four times a year to review business performance and key activities, as well as to approve policies. Ad-hoc Board meetings will be convened if warranted. Audit Committee meetings are also held four times a year and usually before the Board meetings. The table below lists the number of Board and Audit Committee meetings attended by each director throughout 2014.

BOARD/COMMITTEE MEETINGS AND ATTENDANCE	BOARD MEETINGS (INCLUDE 1 SPECIAL MEETING)	AUDIT COMMITTEE MEETINGS
Number of meetings held in 2014	5	4
Chairman Tony Wilkey	4	–
Chief Executive Officer Tomas Urbanec	5	–
Non-Executive Director Dr Tan Ng Chee (Note 1) Kevin Wong Kingcheung Sir Alan Stanley Collins	 5 3 5	 4 3 4

Note 1: Audit Committee Chairman. In addition, as Dr Tan Ng Chee is above 70 years of age, under Section 153 of the Companies Act and Article 97(d) of the Company's Articles of Association, he will be seeking shareholders' approval for re-appointment as a director at the 2015 AGM.

The Board has developed internal guidelines on matters which require the Board's approval, as well as matters for which the Board has to be informed on a regular basis. The types of material transactions that require Board approval include non-routine transactions that are not made in the ordinary course of business and/or any transactions exceeding pre-defined limits as approved by the Board.

BOARD COMPOSITION AND INDEPENDENCE

The Board conducts a review and determines the independence of its directors annually. In accordance with the Corporate Governance Regulations, an independent director in Prudential Singapore is one who is independent from management and business relationships with the Company, the substantial shareholders of the Company and has not served for more than nine years on the Board. The Board is required to have at least one-third of directors who are independent directors and at least a majority of directors who are independent from management and business relationships.

As at the date of this report, the Board comprises the Chairman, Mr Tony Wilkey, the Chief Executive Officer (CEO), Mr Tomas Urbanec, and three non-executive directors, namely, Dr Tan Ng Chee, Mr Kevin Wong Kingcheung and Sir Alan Stanley Collins. There are three independent directors, namely Sir Alan Stanley Collins, Dr Tan Ng Chee and Kevin Wong Kingcheung. Sir Alan Stanley Collins is also a non-executive director in two Prudential related companies. However, the Board considers him as independent of the substantial shareholder after conducting an objective assessment and being satisfied that there is no conflict of interest. Sir Alan's independence from the substantial shareholder is reviewed on an annual basis. The current composition of the Board satisfies the statutory requirement of having a majority of independent directors.

The directors possess a wide spectrum of competencies in finance, business/management, real estate and property development. The non-executive directors are constructively involved in discussing strategic proposals, as well as in reviewing the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance. The directors' profiles can be found in the Board of Directors section of this Annual Report.

CHAIRMAN AND CEO

The division of responsibilities between the Chairman and CEO has been approved by the Board and is set out in the Board Governance Policy and Guidelines.

Among his other responsibilities, the Chairman is tasked with the leadership and the governance of the Board as a whole. He approves the agenda of the Board, monitors the quality and timeliness of the flow of information to the Board, and promotes effective communication and constructive relationships between the Board and management.

With the assistance of members of the Management Executive Committee (Management ExCo), the CEO is responsible for the management of Prudential Singapore and the implementation of Prudential Singapore's strategies and plans, as well as oversight of the day-to-day operations of the company.

The Board has not appointed a lead independent director because the Chairman and the CEO are separate persons and Prudential Singapore is a wholly owned subsidiary of Prudential plc.

BOARD MEMBERSHIP

Role of the Nominating Committee

In performing the functions of the Nominating Committee, the Board identifies candidates and reviews nominations for appointment considering the candidate's merit, as well as his/her fulfilment of pre-defined criteria. The Board considers the re-appointment of directors every three years, and reasons for resignations of directors as well as the members of the Management ExCo. Directors who are above 70 years of age are also subject to annual re-appointment at the AGM.

On an annual basis, the Board determines whether each director remains qualified for office taking into account various factors such as the extent of independence, fit and proper status and experience. It is Prudential Singapore's policy not to set a one-size-fits-all policy on the number of directorships which may be held by each director. Directors may serve on a number of other Boards, provided that they are able to demonstrate satisfactory time commitment to their roles at Prudential Singapore.

Process for Appointment of New Directors

In appointing new directors, the Board evaluates the balance of skills, knowledge and experience of the Board and identifies the roles and capabilities required at any time, taking into account the environment in which Prudential Singapore operates.

Induction

Newly appointed directors are provided with induction/orientation programmes covering an overview of the company, its structure and principal activities.

All directors are also issued the Board Governance Policy and Guidelines, which covers internal policies and guidelines observed by the Board in its oversight activities.

Continuous Professional Development

Prudential Singapore has developed a continuous professional training programme which commences with a regular gap analysis on the required skill-sets based on the expected business operating environment of the year. Directors complete survey forms to provide an assessment of how effective the training programme is. Based on the 2014 survey results, the training programme provided to directors was effective in equipping them with relevant knowledge and skills to perform their roles effectively.

Throughout their period in office, directors are also regularly updated on Prudential Singapore's businesses and the regulatory and industry specific environment in which Prudential Singapore operates, as well as on their duties and obligations. These updates can be in the form of written reports to the Board, or presentations by internal staff or external professionals.

In addition to the regular schedule of meetings, the Board holds at least one "Away Day" on an annual basis to discuss the latest developments within the industry, including changes to regulations, corporate governance, accounting standards, risk management and control, where relevant.

BOARD PERFORMANCE

Board evaluations are conducted on an annual basis. This process comprises evaluations by each director on the Board's performance as a whole and its board committees, the contribution by the Chairman as well as self-evaluations of individual performance.

In carrying out their assessments, the Board considers key performance criteria which include qualitative measures such as the provision of oversight over the establishment of strategic directions, and the achievement of objectives where they have been set and approved by the Board.

ACCESS TO INFORMATION

All directors have direct access to the Company Secretary, who attends all Board meetings and prepares minutes of Board proceedings. Directors also have full access to members of the Management ExCo.

The Board has approved a procedure, as established in the Board Governance Policy and Guidelines, whereby directors have the right to seek independent professional advice, to enable the directors to fulfil their obligations.

REMUNERATION

Development of Policies

In performing the functions of a Remuneration Committee, the Board approves the remuneration framework for directors and members of the Management ExCo as developed by Prudential Singapore and the Regional Head Office in Hong Kong respectively. The Board also endorses the remuneration packages for independent directors and members of the Management ExCo.

Director/Management ExCo Remuneration

The independent directors are paid directors' fees which are reviewed regularly. Considerations such as the director's effort, time spent and responsibilities are taken into account during the review.

The remuneration policy for the members of the Management ExCo, including the CEO, is formulated to ensure that they are compensated in line with individual performance and performance of Prudential Singapore based on a balanced scorecard of key performance indicators (KPIs) which include both financial and strategic objectives. Members of the Management ExCo with control job functions such as risk management, compliance, etc., are also subject to these KPIs. Factors such as market competitiveness and industry benchmarks are taken into account.

The remuneration of members of the Management ExCo largely comprises fixed remuneration, i.e., their basic salary, variable remuneration, which is a performance-based variable bonus and closely linked to the performance of Prudential Singapore and the individual concerned, as well as long-term incentives which provide alignment to Prudential Group's value through making share awards to key individuals on a selected basis. The long-term incentive will vest after three years subject to continued employment. The remuneration of the CEO and members of the Management ExCo are reviewed by the Regional Head Office in Hong Kong and endorsed by the Board.

While the Regional Head Office takes into account the Implementation Standards[1] issued by the Financial Stability Board, its policies are intended for the broader audience of all Prudential entities across Asia. Consequently, there may be some differences between its policies and the Implementation Standards.

DISCLOSURE ON REMUNERATION

After careful consideration, Prudential Singapore has decided not to disclose information on the remuneration of directors and the members of the Management Exco. We are of the view that the disadvantages to Prudential Singapore's business interests would far outweigh the benefits of such disclosure, in view of the disparities in remuneration in the industry and the competitive pressures which are likely to result from such disclosure.

ACCOUNTABILITY

As a private limited company, Prudential Singapore is accountable to its Regional Head Office and Group Head Office, and provides updates and reports on a regular basis. Financial updates on the performance, position and prospects are also provided to the Board on a quarterly basis, as well as on any significant events which have occurred or affected the company during the year.

RISK MANAGEMENT AND INTERNAL CONTROLS

Overall, the Board is satisfied that the internal control and risk management systems are adequate and effective, having considered factors such as the truth and fairness of the financial statements prepared by management, the internal auditors' independent assessment of the internal control, risk management practices and management letter points highlighted by the external auditors. The Board has received assurance from the CEO and the CFO that Prudential Singapore's risk management and internal control systems are effective, the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances.

RISK MANAGEMENT

Principles and Objectives

Risk is defined as the uncertainty that Prudential Singapore faces in successfully implementing its strategies and objectives. This includes all internal or external events, acts or omissions that have the potential to threaten the success and survival of Prudential Singapore.

The control procedures and systems established within Prudential Singapore are designed to manage rather than eliminate the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss and focus on aligning the levels of risk-taking with the achievement of business objectives.

[1] *Please refer to the FSB Principles for sound compensation: Practices Implementation Standards*

Material risks will only be retained where this is consistent with Prudential Singapore's risk appetite framework and its philosophy towards risk-taking. Prudential Singapore's current approach is to retain such risks where doing so contributes to value creation and Prudential Singapore is able to withstand the impact of an adverse outcome, and has the necessary capabilities, expertise, processes and controls to appropriately manage the risk.

Routine internal reporting by the business meets the standards set by the Group Risk function. Risks inherent in the business operations are reviewed as part of the annual preparation of the business plan. Clear escalation criteria and processes are in place for the timely reporting of risks and incidents by the business to the risk management and compliance functions and, where appropriate, the Board and regulators.

Prudential Singapore's risk governance framework requires that the business establish processes for identifying, evaluating and managing the key risks faced by Prudential Singapore. The framework is based on the concept of 'three lines of defence' comprising risk taking and management, risk control and oversight and independent assurance.

Primary responsibility for strategy, performance management and risk control lies with the Board, which has established the Risk Committee to assist in providing leadership, direction and oversight in respect of Prudential Singapore's significant risks.

Risk and Capital Management

As a provider of financial services, including insurance, the management of risk lies at the heart of Prudential Singapore's business. As a result, effective risk management capabilities represent a key source of competitive advantage for Prudential Singapore.

Prudential Singapore's risk framework includes its appetite for risk exposures as well as its approach to risk management. Under this approach, Prudential Singapore continuously assesses its top risks and monitor its risk profile against approved limits. Prudential Singapore's main strategies for managing and mitigating risk include asset liability management, and implementing reinsurance programmes.

A. Risk Appetite

Prudential Singapore defines and monitors aggregate risk limits based on financial and non-financial stresses for its earnings volatility, liquidity and capital requirements.

Earnings volatility: the objectives of the limits are to ensure that:

a. the volatility of earnings is consistent with the expectations of stakeholders,
b. earnings are managed properly.

The two measures used to monitor the volatility of earnings are European Embedded Value (EEV) operating profit and International Financial Reporting Standards (IFRS) operating profit, although EEV and IFRS total profits are also considered.

Liquidity: the objective is to ensure that Prudential Singapore is able to generate sufficient cash resources to meet financial obligations as they fall due in business as usual and stressed scenarios.

Capital requirements: the limits aim to ensure that supervisory intervention is avoided. The measure used is the Capital Adequacy Ratio (CAR) under Singapore Risk Based Capital (RBC) requirements.

B. Risk Exposures

Risks are categorised as shown below:

Category	Risk type	Definition
Financial risks	Insurance risk	• The risk of loss for the business or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of a number of insurance risk drivers. This includes adverse mortality, longevity, morbidity, persistency and expense experience.
	Market risk	• The risk of loss for the business, or of adverse change in the financial situation, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities.
	Liquidity risk	• The risk of Prudential Singapore being unable to generate sufficient cash resources or raise finance to meet financial obligations as they fall due in business as usual and stress scenarios.
	Credit risk	• The risk of loss for the business or of adverse change in the financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).
Non-financial risks	Operational risk	• The risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.
	Business environment risk	• Exposure to forces in the external environment that could significantly change the fundamentals that drive Prudential Singapore's overall strategy.
	Strategic risk	• Ineffective, inefficient or inadequate senior management processes for the development and implementation of business strategy in relation to the business environment and Prudential Singapore's capabilities.

The key financial and non-financial risks and uncertainties faced by Prudential Singapore, that have been considered by the Risk Committee during the year and Prudential Singapore's approaches to managing the financial risks, are described in note 4 of the Financial Statements.

Risk Committee

In performing the role of the Board Risk Management Committee, the Board oversees the Risk Committee comprising members of the Management ExCo and a few members of senior management to ensure that there is an adequate risk management system to identify, measure, monitor, control and report risks.

The principal responsibilities of the Risk Committee are to:

- review Prudential Singapore's enterprise risk management framework, as well as the risk appetite and risk policies, including the parameters used and methodologies and processes adopted for identifying and assessing risks;
- review the material and emerging risk exposures of Prudential Singapore, including market, credit, insurance, operational, liquidity and economic and regulatory capital risks as well as regulatory and compliance matters;
- to highlight to the Board significant matters arising out of the Risk Committee's review of Prudential Singapore's risks, including any breaches of risk appetite, indications that material risks may potentially crystallize, and significant modifications to risk mitigation strategies, controls and action plans.

The Risk Committee ensures that the risk management function has adequate resources and is staffed by experienced and qualified employees. The Risk Committee reports directly to the Board. The risk management function is led by the Chief Risk Officer who also reports regularly to the Risk Committee and the Board.

During 2014, the Risk Committee met at least 4 times and approved components of the enterprise risk management framework, including PACS' Own Risk and Solvency Assessment ("ORSA") Report, updates on the risk appetite and tolerance limits, and recommended improvements on key risk reporting to the Board.

Internal Controls

Prudential Singapore has established a sound system of internal controls to safeguard its investments and assets. A review of the effectiveness of controls is carried out by auditors from GwIA Asia, with recommendations provided to the AC. In turn, the AC provides oversight over processes developed to address these recommendations in a timely manner.

The AC believes that the system of internal controls (which covers financial, operational, compliance and information technology controls) and risk management systems provide adequate assurance against material financial, operational and compliance risks for this financial year.

AUDIT COMMITTEE

As of 31 December 2014, the Audit Committee (AC) comprised Dr Tan Ng Chee (Chairman), Mr Kevin Wong Kingcheung and Sir Alan Stanley Collins who are all non-executive directors. All the AC members have significant financial management expertise and experience.

The AC provides oversight over financial reporting and internal controls, and reviews the scope and results of audits. In addition, the AC is tasked with reviewing material related party transactions and informing the Board of such transactions.

In consultation with the AC at its Regional Head Office, Prudential Singapore's AC also makes recommendations to the Board on the appointment, re-appointment, terms of engagement and remuneration of the external auditor. It also reviews the independence of external auditors.

The aggregate amount of fees, including those relating to non-audit services, paid to the external auditors for 2014 was not significant. The AC has reviewed the volume and nature of non-audit services provided by the external auditors during the year and is satisfied that their independence and objectivity have not been impaired by the provision of those services.

On an annual basis, the AC meets with the internal and external auditors without the presence of the Management ExCo.

For matters which the AC has decided should be brought to the attention of the AC at the Regional Head Office in Hong Kong, a procedure has been set in place where the Chairman of the AC will inform the Regional Audit Director of Group-wide Internal Audit Asia (GwIA Asia) within 10 days of the date of the AC. For more information on GwIA Asia, see section on Internal Audit.

The AC at the Regional Head Office has instituted an independent confidential helpline across all of Prudential's Asian entities to support the company's whistle-blowing policy. Employees of these companies may, in confidence, raise concerns about possible improprieties, whether in financial reporting or other matters. The AC of Prudential Singapore provides oversight over arrangements for the independent investigation of such matters and for appropriate follow-up action.

INTERNAL AUDIT

The internal audit function, Group-wide Internal Audit (GwIA), is a group-wide function reporting to the Group Head Office in London. In turn, the Regional Audit Director of GwIA Asia is directly responsible for the internal audit of Prudential entities throughout the whole Asian region.

The scope and role of GwIA Asia's activities encompass the examination and evaluation of the adequacy and effectiveness of the Prudential Group's system of internal controls and the quality of performance in carrying out assigned responsibilities. This includes performing an independent assessment of the risk and the adequacy of controls to ensure that the control environments are operating in a manner that commensurates with the risk appetite of the organisation.

It also includes making objective and appropriate recommendations to improve the organisation's control environment and to assist the business in achieving its strategies. GwIA Asia has unfettered access to the AC, Board and senior management of all Prudential entities, including Prudential Singapore as well as the right to seek information and explanations.

In carrying out its audits, GwIA Asia is compliant with Group Audit Standards, which adheres to the Institute of Internal Auditors' (IIA) requirements as set out in the IIA's "Code of Ethics" and "International Standards for the Professional Practice of Internal Auditing". GwIA Asia will conduct itself in accordance with standards, policies and practices as set out in the GwIA Procedures Manual, and will carry out its audit work in accordance with the GwIA Methodology.

GwIA Asia provides its services through Regional Teams located across the region, whose structure reflects its independence through direct reporting lines within GwIA, and, where required by local regulations, to the AC of the local unit, including Prudential Singapore.

Being a group-wide function, the appointment, remuneration, resignation or dismissal of the Regional Audit Director of GwIA Asia is made by the AC at the Regional Head Office in Hong Kong. On an annual basis, GwIA Asia will prepare and present audit plans to the Group and Regional Head Office Audit Committees, as well as the AC of various Prudential entities, including Prudential Singapore, for approval.

SHAREHOLDER COMMUNICATION

As a private limited company, Prudential Singapore has a limited number of shareholders. Nonetheless, Prudential Singapore continues to place great significance on regular and effective communication with all its stakeholders, including policyholders.

The Annual Report, which contains the financial statements of the company, is available on our corporate website.

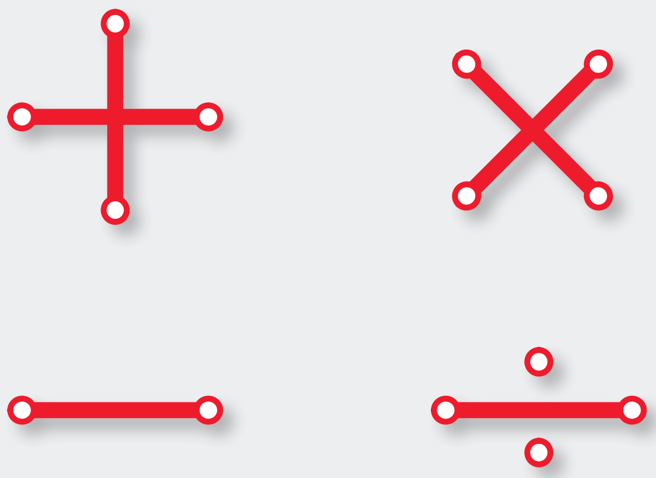
BOARD EXECUTIVE COMMITTEE

Between its regular meetings, the Board continues to exercise its oversight of Prudential Singapore via electronic mail, a directors' online secured portal, as well as regular teleconversations with the CEO and members of the Management ExCo. Given the ease with which the Board can be contacted for decisions on significant matters, as well as the regularity with which the Board is engaged in between meetings, a separate Board Executive Committee is not required.

RELATED PARTY TRANSACTIONS

Policies on related party transactions are established at the Regional Head Office level for all Prudential entities operating in Asia. Material transactions are disclosed in the Section on Financial Statements in this Annual Report.

SUMMING IT UP



We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2014.

Directors

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

Tony Paul Wilkey
Tomas Urbanec
Dr Tan Ng Chee
Kevin Wong Kingcheung
Sir Alan Stanley Collins

Directors' interests

The Company has obtained approval from the Accounting and Corporate Regulatory Authority for relief from the requirements of section 201(6)(g) of the Singapore Companies Act, Cap. 50. Under the relief, the Company is exempted from disclosure of directors' interest in the shares and debentures of the Company and its related corporations.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in Notes 28 and 30 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

During the financial year, there were:

(a) no options granted by the Company to any person to take up unissued shares in the Company; and

(b) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Auditors

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

On behalf of the Board of Directors

Tomas Urbanec
Director

Tony Paul Wilkey
Director

16 March 2015

In our opinion:

(a) the financial statements set out on pages 36 to 90 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on 16 March 2015, authorised these financial statements for issue.

On behalf of the Board of Directors

Tomas Urbanec
Director

Tony Paul Wilkey
Director

16 March 2015

Report on the financial statements

We have audited the accompanying financial statements of Prudential Assurance Company Singapore (Pte) Limited (the Company), which comprise the balance sheet as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 90.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that gives a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit or loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that gives 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 are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
16 March 2015

Balance Sheet

As at 31 December 2014

	Note	31 Dec 2014 $'000	31 Dec 2013 Restated* $'000	1 Jan 2013 Restated* $'000
Assets				
Property and equipment	5	53,689	52,959	37,374
Intangible assets	6	330,585	342,674	354,850
Investments and loans				
- Equity securities	7	4,428,016	3,737,759	3,621,682
- Debt securities	7	6,303,524	7,805,238	7,496,843
- Collective investment schemes	7	16,383,752	12,442,446	11,328,694
- Derivative financial instruments	7	27,944	38,761	192,147
- Loans and receivables	7	526,458	523,278	501,798
Reinsurer's share of insurance contract liabilities	8	33,060	93,701	93,106
Insurance and other receivables	9	353,354	205,246	140,374
Cash and cash equivalents	10	600,758	983,516	909,660
Total assets		29,041,140	26,225,578	24,676,528
Liabilities				
Gross insurance contract liabilities	11	24,772,047	22,469,890	20,802,820
Investment contracts with discretionary participating features	11	191,203	291,388	500,759
Insurance and other payables	12	1,638,586	1,413,541	1,365,989
Derivative financial instruments	13	263,951	94,244	35,944
Provision for tax		73,493	43,105	76,454
Deferred tax liabilities	14	945,761	840,145	763,254
Total liabilities		27,885,041	25,152,313	23,545,220
Net assets		1,156,099	1,073,265	1,131,308
Equity				
Share capital	15	526,557	526,557	526,557
Reserves	16	12,984	9,074	3,787
Accumulated surplus	17	616,558	537,634	600,964
Total equity		1,156,099	1,073,265	1,131,308

* See Note 2(b)(ii)

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

	Note	2014 $'000	2013 $'000
Insurance premiums	19	4,514,515	3,865,774
Reinsurance premiums	19	(95,366)	(105,172)
Net insurance premiums	19	4,419,149	3,760,602
Fees and commission income	20	13,729	14,632
Investment income	21	1,931,551	762,842
Other operating income		3,290	569
Net income before claims, benefits and expenses		6,367,719	4,538,645
Gross claims, maturity and surrender benefits		(2,897,932)	(2,041,879)
Increase in insurance contracts (including investment contracts with discretionary participating features) liabilities during the year		(2,238,318)	(1,440,090)
Reinsurer's share of claims and benefits incurred		137,794	51,584
Net claims and benefits incurred	22	(4,998,456)	(3,430,385)
Commission and distribution costs	23	(578,535)	(523,073)
Staff costs	24	(89,960)	(88,927)
Depreciation of property and equipment	5	(11,074)	(8,771)
Other operating expenses	25	(189,600)	(175,874)
Claims, benefits and expenses		(5,867,625)	(4,227,030)
Profit before tax		500,094	311,615
Taxation expense	26	(177,170)	(124,945)
Profit for the year	27	322,924	186,670
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold property	5	3,719	4,876
Total other comprehensive income		3,719	4,876
Total comprehensive income for the year		326,643	191,546

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

	Note	Share capital $'000	Capital contribution reserve $'000	Re-valuation reserve $'000	Accumulated surplus $'000	Total $'000
At 1 January 2013		526,557	138	3,649	600,964	1,131,308
Total comprehensive income for the year						
Profit for the year		–	–	–	186,670	186,670
Other comprehensive income						
Gain on revaluation of leasehold property	5	–	–	4,876	–	4,876
Total comprehensive income for the year		–	–	4,876	186,670	191,546
Transaction with owners, recorded directly in equity						
Value of employee services received for issue of options		–	411	–	–	411
Dividends to equity holders	17	–	–	–	(250,000)	(250,000)
Total transactions with owners		–	411	–	(250,000)	(249,589)
At 31 December 2013		526,557	549	8,525	537,634	1,073,265
At 1 January 2014		526,557	549	8,525	537,634	1,073,265
Total comprehensive income for the year						
Profit for the year		–	–	–	322,924	322,924
Other comprehensive income						
Gain on revaluation of leasehold property	5	–	–	3,719	–	3,719
Total comprehensive income for the year		–	–	3,719	322,924	326,643
Transaction with owners, recorded directly in equity						
Value of employee services received for issue of options		–	191	–	–	191
Dividends to equity holders	17	–	–	–	(244,000)	(244,000)
Total transactions with owners		–	191	–	(244,000)	(243,809)
At 31 December 2014		526,557	740	12,244	616,558	1,156,099

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

	Note	2014 $'000	2013 Restated* $'000
Cash flows from operating activities			
Profit before tax		500,094	311,615
Adjustments for:			
Amortisation of club membership		31	29
Amortisation of intangible assets	6	21,951	12,176
Depreciation of property and equipment	5	11,074	8,771
Equity settled share-based compensation expense	28	210	411
Gain on disposal of property and equipment		(48)	–
Interest, rental and other investment income		(465,917)	(467,135)
Net realised gains and fair value changes on financial assets at fair value through profit or loss	21	(1,469,274)	(299,739)
		(1,401,879)	(433,872)
Changes in operating assets and liabilities:			
Loans and receivables and insurance and other receivables		(166,747)	(80,737)
Reinsurer's share of insurance contract liabilities	8	60,641	(595)
Gross insurance contract liabilities		2,302,157	1,667,070
Investment contract liabilities		(100,185)	(209,371)
Insurance and other payables		225,045	52,345
Cash generated from operations		919,032	994,840
Income taxes paid		(41,236)	(81,968)
Net cash from operating activities		877,796	912,872
Cash flows from investing activities			
Dividends received		205,463	188,250
Interest received		277,535	271,299
Purchase of corporate loan		(1,800)	–
Proceeds from sale of investments		10,132,726	9,890,608
Proceeds from sale of property and equipment		700	–
Payment for intangible asset	6	(9,862)	–
Purchase of investments		(11,613,928)	(10,920,981)
Purchase of property and equipment	5	(8,737)	(19,480)
Rental received		1,349	1,288
Net cash used in investing activities		(1,016,554)	(589,016)
Cash flows from financing activity			
Dividends paid	17	(244,000)	(250,000)
Net cash used in financing activity		(244,000)	(250,000)
Net (decrease)/increase in cash and cash equivalents		(382,758)	73,856
Cash and cash equivalents at beginning of the year		983,516	909,660
Cash and cash equivalents at end of the year	10	600,758	983,516

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 March 2015.

1. Domicile and activities

Prudential Assurance Company Singapore (Pte) Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at 30 Cecil Street, #30-01 Prudential Tower, Singapore 049712.

The principal activities of the Company consist of transacting life insurance business including linked and accident and health business.

The Company's immediate holding company is Prudential Singapore Holdings Pte Limited, which is incorporated in the Republic of Singapore. The Company's intermediate and ultimate holding companies are Prudential Corporation Holdings Limited and Prudential Public Limited Company respectively. Both are incorporated in England and Wales.

2. Summary of significant accounting policies

(a) Statement of compliance

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

(b) Basis of preparation

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

The financial statements are prepared on the historical cost basis except for the following assets and liabilities which are stated at fair value: leasehold property and certain financial instruments designated at fair value through profit or loss.

The assets and liabilities of the Company which relate to the insurance business carried on in Singapore are subject to the requirements of the Insurance Act, Chapter 142 (the Insurance Act). Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 of the Insurance Act and the Company continues to be able to meet the solvency requirement of Section 18 of the Insurance Act.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Company invests in a number of collective investment schemes of which it holds more than 50% of the units. These investments are measured in the Company's balance sheet at fair value. In accordance with FRS 27 (revised) – Consolidated and Separate Financial Statements and Section 201 (3BA) of the Companies Act, the Company need not prepare consolidated financial statements as it is a wholly-owned subsidiary of Prudential Public Limited Company, which prepares consolidated financial statements. The financial statements of Prudential Public Limited Company are available at its registered office, Laurence Pountney Hill, London, EC4R 0HH, United Kingdom.

Changes in accounting policies

(i) Disclosures of recoverable amount for non-financial assets

From 1 January 2014, as a result of the Amendments to FRS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets, the Company has expanded its disclosures of recoverable amounts when they are based on fair value less costs of disposals and an impairment is recognised. No impairment on intangible assets was recognised in FY2014.

(ii) Offsetting of financial assets and liabilities

Under the Amendments to FRS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of a default, insolvency or bankruptcy of the entity and all counterparties.

Previously, the Company had offset receivables and payables due from/to the same broker. From 1 January 2014, as a result of the amendments, the Company has presented in the respective receivables and payables on a gross basis as the right to set-off is not enforceable in the event of bankruptcy of the broker.

The amendments were applied retrospectively. It increased the Company's insurance and other receivables and insurance and other payables by $17,194,000 as at 31 December 2014 (2013: $14,952,000).

The following table summarises the material impacts of the above changes on the Company's balance sheet. The changes in accounting policies had no impact to profit or loss, other comprehensive income and cash flows.

	As previously reported $'000	Impact of change in accounting policy $'000	As restated $'000
Balance sheet			
Year ended 31 December 2013			
Insurance and other receivables	190,294	14,952	205,246
Insurance and other payables	(1,398,589)	(14,952)	(1,413,541)

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

(c) Business combination

Acquisitions from entities under common control

Business combinations arising from transfers of business from entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Company controlling shareholder's consolidated financial statements, except for acquired value in-force business, distribution fee and goodwill. The acquired value in-force business was adjusted subsequently to take into consideration refinements to the estimates and assumptions used in the calculation. The distribution fee was also separately recognised from goodwill. Goodwill was restated to take into consideration these changes.

Income and expenses of acquired interest are included in profit or loss from the date that common control was established.

(d) Insurance contracts – classification

The Company issues life insurance contracts that transfer insurance risk. These are classified as insurance contracts and investment contracts with discretionary participating features ("DPF").

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Contracts with DPF that transfer insurance risk, but not significant insurance risk are termed investment contracts. The accounting basis and disclosure is consistent with those for life insurance par contracts.

Disclosures on the various life insurance contracts are classified into the principal components as follows:

- Life insurance par contracts (including investment contracts with DPF)
- Life insurance non-par contracts
- Investment-linked contracts

The Company does not unbundle any insurance contracts as its accounting policy recognises all insurance premiums, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the statement of comprehensive income.

(i) Life insurance par contracts (including investment contracts with DPF)

Insurance and investment contracts that contain DPF are classified as participating policies. The DPF feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:
  (a) the performance of a specified pool of contracts or a specified type of contract;
  (b) realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
  (c) the profit or loss of the Company or fund that issues the contract

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to policyholders.

The DPF is classified as a liability in the Company's balance sheet and as part of claims and benefits incurred in the statement of comprehensive income, as it does not recognise the guaranteed element separately.

(ii) Life insurance non-par contracts

These are contracts that are predominantly protection based. In addition, the Company also has annuity and universal life contracts.

For protection based contracts, the Company usually guarantees a fixed level of benefit that is payable upon a claim event (e.g. death, disability, critical illness). In return, the policyholders will pay contractual premiums that may be guaranteed over the term of the contract.

For annuity contracts, the Company provides a stream of income on a regular basis to the policyholders as long as they are alive.

For universal life contracts, the Company provides financial protection against death and terminal illness. Unlike other non-participating policies, the policy values are based on an accumulated value in which interest is credited to and charges are deducted from it. The interest credited to this account is determined by the Company based on the portfolio investment returns, which is subject to a minimum crediting rate.

(iii) Investment-linked contracts

These are contracts that transfer only insurance risk from policyholders to the Company. Policyholders of such contracts use their premium to purchase units of available investment funds. The amount of benefits is directly linked to the performance of these investment funds. In addition, units are deducted from the unit-linked account balances for mortality and morbidity, asset management and policy administration. The investment returns derived from the variety of investment funds as elected by the policyholder accrue directly to the policyholder.

(e) Insurance contracts – recognition and measurement

(i) Premiums and commission

Premiums from policyholders are recognised on their respective due dates. Premiums not received on the due date are recognised as revenue with the corresponding outstanding premiums recognised in the balance sheet. The commission expense arising from these outstanding premiums is accrued in the same reporting period.

Premiums due after but received before the end of the financial year are recorded as advance premiums and are recognised as liabilities in the balance sheet.

The Company does not adopt the policy of deferring acquisition costs for its insurance contracts.

(ii) Claims and benefits incurred

Claims include maturities, annuities, surrenders, deaths and other claim events. Maturity claims are recorded on the policy maturity date. Annuity claims are recorded when the annuity becomes due for payment. Surrenders are recorded when paid, death claims and payments on other claim events are recorded when notified.

Benefits are recorded as an expense when they are incurred.

(iii) Insurance contract liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is measured using assumptions considered to be appropriate for the policies in force. The actuarial valuation basis is determined by the Appointed Actuary and complies with the Insurance Act, Cap. 142 and Insurance (Valuation and Capital) Regulations and guidance notes issued by the Singapore Actuarial Society ("SAS") "GN L01" and "GN L02".

Additional provision is made in the valuation assumptions to allow for any adverse deviation from the best estimate experience. Provision for adverse deviation ("PAD") is reviewed annually by the Appointed Actuary to assess its appropriateness and sufficiency.

Insurance contract liabilities – life insurance par contracts (including investment contracts with DPF)

For policies within the life participating fund, the insurance contract liabilities and investment contracts with DPF are calculated as the higher of the following:

(a) the sum of the liability calculated as the discounted value of expected future payments arising from the policy, including any expected expenses to be incurred and any provision for any adverse deviation from the expected experience, less expected future receipts arising in respect of each policy of the life participating fund, including the allowance for expected payments arising from non-guaranteed benefits, using best estimate assumptions and discounting the future cash flows at the best estimate investment returns;

(b) the minimum condition liability of the life participating fund as defined under the Insurance (Valuation and Capital) Regulations; or

(c) the value of policy assets of the life participating fund.

Insurance contract liabilities – life insurance non-par

In respect of policies within the non-participating fund which are not universal life, the Company values the insurance contract liabilities as the discounted value of expected future payments arising from the policy, including any expected expenses to be incurred and any provision for any adverse deviation from the expected experience, less expected future receipts arising, using best estimate assumptions and discounting the future cash flows at interest rates determined in accordance to Monetary Authority of Singapore ("MAS") Notice 319 ("risk-free rate").

For universal life policies, the insurance contract liabilities are calculated as the higher of the following on an individual policy basis:

(a) the value obtained by projecting the liabilities under the policy at the minimum guaranteed crediting rate and discounting at the risk-free rate;

(b) the value obtained by projecting the liabilities under the policy at the current crediting rate and discounting at the best estimate investment return; or

(c) surrender value.

Insurance contract liabilities – Investment-linked contracts

The Company values its investment-linked liabilities as the sum of the following:

(a) the unit reserves, calculated as the value of the underlying assets backing the units relating to the policy; and

(b) the non-unit reserves, calculated as the value of expected future payments arising from the policy (other than those relating to the unit reserves), including any expense that the insurer expects to incur in administering the policies and settling the relevant claims and any provision made for any adverse deviation from the expected experience, less expected future receipts arising from the policy (other than those relating to the unit reserves), using best estimate assumptions and discounting the future cash flows at the risk-free rate.

(f) Insurance contracts – embedded derivatives

The Company does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Company are not separated and measured at fair value.

(g) Insurance contracts – reinsurance

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

An asset or liability is recognised in the balance sheet representing premiums due to or payments due from reinsurers and the share of benefits and claims recoverable from reinsurers. The net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

(h) Insurance contracts – liability adequacy test

At each reporting date, liability adequacy tests are performed on each insurance fund to assess the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of discounted contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Where a shortfall is identified, additional provision is made and the deficiency is charged to profit or loss in the statement of comprehensive income.

(i) Investment contracts with DPF

Contracts that transfer insignificant insurance risk are classified as investment contracts. These investment contracts contain DPF and the accounting basis and disclosure of these contracts are consistent with those of insurance contracts.

(j) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange approximate to those ruling at the reporting date. Transactions in foreign currencies are translated at rates ruling on transaction dates. Foreign currency differences arising on retranslation are recognised in profit or loss in the statement of comprehensive income.

(k) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses except for leasehold property, which are stated at their revalued amounts. The revalued amount, which represents the fair value, is determined on the basis of open market value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of this asset does not differ materially from that determined using fair values at the reporting date.

Any increase in the revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value recognised in profit or loss in the statement of comprehensive income. A decrease in value is recognised in profit or loss in the statement of comprehensive income where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation surplus is recognised in profit or loss in the statement of comprehensive income.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided on a straight-line basis so as to write off items of property and equipment over their estimated useful lives and the annual rates used for this purpose are as follows:

Freehold property	2%
Leasehold property	1 to 2%
Office equipment	20%
Computer equipment	20% to 33 1/3%
Motor vehicles	20%
Office renovations	20%

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

(l) Intangible assets

(i) Goodwill

Goodwill represents the excess of the fair value of the consideration transferred over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is measured at cost less accumulated impairment losses.

(ii) Acquired value in-force business

Acquired value in-force business represents the present value of acquired in-force policies for insurance contracts and investment contracts with DPF as classified under FRS 104 Insurance Contracts. Acquired value in-force business is initially measured at fair value at acquisition, and subsequently measured at cost less amortisation and any accumulated impairment losses. The present value of in-force business, which represents the profits that are expected to emerge from the acquired insurance business, is calculated using best estimate actuarial assumptions for interest, mortality, persistency and expenses and is amortised over the anticipated lives of the related contracts in the portfolio. The net carrying amount of insurance liabilities acquired less the value of in-force business, represents the carrying value of the insurance liabilities acquired.

Amortisation calculated is charged to profit or loss in line with the unwinding of the future cash flows over the estimated useful life of the acquired contracts. The residual values and useful lives are reviewed at each reporting date.

(iii) Others

Others represent amounts paid to third parties under certain distribution agreements and agency development expenses. The amounts paid have finite useful lives ranging from eight to twelve years and three years respectively. They are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated as follows:

Distribution agreements	Sales generated over the duration of the agreements
Agency development expenses	Straight-line basis

(m) Financial instruments

i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

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

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

The Company's investments in equity securities, debt securities and collective investment schemes have been designated at fair value through profit or loss as these instruments are managed and their performance evaluated on a fair value basis.

Upon initial recognition, attributable transaction costs are recognised in profit or loss in the statement of comprehensive income when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss in the statement of comprehensive income. Regular way purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. These investments are measured at fair value, and changes therein are recognised in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise policy loans, investment income receivables, other receivables and cash and cash equivalents. Other receivables are recognised when due.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Company's cash management.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

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

The Company has the following non-derivative financial liabilities: other payables.

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

(iii) Derivative financial instruments

The Company uses derivative financial instruments to facilitate efficient portfolio management. The Company does not hold derivative financial instruments for speculative purposes. Derivative financial instruments are classified as held for trading and accounted for at fair value through profit or loss.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value, with any resultant gain or loss being recognised in profit or loss in the statement of comprehensive income. The notional amounts of derivative financial instruments are not recognised in the financial statements.

(iv) Share capital

Ordinary shares are classified as equity.

(n) Impairment

Impairment of financial assets

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy or adverse changes in the payment status of borrowers.

The Company considers evidence of impairment for loans and receivables at both a specific and collective level. All individually significant loans and receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss in the statement of comprehensive income and reflected in an allowance account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss in the statement of comprehensive income.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its related Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss in the statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in respect of prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(q) Other revenue and expenditure recognition

Fees and commission income

Fees and commission income comprises reinsurance commission income, distribution income and security lending fees.

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.

Distribution income and security lending fees are recognised as revenue on an accrual basis.

Dividend income

Dividend income is recognised in profit or loss when the Company's right to receive payment is established.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Rental income from operating leases

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received.

Operating leases

Rental payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the leases. Lease incentives received are recognised in profit or loss in the statement of comprehensive income, as appropriate, as an integral part of the total lease payments made.

Employee benefits - defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the statement of comprehensive income as incurred.

Short-term employee benefits

Short-term employee benefits obligations comprising salaries, bonuses and fees are measured on an undiscounted basis and are expensed as the related service is provided.

(r) Share-based payment

The Company offers share-based compensation plans to its employees and non-employee advisors. The arrangements for distribution to its employees and non-employee advisors of share-based share compensation plan depend upon the particular terms and conditions of each plan.

For cash settled share-based, the compensation expense charged to profit or loss with a corresponding increase in liabilities is primarily based upon the fair value of the shares granted, taking into consideration the vesting period and vesting conditions. The Company revises its estimate of the cash-settled share-based payment likely to occur at each reporting date and adjusts the charge to profit or loss accordingly.

For equity settled plans, the grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(s) Key management personnel

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The Chief Executive Officer and the senior management team are considered as key management personnel of the Company.

3. Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Insurance contract liabilities (Including liabilities in respect of insurance products classified as investment contracts with DPF)

The determination of insurance contract liabilities is dependent on assumptions made by the management of the Company. These estimates are reviewed and adjusted (if necessary) each year in order to establish contract liabilities which reflect best estimate assumptions. The carrying amount as at the reporting date is provided in Note 11.

(i) Process used to determine assumptions

At inception of the contract, the Company determines assumptions in relation to future mortality and morbidity, voluntary terminations and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract.

Subsequently, as experience unfolds, the Company conducts experience studies to investigate the appropriateness of these assumptions. The initial assumptions will be adjusted according to the Company's experience.

The assumptions are required to be on a "best estimate" basis and are considered to be so, if on average, the results are expected to be worse than the assumptions in 50% of the possible scenarios and better in the other 50%. Additional provision is required in the valuation assumptions to allow for any adverse deviation from the best estimate experience.

Information regarding key assumptions used to calculate insurance contract liabilities is provided below:

Mortality

Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases the estimates as to the number of deaths/claims on reinsurers' mortality tables. Where appropriate, the estimates are adjusted to reflect the Company's own experience. The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty is that epidemics such as Acquired Immune Deficiency Syndrome, Severe Acute Respiratory Syndrome and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. Also, continuing improvements in medical care and social conditions could result in improvements in longevity with the Company being exposed to longevity risk.

Morbidity

The incidence rates of morbidity are based on reinsurers' morbidity tables. Where appropriate, the estimates are adjusted to reflect the Company's own experience. For contracts that are exposed to increases in healthcare costs, appropriate allowance has been made to allow for future increases in such costs.

Persistency

An investigation into the Company's experience over the most recent 5 years is performed on an annual basis, and statistical methods are used to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration. The main source of uncertainty is policyholders' behaviour, which may be affected by market and economic conditions. Changes in policyholders' behaviour could result in future termination rates being different from what the Company has experienced previously. Allowance will be made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account such policyholders' behaviour.

Discount rate

The risk free rates below are used for discounting the insurance contract liabilities in respect of non-participating policies, non-unit reserves of investment-linked policies, as well as the minimum condition liability of life participating funds and universal life policies. The derivation of the risk free rates is in accordance with the MAS Notice 319 and guidance note issued by the Singapore Actuarial Society (SAS GNL02). Effective from 1 January 2013, the MAS Notice 319 (Amendment) dated 14 May 2012 requires direct insurers to adopt the new long term risk-free discount rate basis in valuing Singapore dollar denominated liabilities of non-participating policies, non-unit reserves of investment-linked policies and the minimum condition liability of participating funds.

SGD denominated liabilities	**2014** **%**	**2013** **%**
1 year	0.64	0.31
2 years	0.74	0.36
3 years	1.05	0.68
4 years	1.35	1.00
5 years	1.65	1.31
6 years	1.80	1.60
7 years	1.94	1.90
8 years	2.09	2.19
9 years	2.24	2.48
10 years	2.38	2.77
11 years	2.46	2.85
12 years	2.53	2.94
13 years	2.61	3.02
14 years	2.69	3.10
15 years	2.76	3.19
16 years	2.91	3.25
17 years	3.06	3.31
18 years	3.20	3.38
19 years	3.35	3.44
20 years and above	3.50	3.50

USD denominated liabilities	2014 %	2013 %
1 year	0.24	0.13
2 years	0.67	0.39
3 years	1.10	0.79
4 years	1.39	1.29
5 years	1.68	1.79
6 years	1.85	2.17
7 years	2.02	2.55
8 years	2.09	2.77
9 years	2.16	2.99
10 years	2.23	3.21
11 years	2.27	3.26
12 years	2.30	3.32
13 years	2.33	3.37
14 years	2.36	3.43
15 years	2.40	3.48
16 years	2.43	3.54
17 years	2.46	3.59
18 years	2.49	3.65
19 years	2.53	3.70
20 years	2.56	3.76
21 years	2.60	3.83
22 years	2.64	3.91
23 years	2.67	3.98
24 years	2.71	4.06
25 years	2.75	4.14
26 years	2.79	4.21
27 years	2.83	4.29
28 years	2.87	4.36
29 years	2.91	4.44
30 years and above	2.95	4.52

The best estimate liability of each policy in the participating fund and universal life products are as defined in Note 2e(iii) and discounted using best estimate investment returns.

The best estimate investment return is derived from the expected investment return of assets backing the insurance contract liabilities. Investment returns are generally based on a long term expected market return. These assumptions are set based on a few methodologies, depending on the underlying investment and ALM strategy for the sub-fund, including an analysis of historical and trended returns by asset classes, asset yield-to-maturity, fund manager's return projection as well as the ultimate holding company's view of long-term returns. The best estimate investment returns for different sub-funds ranged from 0.37% to 9.99% (2013: 0.37% to 10.47%).

Renewal expense level and inflation

The current level of expenses is taken as an appropriate expense base. Expense inflation is assumed to be at 2.00% (2013: 2.00%) per annum. The Company conducts an expense study every three years, or on a more regular basis when appropriate, and utilises the results as a basis to derive expense loadings for calculating liabilities.

Tax

It has been assumed that current tax legislation and rates continue substantially unaltered.

(ii) Sensitivity analysis

The following tables present the sensitivity of the value of insurance contract liabilities disclosed in this note to movements in the variables used in the estimation of insurance contract liabilities.

Life insurance par contracts (Including investment contracts with DPF)

Variable	Change in variable	Change in liability 2014 $'000	Change in liability 2013 $'000
Worsening of mortality and morbidity	+10%	–	–
Lowering of investment returns	-1%	1,761,941	1,493,695
Worsening of base renewal expense level	+10%	–	–
Worsening of renewal expense inflation rate	+2%	–	–
Worsening of lapse rate	-10%	–	–

Under the Insurance Act, Cap. 142, the Company is required to calculate the insurance contract liabilities in respect of the policies in the participating fund as:

(a) the sum of the liability in respect of each policy of the fund;
(b) the minimum condition liability of the fund; and
(c) the value of policy assets of the fund, whichever is the highest.

The sensitivity analyses are performed on the life insurance par contract liabilities based on the above consideration with no change in bonus scale. In most instances, the policy assets remain the dominant value. As the Company can exercise its discretion to vary bonuses, the impact on profit and equity for life insurance par contracts will depend on the extent of bonus revisions under each scenario.

Life insurance non-par contracts

Variable	Change in variable	Change in liability 2014 $'000	Change in profit/equity 2014 $'000	Change in liability 2013 $'000	Change in profit/equity 2013 $'000
Worsening of mortality and morbidity	+10%	65,463	(54,333)	54,380	(45,135)
Lowering of investment returns	-1%	327,424	(271,762)	171,093	(142,007)
Worsening of base renewal expense level	+10%	3,544	(2,942)	3,004	(2,493)
Worsening of renewal expense inflation rate	+2%	5,521	(4,582)	3,325	(2,759)
Worsening of lapse rate	-10%	20,456	(16,978)	14,278	(11,851)

Investment-linked contracts (non-unit reserves)

Variable	Change in variable	Change in liability 2014 $'000	Change in profit/equity 2014 $'000	Change in liability 2013 $'000	Change in profit/equity 2013 $'000
Worsening of mortality and morbidity	+10%	775	(643)	678	(563)
Lowering of investment returns	-1%	622	(516)	338	(280)
Worsening of base renewal expense level	+10%	1,874	(1,555)	1,877	(1,558)
Worsening of renewal expense inflation rate	+2%	3,562	(2,956)	2,874	(2,385)
Worsening of lapse rate	-10%	704	(584)	647	(537)

The change in profit/equity takes into account the effect of income taxation of the change in profit.

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values; change in lapses and future mortality and morbidity. The whole yield curve is assumed a parallel shift of 1% down in the investment returns (i.e. yield curve) sensitivity scenario except for long term risk-free discount rate defined in the MAS Notice 319.

Goodwill

Goodwill impairment testing requires the exercise of judgement by management as to prospective future cash flows. Further information is disclosed in Note 6.

4. Capital, insurance and financial risk management

This section describes the Company's risk exposure, its concentration and the way the Company manages them.

(a) Capital management

The Company's capital management policy is to maintain a strong capital base to meet policyholders' obligations and regulatory requirements, to create shareholder value, deliver sustainable returns to shareholders and to support future business growth. Capital consists of total equity with adjustments to inadmissible assets such as intangible assets, deferred tax asset and any other adjustments specified by MAS.

It is the Company's policy to hold capital levels in excess of the prescribed minimum fund solvency requirement (FSR) and capital adequacy requirement (CAR). Based on the Insurance (Valuation and Capital) Regulations, the capital adequacy ratio of the Company as at 31 December 2014 is 212% (2013:252%).

Under Insurance (Valuation and Capital) Regulations, all insurers are required to maintain a minimum FSR of 100% of total risk requirement and at least 120% of CAR to meet policyholders' obligations. The Insurance Act also allows MAS to prescribe different FSR or CAR to insurers with different classes of insurance business and to different types of insurers. The FSR and CAR apply a risk-based approach to capital adequacy and are determined by the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act.

The total risk requirement consists of three components. They are insurance risk requirement, investment risk requirement comprising mainly asset specific and asset/liability duration mismatch charge, and concentration risk requirement.

The values, assumptions and methodology used for the measurement of the solvency position are in accordance with the Insurance (Valuation and Capital) Regulations. The valuation of assets and liabilities identified as financial resources is closely aligned to those on the Company's balance sheet, except for freehold property which is measured at fair value and the exclusion of inadmissible assets as prescribed in the Insurance (Valuation and Capital) Regulations.

In addition to satisfying regulatory capital requirements, the Company conducts stress tests on the projected solvency position of the Company to ensure that the management is aware of the risks and threats to solvency that the Company faces and to plan for risk mitigation actions where necessary. The Company is also subject to the ultimate holding company's economic capital framework.

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

(b) Insurance risk

The risk of loss for the business or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of a number of insurance risk drivers. This includes adverse mortality, morbidity, persistency and expense experience. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The Insurance (Valuation and Capital) Regulations prescribes capital requirement to be held in respect of insurance risk as well as to maintain sufficient capital resources to cover any shortfall between the aggregate surrender value of contracts and the insurance contract liabilities.

Risks that are specific to the various types of insurance contracts are elaborated below:

Life insurance par contracts (Including investment contracts with DPF)

The amount of risk to which the Company is exposed depends on the level of guarantees inherent in the contracts. As at 31 December 2014, the minimum condition liability, which includes only guaranteed benefits, is $7.3 billion (2013: $6.4 billion), and is significantly below the policy assets of $14.2 billion (2013: $12.7 billion). The corresponding policy liability, which would include future bonuses at a level which meets policyholders' reasonable expectations, is $13.2 billion (2013: $11.7 billion). The policy assets in excess of the policy liabilities, amounting to $1.0 billion, are available to meet the insurance fund's solvency requirements and any adverse deviations in the Company's operating experience.

For life insurance par contracts, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the policyholder.

Life insurance non-par contracts

The life insurance non-par contracts consist of individual term insurance, annuity, universal life, health business and group business. The major health business written is Prushield which covers hospitalisation, surgical fees and certain outpatient treatment expenses. The key risks faced by the Company in respect of non-participating contracts are mortality and morbidity risk.

Investment-linked contracts (unit reserves)

For these contracts, the insurance contract liabilities represent the fair value of the investment funds or assets linked to those contracts at the reporting date. Additional benefit may be payable upon death, total permanent disability and critical illness. The key risks faced by the Company in respect to investment-linked contracts are mortality risk and morbidity risk.

(i) Concentration of insurance risk

Concentrations of risk may arise where a particular event or a series of events could impact heavily upon the Company's insurance contract liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Insurance risk for contracts is also affected by the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to policyholder behaviour. On the assumption that policyholders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. The Company has factored the impact of policyholders' behaviour into the assumptions used to measure insurance contract liabilities.

The Company is also exposed to geographical concentrations of risks as most of its contracts originate in Singapore.

(ii) Management of insurance risk

For the management of insurance risk, the Company has implemented guidelines and procedures for conducting insurance core activities which include product development, product pricing, underwriting, claims handling and reinsurance management.

The Company assesses the risks and opportunities of a product at the product development stage to ensure only products with risk consistent with the Company's risk appetite and create commensurable value to the Company are being developed.

Product pricing ensures products are appropriately priced to reflect their embedded risk exposures. It is conducted in a prudent manner with the aid of sensitivity and scenario analysis. It is the Company's philosophy to sell at a price sufficient to fund the cost it incurs to hedge or reinsure its risks, and for the risk that the Company accepts and manages, to achieve an acceptable return for the shareholders.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of the type of risk and the level of insured benefits. The Company has developed its insurance underwriting strategy according to two main areas - risk selection and risk classification.

The risk selection process determines the groups of insurance risk that are acceptable to the Company so that diversification of insurance risk types is achieved. At the same time, this is to ensure within each of these risk types, there is a sufficiently large population of risks to reduce the variability of the expected outcome.

Each group of insurance risks is classified into categories of standard and degree of substandard through underwriting. Medical selection and financial underwriting guidelines included in the Company's underwriting procedures allow the correct assignment of insurance risk to the appropriate classes. Each class has varied premium to reflect the health condition and family medical history of the applicants.

The Company has in place claims handling processes to handle claims efficiently, accurately and fairly. Claims are assessed at a level consistent with policy provision, statutory regulations and corporate governance.

The Company uses reinsurance in the normal course of business to diversify its risks and limits its net loss potential. Reinsurance arrangement for risk undertaken by the Company has limited the Company's risk exposure. The Company has a maximum retention limit for any single life insured that is set according to the reinsurance management strategy guideline approved by the Board of Directors. Catastrophic reinsurance is used to limit the company's maximum overall exposure to a single event.

(c) Financial risk

The investment objective for each insurance fund is to maximise the returns including capital gains, having regard to the nature and term of the liabilities, the fund's financial strength, the desired level of risk, and any tax, statutory and regulatory constraints.

Transactions in financial instruments result in the Company assuming financial risks. These include market risk, foreign currency risk, liquidity risk and credit risk. Each of these financial risks is described below, together with a summary of the ways in which the Company manages these risks.

(i) Market risk

Market risk is the risk of loss for the business, or of adverse change in the financial situation, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities. The unexpected change in fair value of a financial instrument could be due to adverse movements in prices, interest rates, or foreign currency exchange rates.

Price risk is the risk that the market values of financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

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

The Investment Committee of the Company reviews the investment policy for the Company on a regular basis. The investment policy establishes investment guidelines and limits, and sets controls on the asset-liability management ("ALM") process. The investment policy is approved by the Board of Directors before implementation.

Investment limits for each insurance fund are set with consideration for diversification by geographical area, markets, sectors, counterparties and currency to reduce the impact of non-systematic risks in the market.

The objective of the Company's ALM process is to meet policy liabilities with the returns generated from investment assets held by the Company, while maintaining appropriate financial strength. Additionally, the Company's ALM strategy adopted considers the following:

(a) liability profile of in-force business and new products;
(b) to appropriately manage investment risk in relation to liability related assumptions;
(c) to ensure that the ALM strategy is within the Company's risk appetite limits and able to withstand an appropriate range of different scenarios, in accordance with economic and local regulatory requirements;
(d) capital, solvency position, participating fund bonus policy and universal life crediting rate policy; and
(e) other considerations such as availability of matching assets, diversification, currency and duration.

The values, key assumptions and methodology in the measurement of assets and liabilities used for ALM are closely aligned to those on the Company's balance sheet, except for freehold property. In addition, best estimate insurance liabilities are also taken into consideration.

The Insurance (Valuation and Capital) Regulations prescribes capital requirements to be held in respect of concentration risk from investment assets and market risk arising from interest rate sensitivity between assets and liabilities.

Risks that are specific to the various types of insurance contracts are elaborated below:

Life insurance par contracts (including investment contracts with DPF)

For participating contracts, past experience has shown that surrender rates are relatively stable as compared to movements in interest rates and market values. This could be due to the nature of the contracts as early termination could result in financial losses for the policyholders.

The participating fund invests in broad range of assets, including equities and corporate bonds, to provide long-term investment return, in the form of reversionary and terminal bonuses to participating policies. Investments in these assets may be subject to market fluctuations and thus affect the Company's ability to declare bonuses as originally illustrated.

Life insurance non-par contracts

For non-participating contracts that are protection-based, they usually do not acquire surrender values and thus the Company's exposure to movements in interest rates and market value is limited.

For annuity contracts and universal life contracts, the duration of the liability is usually longer than the duration of the assets available in the market. As such, the Company is exposed to the risk of interest rates fluctuation.

Investment-linked contracts

For investment-linked contracts, the investment risk is largely passed on to the policyholders. As a result, the Company is not directly exposed to movements in interest rates and market values of the underlying assets.

The Company segregates the asset-pool it manages into different funds. Each fund represents distinct characteristics in its objectives and the nature and term of its liabilities. The investment objective for each fund is to maximise the returns including capital gains, having regard to the nature and term of the liabilities, the fund's financial strength, the desired level of risk, and any tax, statutory and regulatory constraints.

The Company establishes target asset portfolios for each fund, which represents the investment strategies used to profitably meet the liabilities from products written in the fund within acceptable levels of risk. Performance benchmarks are agreed for each fund and asset class where there is an appropriate and liquid benchmark available.

The Company's exposure to market risk for changes in interest rates is concentrated in its investment portfolio and insurance contract liabilities. Changes in investment values attributable to interest rate changes are mitigated by partially offsetting changes in the value of insurance contract liabilities. The overall objective of these asset/liability matching strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

Stochastic simulations are commonly performed on the major participating sub funds to investigate into the risks of not being able to meet the liabilities and statutory solvency under various investment strategies. The amounts and timing of payments to or on behalf of policyholders for insurance contract liabilities are regularly evaluated to ensure that matching and liquidity needs of each fund are taken into account in the investment strategy adopted. The projections of these cash flows may involve subjective assumptions and such subjectivity could impact the Company's ability to achieve its ALM objectives.

The table below presents the interest rate exposure of the Company's assets and liabilities:

	Fixed rate $'000	Floating rate$'000	Non-interest sensitive $'000	Total $'000
2014				
Assets				
Equity securities	–	–	4,428,016	4,428,016
Debt securities	5,706,806	596,718	–	6,303,524
Collective investment schemes	–	–	16,383,752	16,383,752
Derivative financial instruments	–	–	27,944	27,944
Loans and receivables	456,371	–	70,087	526,458
Reinsurer's share of insurance contract liabilities	–	–	33,060	33,060
Insurance and other receivables	–	–	353,354	353,354
Cash and cash equivalents	600,758	–	–	600,758
	6,763,935	596,718	21,296,213	28,656,866
Liabilities				
Gross insurance contract liabilities (Including investment contracts with DPF)	(9,477,264)	(3,342,291)	(12,143,695)	(24,963,250)
Insurance and other payables	(1,256,731)	–	(381,855)	(1,638,586)
Derivative financial instruments	–	–	(263,951)	(263,951)
	(10,733,995)	(3,342,291)	(12,789,501)	(26,865,787)
2013 Restated*				
Assets				
Equity securities	–	–	3,737,759	3,737,759
Debt securities	7,260,357	544,881	–	7,805,238
Collective investment schemes	–	–	12,442,446	12,442,446
Derivative financial instruments	–	–	38,761	38,761
Loans and receivables	434,762	–	88,516	523,278
Reinsurer's share of insurance contract liabilities	93,701	–	–	93,701
Insurance and other receivables	–	–	205,246	205,246
Cash and cash equivalents	983,516	–	–	983,516
	8,772,336	544,881	16,512,728	25,829,945
Liabilities				
Gross insurance contract liabilities (Including investment contracts with DPF)	(9,009,535)	(3,622,601)	(10,129,142)	(22,761,278)
Insurance and other payables	(1,082,084)	–	(331,457)	(1,413,541)
Derivative financial instruments	–	–	(94,244)	(94,244)
	(10,091,619)	(3,622,601)	(10,554,843)	(24,269,063)

* See note 2(b)(ii)

(ii) Foreign currency risk

The Company faces foreign currency risk, primarily because some of its investments in equity, debt securities and collective investment schemes are held in currencies other than Singapore dollars to improve the diversification of its portfolio, while almost all its liabilities are denominated in Singapore dollars ("SGD"). Other than SGD, the currencies in which these transactions are denominated are United States dollar ("USD"), Euro ("EUR") and Great Britain Pound ("GBP").

The Company adopts the approach of targeting a complete hedge for foreign currency risks. Assets and liabilities are expected to achieve a complete match in terms of currency. There may be circumstances where due to the duration of the liabilities or other risk factors, a perfect match is not achievable.

The Insurance (Valuation and Capital) Regulations prescribes capital requirement to be held in respect of concentration risk from foreign currency mismatch between assets and liabilities.

The following table presents the main currency exposure as of the reporting date, in Singapore dollar equivalents:

	SGD $'000	USD $'000	EUR $'000	GBP $'000	Others $'000	Total $'000
2014						
Assets						
Property and equipment	53,689	–	–	–	–	53,689
Intangible assets	330,585	–	–	–	–	330,585
Investments and loans						
- Equity securities	2,590,004	112,428	–	–	1,725,584	4,428,016
- Debt securities	5,312,341	878,709	45,145	10,773	56,556	6,303,524
- Collective investment schemes	5,713,588	8,835,640	1,309,528	472,943	52,053	16,383,752
- Derivative financial instruments	536,082	(1,148)	(330,500)	–	(176,490)	27,944
- Loans and receivables	513,439	11,159	763	103	994	526,458
Reinsurer's share of insurance contract liabilities	33,060	–	–	–	–	33,060
Insurance and other receivables	341,960	9,489	–	–	1,905	353,354
Cash and cash equivalents	425,552	154,358	11,914	1,649	7,285	600,758
	15,850,300	10,000,635	1,036,850	485,468	1,667,887	29,041,140
Liabilities						
Gross insurance contract liabilities (Including investment contracts with DPF)	(23,629,585)	(1,333,665)	–	–	–	(24,963,250)
Insurance and other payables	(1,612,130)	(26,456)	–	–	–	(1,638,586)
Derivative financial instruments	4,893,926	(4,875,075)	2,408	(204,509)	(80,701)	(263,951)
Provision for tax	(73,493)	–	–	–	–	(73,493)
Deferred tax liabilities	(945,761)	–	–	–	–	(945,761)
	(21,367,043)	(6,235,196)	2,408	(204,509)	(80,701)	(27,885,041)

	SGD $'000	USD $'000	EUR $'000	GBP $'000	Others $'000	Total $'000
2013 Restated*						
Assets						
Property and equipment	52,959	–	–	–	–	52,959
Intangible assets	342,674	–	–	–	–	342,674
Investments and loans						
- Equity securities	2,422,279	121,961	–	–	1,193,519	3,737,759
- Debt securities	6,629,027	1,059,669	45,197	11,203	60,142	7,805,238
- Collective investment schemes	3,692,058	7,422,832	1,071,563	245,814	10,179	12,442,446
- Derivative financial instruments	879,649	(763,274)	6,301	–	(83,915)	38,761
- Loans and receivables	522,721	369	–	–	188	523,278
Reinsurer's share of insurance contract liabilities	93,701	–	–	–	–	93,701
Insurance and other receivables	196,485	6,422	–	–	2,339	205,246
Cash and cash equivalents	873,068	94,595	271	1,449	14,133	983,516
	15,704,621	7,942,574	1,123,332	258,466	1,196,585	26,225,578
Liabilities						
Gross insurance contract liabilities (Including investment contracts with DPF)	(22,011,158)	(750,120)	–	–	–	(22,761,278)
Insurance and other payables	(1,407,123)	(6,418)	–	–	–	(1,413,541)
Derivative financial instruments	4,426,114	(4,124,332)	(209,652)	(133,503)	(52,871)	(94,244)
Provision for tax	(43,105)	–	–	–	–	(43,105)
Deferred tax liabilities	(840,145)	–	–	–	–	(840,145)
	(19,875,417)	(4,880,870)	(209,652)	(133,503)	(52,871)	(25,152,313)

* See note 2(b)(ii)

The main exposure to other foreign currencies includes Hong Kong Dollar, South Korean Won, Taiwanese Dollar and Australian Dollar.

Sensitivity analysis

The sensitivity analysis below is performed to assess the impact on profit, equity, investments and loans, and insurance contract liabilities by changes in each major type of market risk which the Company is exposed to:

Variable	Change in profit 2014 $'000	Change in equity 2014 $'000	Change in profit 2013 $'000	Change in equity 2013 $'000
Equity prices				
+10%	5,538	4,596	6,614	5,489
-10%	(5,817)	(4,828)	(6,906)	(5,732)
Interest rates				
+10 basis points	(5,055)	(4,196)	(13,444)	(11,159)
-10 basis points	3,788	3,144	12,081	10,027

Variable	Change in profit 2014 $'000	Change in equity 2014 $'000	Change in profit 2013 $'000	Change in equity 2013 $'000
Foreign currency				
+5%	3	2	3	2
-5%	(3)	(2)	(3)	(2)

The change in profit/equity takes into account the effect of income taxation of the change in profit.

Variable	Change in investments and loans 2014 $'000	Change in gross insurance contract liabilities 2014 $'000	Change in investments and loans 2013 $'000	Change in gross insurance contract liabilities 2013 $'000
Equity prices				
+10%	601,709	596,172	437,225	430,611
-10%	(601,789)	(595,972)	(437,266)	(430,359)
Interest rates				
+10 basis points	(101,050)	(95,995)	(78,990)	(65,546)
-10 basis points	101,052	97,263	79,003	66,922
Foreign currency				
+5%	247,848	247,845	174,441	174,439
-5%	(247,848)	(247,845)	(174,441)	(174,439)

The above analyses are based on a change in a variable while holding all other variables and assumptions constant. In practice, this is unlikely to occur as changes in variables may be correlated and will have a significant effect in determining the ultimate fair value of the financial assets.

(iii) Liquidity risk

Liquidity risk is the risk of the Company being unable to generate sufficient cash resources or raise finance to meet financial obligations as they fall due in business as usual and stress scenarios. Liquidity management seeks to ensure that, even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawals and maturing liabilities.

In practice, most of the Company's invested assets are marketable securities. This, combined with the positive net cash flow, reduces the liquidity risk.

The following table shows the Company's financial liabilities and insurance liabilities with the remaining contractual maturities:

	Unit-linked $'000	Within one year $'000	After one year but within five years $'000	After five years $'000	Total $'000
2014					
Gross insurance contract liabilities (Including investment contracts with DPF)	9,186,474	641,699	2,959,765	12,175,312	24,963,250
Insurance and other payables	–	1,609,769	28,817	–	1,638,586
Derivative financial instruments	12,231	159,531	91,807	382	263,951
	9,198,705	2,410,999	3,080,389	12,175,694	26,865,787
2013 Restated*					
Gross insurance contract liabilities (Including investment contracts with DPF)	8,430,040	738,351	2,716,839	10,876,048	22,761,278
Insurance and other payables	–	1,354,127	59,414	–	1,413,541
Derivative financial instruments	3,444	58,250	32,163	387	94,244
	8,433,484	2,150,728	2,808,416	10,876,435	24,269,063

* See note 2(b)(ii)

The contractual maturities of policies under unit-linked business are on demand as policyholders can surrender anytime.

(iv) Credit risk

Credit risk is the risk of loss for the business or of adverse change in the balance sheet, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).

The Company is exposed to substantial credit risk through its investments and a reinsurance arrangement. At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The Company's exposure to credit risk relating to its debt securities, loans and receivables and reinsurer's share of insurance contract liabilities is summarised below:

	Credit ratings (from Standard & Poor's or equivalents)					
	AAA $'000	AA+ to AA- $'000	A+ to A- $'000	BBB+ to BBB- $'000	Below BBB- or not rated $'000	Total $'000
2014						
Debt securities						
- Government bonds	2,615,648	18,908	41,574	16,724	1,070,373	3,763,227
- Corporate and other bonds	266,427	180,952	559,875	773,391	759,652	2,540,297
Loans and receivables	–	–	–	–	526,458	526,458
Reinsurer's share of insurance contract liabilities	–	33,060	–	–	–	33,060
	2,882,075	232,920	601,449	790,115	2,356,483	6,863,042
2013						
Debt securities						
- Government bonds	3,545,407	58,875	161,230	10,268	711,968	4,487,748
- Corporate and other bonds	281,570	204,191	850,045	868,853	1,112,831	3,317,490
Loans and receivables	–	–	–	–	523,278	523,278
Reinsurer's share of insurance contract liabilities	–	93,701	–	–	–	93,701
	3,826,977	356,767	1,011,275	879,121	2,348,077	8,422,217

The Company's investment policy sets limits on investments in bonds of different credit quality. The Company also imposes limits on each investment counterparties to control concentration risks.

Cash and deposits are placed with banks and financial institutions which are regulated and rated by rating agencies. Investments and transactions involving derivative financial instruments are allowed only with counterparties that are of high credit quality.

In addition, the Company accounts for credit risk by allowing for expected losses due to asset defaults in the determination of the premium rates for the products that will be supported by these assets.

The Insurance (Valuation and Capital) Regulations prescribes capital requirement to be held in respect of concentration risk from counterparty exposure.

For receivables arising from insurance and reinsurance contracts, none of the Company's receivables due from policyholders are past due (2013: nil).

In accordance with the reinsurance management strategy, the Company maintains a panel of reinsurers that the Company is allowed to transact business with. The reinsurers must either be licensed or authorised to carry out reinsurance business in Singapore by the Monetary Authority of Singapore and are able to meet the minimum financial rating requirements before being selected. The Company monitors the aggregate exposure in terms of sum at risk reinsured to any one reinsurer according to internal risk limit.

(d) Estimation of fair values

Equity securities, debt securities and collective investment schemes

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

Derivative financial instruments

The fair value of derivative financial instruments is their indicative price at the reporting date as quoted by banks or brokers.

The fair value of forward exchange contracts and futures contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The table below sets out the notional amounts and valuations of the Company's derivative financial instruments. The valuation of derivative financial instruments reflects amounts which the Company expects to pay or receive to terminate the contracts or replace the contracts at their current market rates at the reporting date.

	Notional amount (Assets) $'000	Notional amount (Liabilities) $'000	Positive revaluation $'000	Negative revaluation $'000
2014				
Forward exchange contracts	581,666	4,688,035	18,501	(246,389)
Futures contracts	183,066	496,174	8,560	(2,223)
Currency swap contracts	18,865	215,850	883	(15,339)
Options contracts	–	–	–	–
	783,597	5,400,059	27,944	(263,951)
2013				
Forward exchange contracts	939,194	4,027,065	6,766	(85,545)
Futures contracts	516,509	172,276	13,685	(306)
Currency swap contracts	193,595	279,036	18,166	(8,393)
Options contracts	16,200	–	144	–
	1,665,498	4,478,377	38,761	(94,244)

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value with changes recognised in the statement of comprehensive income, by classification. The different levels have been defined as follows:

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

Financial assets and financial liabilities carried at fair value

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2014				
Equity securities	4,347,870	–	80,146	4,428,016
Debt securities	5,498,565	794,390	10,569	6,303,524
Collective investment schemes	15,646,890	736,862	–	16,383,752
Derivative financial assets	8,560	19,384	–	27,944
Derivative financial liabilities	(2,223)	(261,728)	–	(263,951)
	25,499,662	1,288,908	90,715	26,879,285
2013				
Equity securities	3,702,541	–	35,218	3,737,759
Debt securities	6,443,253	1,298,882	63,103	7,805,238
Collective investment schemes	11,981,529	460,880	37	12,442,446
Derivative financial assets	13,685	25,076	–	38,761
Derivative financial liabilities	(306)	(93,938)	–	(94,244)
	22,140,702	1,690,900	98,358	23,929,960

Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2014				
Loans and receivables	–	526,458	–	526,458
Other receivables	–	235,828	–	235,828
Other payables	–	(231,589)	–	(231,589)
	–	530,697	–	530,697
2013 Restated*				
Loans and receivables	–	523,278	–	523,278
Other receivables	–	95,091	–	95,091
Other payables	–	(149,552)	–	(149,552)
	–	468,817	–	468,817

* See note 2(b)(ii)

Financial assets measured at fair value based on Level 3

	Equity securities $'000	Debt securities $'000	Collective investment schemes $'000	Total $'000
At 1 January 2014	35,218	63,103	37	98,358
Net gains included in profit or loss for the period presented in investment income/(losses)	6,909	(476)	(4)	6,429
Purchases	38,019	10,569	–	48,588
Sales	–	(62,627)	(33)	(62,660)
Settlements	–	–	–	–
Transfers into Level 3	–	–	–	–
Transfers out of Level 3	–	–	–	–
At 31 December 2014	80,146	10,569	–	90,715
At 1 January 2013	9,722	64,387	14	74,123
Net gains included in profit or loss for the period presented in investment income/(losses)	810	(566)	23	267
Purchases	24,686	–	–	24,686
Sales	–	(718)	–	(718)
Settlements	–	–	–	–
Transfers into Level 3	–	–	–	–
Transfers out of Level 3	–	–	–	–
At 31 December 2013	35,218	63,103	37	98,358

The transfers into Level 3 are existing unlisted investments where the Company has managed to obtain only a single price quote. The transfers out of Level 3 are due to the availability of market observable data.

The following table shows the key valuation techniques and the key unobservable inputs used in the determination of fair value of the financial assets measured based on Level 3.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value is determined by adjusting the underlying property value, which forms part of the net asset value of the investment. The estimated fair value of the underlying property is determined by discounting the expected cash flows at a risk-adjusted discount rate which is considered appropriate for the inherent, observable risks within the cash flows.	Risk-adjusted discount rates used by the external licensed appraiser which reflect the nature, location and tenancy profile of the property together with current market investment criteria.	Fair value will increase if the risk adjusted discount rates decrease.
Inputs from broker's valuation with verification by the Company using the credit status of the underlying counterparties and market interest rates.	Risk adjusted discount rates.	Fair value will increase if the risk adjusted discount rates decrease.
Valuation by independent valuer which uses discounted cash flow method for the company's loans portfolio and market approach for over-the-counter instruments with adjustments for counterparty risk.	Risk adjusted discount rates that are not market determined.	Fair value will increase if the risk adjusted discount rates decrease.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have immaterial effects on profit or loss and equity.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Company's balance sheet; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the balance sheet.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the balance sheet.

The Company's derivative transactions that are not transacted on an exchange are mostly entered into under International Swaps and Derivatives Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the balance sheet. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties. In addition, the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

	Note	Gross amounts of recognised financial assets/ (liabilities) $'000	Gross amounts of recognised financial assets/ (liabilities) offset in the balance sheet $'000	Net amounts of financial assets/ (liabilities) presented in the balance sheet $'000	Related amounts not offset in the balance sheet – Financial instruments $'000	Net amount $'000
2014						
Financial assets						
Amount due from related companies (non-insurance)	9	9,674	(9,673)	1	–	1
Other receivables	9	58,215	–	58,215	(17,194)	41,021
		67,889	(9,673)	58,216	(17,194)	41,022
Financial liabilities						
Amount to related companies (non-insurance)	12	(26,234)	9,673	(16,561)	–	(16,561)
Other payables and accrued expenses	12	(180,006)	–	(180,006)	17,194	(162,812)
		(206,240)	9,673	(196,567)	17,194	(179,373)
2013 Restated*						
Financial assets						
Amount due from related companies (non-insurance)	9	9,393	(9,385)	8	–	8
Other receivables	9	60,821	–	60,821	(14,952)	45,869
		70,214	(9,385)	60,829	(14,952)	45,877
Financial liabilities						
Amount to related companies (non-insurance)	12	(21,171)	9,385	(11,786)	–	(11,786)
Other payables and accrued expenses	12	(149,552)	–	(149,552)	14,952	(134,600)
		(170,723)	9,385	(161,338)	14,952	(146,386)

* See note 2(b)(ii)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the balance sheet that are disclosed in the above tables are measured in the balance sheet on the following basis:

- receivables and payables – amortised cost.

The amounts in the above tables that are offset in the balance sheet are measured on the same basis.

5 Property and equipment

	Freehold property $'000 Cost	Leasehold property $'000 Valuation	Office equipment $'000 Cost	Computer equipment $'000 Cost	Motor vehicles $'000 Cost	Office renovations $'000 Cost	Total $'000
Cost/Valuation							
At 1 January 2013	1,440	23,800	2,538	25,754	529	21,419	75,480
Additions	–	–	860	10,754	–	7,866	19,480
Disposals	–	–	(7)	(771)	–	–	(778)
Gain on revaluation	–	4,876	–	–	–	–	4,876
Reversal of depreciation on revaluation	–	(676)	–	–	–	–	(676)
At 31 December 2013	1,440	28,000	3,391	35,737	529	29,285	98,382
Additions	–	–	301	5,793	–	2,643	8,737
Disposals	–	–	–	(1,639)	(268)	(76)	(1,983)
Gain on revaluation	–	3,719	–	–	–	–	3,719
Reversal of depreciation on revaluation	–	(819)	–	–	–	–	(819)
At 31 December 2014	1,440	30,900	3,692	39,891	261	31,852	108,036
Accumulated depreciation							
At 1 January 2013	576	–	1,737	21,727	372	13,694	38,106
Depreciation charge for the year	29	676	451	3,897	52	3,666	8,771
Disposals	–	–	(7)	(771)	–	–	(778)
Reversal of depreciation on revaluation	–	(676)	–	–	–	–	(676)
At 31 December 2013	605	–	2,181	24,853	424	17,360	45,423
Depreciation charge for the year	29	819	448	6,009	52	3,717	11,074
Disposals	–	–	–	(531)	(268)	(532)	(1,331)
Reversal of depreciation on revaluation	–	(819)	–	–	–	–	(819)
At 31 December 2014	634	–	2,629	30,331	208	20,545	54,347
Carrying amounts							
At 1 January 2013	864	23,800	801	4,027	157	7,725	37,374
At 31 December 2013	835	28,000	1,210	10,884	105	11,925	52,959
At 31 December 2014	806	30,900	1,063	9,560	53	11,307	53,689

An independent valuation of the leasehold property was carried out by Knight Frank Pte Ltd, a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the properties being revalued, at open market values on 31 December 2014. The valuation has been made on the assumption that the property is sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which would affect its value. The leasehold property is classified as Level 2 in the fair value hierarchy.

$3,719,000 (2013: $4,876,000) of revaluation gain was credited to the revaluation reserve.

The approximate carrying amount of leasehold property would have been $14,849,000 (2013: $15,170,000) had the leasehold property been carried under the cost method.

For solvency purposes, the freehold property is being valued at market value at least once every three years. The last valuation date was on 31 December 2012. For solvency purposes, it has a carrying amount of $9,600,000 (2013: $9,800,000).

Property and equipment are non-current assets.

6 Intangible assets

	Goodwill $'000	Acquired value in-force business $'000	Others $'000	Total $'000
Cost				
At 1 January 2013	231,279	29,787	133,095	394,161
At 31 December 2013	231,279	29,787	133,095	394,161
At 1 January 2014	231,279	29,787	133,095	394,161
Additions	–	–	9,862	9,862
Disposals	–	–	(6,500)	(6,500)
At 31 December 2014	231,279	29,787	136,457	397,523
Accumulated amortisation				
At 1 January 2013	–	4,467	34,844	39,311
Amortisation charge for the year	–	1,490	10,686	12,176
At 31 December 2013	–	5,957	45,530	51,487
Amortisation charge for the year	–	1,490	20,461	21,951
Disposals	–	–	(6,500)	(6,500)
At 31 December 2014	–	7,447	59,491	66,938
Carrying amounts				
At 1 January 2013	231,279	25,320	98,251	354,850
At 31 December 2013	231,279	23,830	87,565	342,674
At 31 December 2014	231,279	22,340	76,966	330,585

Goodwill and acquired value in-force business

Goodwill is tested for impairment by comparing the CGU (the Company's in-force business) carrying amount, including any goodwill, with its recoverable amount. Management compares the aggregate of net asset value and goodwill of the acquired life business with the aggregate of the net asset value and the present value of in-force business to determine whether there is any impairment. The present value of in-force business, which represents the profits that are expected to emerge from the insurance business is calculated based on the European Embedded Value Principles issued by the CFO Forum, using best estimate actuarial assumptions for mortality, persistency and expenses as described in Note 3 and the following economic assumptions with no additional provision for any adverse deviation from the best estimate experience in the valuation assumptions:

(i) Discount rates

Discount rates are determined by adding a risk margin to the appropriate risk-free rate of return. The discount rates applied to the insurance funds ranged from 3.48% to 5.92% (2013: 3.80% to 6.27%).

(ii) Investment returns

Investment returns are generally based on a combination of current market data. The investment returns applied to different asset classes ranged from 1.76% to 8.53% (2013: 1.83% to 8.59%).

Others

Others represent amounts paid to third parties under certain distribution agreements and agency development expenses.

The intangible assets are all non-current assets.

7 Investments and loans

	Note	2014 $'000	2013 $'000
Financial assets designated at fair value through profit or loss			
Equity securities			
- Listed equity securities		4,347,870	3,702,541
- Unlisted equity securities		80,146	35,218
		4,428,016	3,737,759
Debt securities			
- Government bonds		3,763,227	4,487,748
- Listed corporate and other bonds		2,340,540	2,854,899
- Unlisted corporate and other bonds		199,757	462,591
		6,303,524	7,805,238
Collective investment schemes		16,383,752	12,442,446
Derivative financial instruments	4(d)	27,944	38,761
Loans and receivables			
- Investment income receivables		70,088	88,516
- Policy loans		454,570	434,762
- Corporate loan		1,800	–
		526,458	523,278
Total investments and loans		27,669,694	24,547,482
Current portion		21,537,371	17,277,389
Non-current portion		6,132,323	7,270,093
		27,669,694	24,547,482

Included in the investments above are financial assets which have been lent out to third parties. The Company currently participates in a securities lending program, whereby securities are lent to the lending agent's approved borrowers in return for a fee. These transactions are conducted under terms and conditions that are usual and customary to standard securities lending arrangements.

In return for securities on loan, the Company receives cash as collateral. Cash collateral is invested in short-term time deposits and money market instruments.

As at 31 December 2014 and 2013, the fair value of the assets on loan and collateral under the securities lending program are as follow:

Fair value of assets on loan		Fair value of collateral		% of collateral over assets on loan	
2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 %	2013 %
15,355	8,271	16,123	8,685	105	105

Policy loans are mainly loans secured by the cash surrender values of the relevant policies. No portion of the balance was included as part of the receivables less than twelve months as it is not practicable to determine such portion with sufficient reliability given that the loans have no fixed terms of repayment.

The corporate loan to a company is unsecured, bears interest at 5.00% per annum and has a tenure of 8 years. It is repayable on demand. Management does not expect repayment in the next 12 months.

8 Reinsurer's share of insurance contract liabilities

	2014 $'000	2013 $'000
Reinsurer's share of insurance contract liabilities	33,060	93,701

The movement on reinsurer's share of insurance contract liabilities is as follows:

	2014 $'000	2013 $'000
At 1 January	93,701	93,106
Decrease/(increase) in reinsurer's share of insurance contract liabilities	(60,641)	595
At 31 December	33,060	93,701
Current portion	–	–
Non-current portion	33,060	93,701
	33,060	93,701

9 Insurance and other receivables

	2014 $'000	2013 $'000 Restated*
Receivables arising from insurance and reinsurance contracts:		
- Due from policyholders	79,098	71,975
- Due from advisors	13,954	5,869
- Due from reinsurers	2,182	5,253
	95,234	83,097
Prepayment	22,292	27,058
Other receivables:		
- Amounts due from related companies (non-insurance)	1	8
- Other receivables	58,215	60,821
- Collateral deposits placed with financial institutions	177,612	34,262
	235,828	95,091
	353,354	205,246
Current portion	352,123	204,830
Non-current portion	1,231	416
	353,354	205,246

* See note 2(b)(ii)

Amounts due from related companies (non-insurance) are unsecured, interest free and have no fixed terms of repayment.

10 Cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank and in hand	427,303	378,204
Short-term time deposits	173,455	605,312
	600,758	983,516

The effective interest rate on short-term time deposits was 0.46% (2013: 0.33%) and the deposits have an average maturity of less than 19 days (2013: less than 23 days).

11 Gross insurance contract liabilities

	Note	2014 $'000	2013 $'000
Long term insurance contracts:			
- Life insurance par contracts	(i)	13,006,790	11,527,517
- Life insurance non-par contracts	(ii)	2,416,421	2,376,258
- Investment-linked contracts			
- Unit reserves	(iii)	9,186,474	8,430,040
- Non-unit reserves	(iv)	28,044	26,052
		24,637,729	22,359,867
Provision for outstanding claims		134,318	110,023
Total insurance contract liabilities		24,772,047	22,469,890
Long term investment contracts:			
- Life investment contracts with DPF	(v)	191,203	291,388
Total insurance contract liabilities (including investment contracts with DPF)		24,963,250	22,761,278
Current portion		134,318	110,023
Non-current portion		24,828,932	22,651,255
		24,963,250	22,761,278

Included in the life insurance par contracts (including life investment contracts with DPF) is:

- an amount of $712.8 million (2013: $667.0 million) relating to accumulated capital injections made by the shareholders and assumed investment returns on the capital injections since 1988; and

- a provision for current year policyholder bonuses of $281.8 million (2013: $253.7 million).

Movements in insurance contract liabilities

(i) Life insurance par contracts

	2014 $'000	2013 $'000
At 1 January	11,527,517	10,490,206
Premiums received, net of reinsurance	2,197,116	1,708,506
Claims and surrenders	(922,136)	(769,358)
Expenses:		
- Operating	(365,764)	(324,682)
- Non-operating	(31,749)	(29,663)
Movement in deferred tax	(92,894)	(77,554)
Income:		
- Investment income	770,439	584,651
- Other expense	(32,417)	(20,858)
Transfer to shareholders' fund	(43,322)	(33,731)
At 31 December	13,006,790	11,527,517

(ii) Life insurance non-par contracts

	2014 $'000	2013 $'000
At 1 January	2,376,258	1,974,474
Valuation premiums	23,486	24,503
Liabilities released for payments on death and other terminations	(620,916)	(77,941)
Accretion of interest	41,479	22,621
Other movements	4,096	2,090
New business	442,872	476,905
Change in valuation basis:		
- Discount rate	165,035	(81,766)
- Others	(15,889)	35,372
At 31 December	2,416,421	2,376,258

As defined in the accounting policies Note 2(e)(iii), valuation premiums are the amount of premiums received that have a direct impact of increasing the insurance contract liabilities.

(iii) Investment-linked contracts (unit reserves)

	2014 $'000	2013 $'000
At 1 January	8,430,040	8,223,613
Premiums received	1,211,322	1,080,119
Fees deducted from account balances of investment-linked contracts	(340,803)	(325,244)
Liabilities released for payments on death, surrender and other terminations	(943,044)	(771,417)
Changes in unit prices	817,944	218,492
Other movements	11,015	4,477
At 31 December	9,186,474	8,430,040

(iv) Investment-linked contracts (non-unit reserves)

	2014 $'000	2013 $'000
At 1 January	26,052	21,518
Premiums received	806	3,333
Fees deducted from account balances	888	795
Liabilities released for payments on death, surrender and other terminations	(767)	(735)
Accretion of interest	67	34
Changes in unit prices (within insurance benefits)	(714)	507
Other movements (within insurance benefits)	–	–
New business	406	414
Change in valuation basis:		
- Discount rate	1,140	153
- Others	166	33
At 31 December	28,044	26,052

(v) Life investment contracts with DPF

	2014 $'000	2013 $'000
At 1 January	291,388	500,759
Claims and surrenders	(115,044)	(208,672)
Investment income	5,859	11,925
Others	9,000	(12,624)
At 31 December	191,203	291,388

12 Insurance and other payables

	Note	2014 $'000	2013 $'000 Restated*
Payables arising from insurance and reinsurance contracts:			
- Insurance contract payables		1,391,373	1,203,136
- Reinsurance payables		15,624	60,853
		1,406,997	1,263,989
Other payables:			
- Provision for agency expenses		14,538	8,980
- Share-based payment liability	28(b)	20,484	16,289
- Amount due to related companies (non-insurance)		16,561	11,786
- Other payables and accrued expenses		180,006	112,497
		231,589	149,552
		1,638,586	1,413,541
Current portion		1,609,769	1,354,127
Non-current portion		28,817	59,414
		1,638,586	1,413,541

* See note 2(b)(ii)

Amounts due to related companies (non-insurance) are unsecured, interest free and repayable on demand.

Share-based payment liability relates to share-based award plans created and are designed to provide benefits to advisors, senior management and retirement needs of long serving advisors.

13 Financial liabilities

	Note	2014 $'000	2013 $'000
Derivative financial instruments	4(d)	263,951	94,244
Current portion		171,761	61,694
Non-current portion		92,190	32,550
		263,951	94,244

14 Deferred tax liabilities

	Note	2014 $'000	2013 $'000
At 1 January		840,145	763,254
Net provision made during the year	26	105,616	76,891
At 31 December		945,761	840,145

Deferred tax (assets)/liabilities, determined after appropriate offsetting, are attributable to the following:

	Assets		Liabilities		Net	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Unrealised foreign exchange losses	(1,846)	(1,133)	–	–	(1,846)	(1,133)
Capital allowances for property and equipment	–	–	1,120	1,241	1,120	1,241
Tax on future distributions	–	–	946,487	840,037	946,487	840,037
Deferred tax (assets)/liabilities	(1,846)	(1,133)	947,607	841,278	945,761	840,145

Deferred tax liabilities and assets 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.

Deferred tax liabilities are non-current.

15 Share capital

	2014 No. of shares ('000)	2013 No. of shares ('000)
Fully paid ordinary shares, with no par value:		
Ordinary shares (At the beginning and end of the year)	526,557	526,557

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

16 Reserves

	Note	2014 $'000	2013 $'000
Capital contribution reserve		740	549
Revaluation reserve	5	12,244	8,525
		12,984	9,074

The capital contribution reserve comprises the cumulative value of equity settled employee services received for the share-based payments.

The revaluation reserve relates to the revaluation of leasehold property.

17 Accumulated surplus

Included in the accumulated surplus are amounts the Company maintains for solvency purposes, which is higher than the regulatory minimum requirement. Under the Insurance (Valuation and Capital) Regulations governing the risk-based capital framework for insurers, each insurance fund is required to maintain a minimum of 100% of regulatory risk capital, and capital adequacy of at least 120% or otherwise prescribed by MAS.

Dividends

The following dividends were declared and paid by the Company:

	2014 $'000	2013 $'000
Interim dividends (2014: $0.46 per qualifying share; 2013: $0.47 per qualifying share)	244,000	250,000

18 Classification and fair values of financial instruments

	Note	Designated at fair value $'000	Trading $'000	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
2014							
Financial assets							
Investments and loans							
- Equity securities	7	4,428,016	–	–	–	4,428,016	4,428,016
- Debt securities	7	6,303,524	–	–	–	6,303,524	6,303,524
- Collective investment schemes	7	16,383,752	–	–	–	16,383,752	16,383,752
- Derivative financial instruments	7	–	27,944	–	–	27,944	27,944
- Loans and receivables	7	–	–	526,458	–	526,458	526,458
Other receivables	9	–	–	235,828	–	235,828	235,828
Cash and cash equivalents	10	–	–	600,758	–	600,758	600,758
		27,115,292	27,944	1,363,044	–	28,506,280	28,506,280
Financial liabilities							
Other payables	12	–	–	–	(231,589)	(231,589)	(231,589)
Derivative financial instruments	13	–	(263,951)	–	–	(263,951)	(263,951)
		–	(263,951)	–	(231,589)	(495,540)	(495,540)
2013 Restated*							
Financial assets							
Investments and loans							
- Equity securities	7	3,737,759	–	–	–	3,737,759	3,737,759
- Debt securities	7	7,805,238	–	–	–	7,805,238	7,805,238
- Collective investment schemes	7	12,442,446	–	–	–	12,442,446	12,442,446
- Derivative financial instruments	7	–	38,761	–	–	38,761	38,761
- Loans and receivables	7	–	–	523,278	–	523,278	523,278
Other receivables	9	–	–	95,091	–	95,091	95,091
Cash and cash equivalents	10	–	–	983,516	–	983,516	983,516
		23,985,443	38,761	1,601,885	–	25,626,089	25,626,089
Financial liabilities							
Other payables	12	–	–	–	(149,552)	(149,552)	(149,552)
Derivative financial instruments	13	–	(94,244)	–	–	(94,244)	(94,244)
		–	(94,244)	–	(149,552)	(243,796)	(243,796)

* See note 2(b)(ii)

19 Insurance premiums

	Gross premiums		Premiums ceded to reinsurers		Net premiums	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Life insurance par contracts	2,195,161	1,710,343	1,955	(1,836)	2,197,116	1,708,507
Life insurance non-par contracts	1,108,032	1,075,312	(88,110)	(94,074)	1,019,922	981,238
Investment-linked contracts	1,211,322	1,080,119	(9,211)	(9,262)	1,202,111	1,070,857
	4,514,515	3,865,774	(95,366)	(105,172)	4,419,149	3,760,602

20 Fees and commission income

	2014 $'000	2013 $'000
Fee income	7,702	5,345
Reinsurance commission	5,482	8,882
Profit commission	545	405
	13,729	14,632

21 Investment income

	2014 $'000	2013 $'000
Interest income		
- Debt securities	230,705	251,345
- Loans and receivables	25,812	24,865
- Cash and cash equivalents	1,235	1,598
Dividend income	206,817	188,039
Rental income	1,349	1,288
Net realised gains and fair value changes on financial assets at fair value through profit or loss	1,469,274	299,739
Exchange losses	(3,641)	(4,032)
	1,931,551	762,842
Life insurance par contracts (Including investment contracts with DPF)	774,230	595,528
Life insurance non-par contracts	325,334	(51,123)
Investment-linked contracts	829,305	220,403
Investment income from insurance operations	1,928,869	764,808
Shareholders' fund	2,682	(1,966)
	1,931,551	762,842

22 Claims and benefits incurred

	2014 $'000	2013 $'000
Long-term insurance contracts:		
Life insurance par contracts		
(Including investment contracts with DPF)		
Claims, maturity and surrender benefits	1,023,741	978,030
Increase in liabilities during the year	1,379,086	827,941
Life insurance non-par contracts		
Claims, maturity and surrender benefits	765,812	218,020
Increase in liabilities during the year	40,165	401,784
Reinsurer's share of increase in liabilities during the year	60,641	(595)
Investment-linked contracts		
Claims, maturity and surrender benefits	970,555	794,204
Increase in liabilities during the year	758,426	210,960
Shareholders' fund claims expenses		
Claims, maturity and surrender benefits	30	41
	4,998,456	3,430,385

23 Commission and distribution costs

	2014 $'000	2013 $'000
Commission expenses	465,414	433,512
Other acquisition costs	113,121	89,561
	578,535	523,073

Included in commission expenses is $6,300,000 (2013: $5,817,000) of the share-based compensation expenses.

24 Staff costs

	Note	2014 $'000	2013 $'000
Salaries and benefits in kind		77,877	75,482
Contributions to Central Provident Fund		6,484	6,078
Share-based compensation expenses	28	5,599	7,367
		89,960	88,927

25 Other operating expenses

Included in other operating expenses are the following:

	2014 $'000	2013 $'000
Administrative expenses	14,134	15,179
Advertising and promotional expenses	17,512	12,641
Investment expenses	78,111	75,367

26 Taxation

	Note	2014 $'000	2013 $'000
Current tax expense			
Current year		76,644	40,176
Adjustment for prior periods		(5,090)	7,878
		71,554	48,054
Deferred tax expense			
Origination and reversal of temporary differences	14	105,616	76,891
Total income tax expense		177,170	124,945

The Company has estimated its tax charge and tax provision relating to the life assurance business based on the current tax legislation. These estimates may be different from the ultimate actual tax liability or refund, although the Company believes that the provision is prudent and appropriate.

	2014 $'000	2013 $'000
Reconciliation of effective tax charge		
Profit before tax	500,094	311,615
Income tax using domestic corporation tax rate of 17% (2013: 17%)	85,016	52,975
Taxation relating to insurance funds	117,192	83,374
Non-deductible expenses	2,621	3,024
Over provision in prior years	(5,090)	7,878
Non-taxable income	(20,446)	(18,311)
Others	(2,123)	(3,995)
	177,170	124,945

27 Profit for the year

	2014 $'000	2013 $'000
Life insurance par contracts (Including investment contracts with DPF)	38,026	28,848
Life insurance non-par contracts	218,284	90,676
Investment-linked contracts	75,780	73,765
Shareholders' fund	(9,166)	(6,619)
	322,924	186,670

28 Share-based payment transactions

The Company has the following share-based payment arrangements:

Share-based compensation plans (equity settled)

There are two main groups of compensation plans which are described below.

(a) Prudential International Savings-Related Share Option Scheme

Prudential Public Limited Company, the ultimate holding company of the Company, established the Prudential International Savings-Related Share Option Scheme in which employees may participate. This is a share save scheme where members of staff put a fixed amount of money into a saving plan over set periods of three or five years. At the end of those periods, they have the option to use the savings to buy Prudential Public Limited Company shares at exercise price.

(b) PRUshareplus Plan

In 2014, Prudential Holdings Limited, a wholly owned subsidiary of Prudential Public Limited Company, established the PRUshareplus Plan, which replaces the Prudential International Savings-Related Share Option Scheme. Under the Plan, qualified employees can purchase Prudential Public Limited Company shares at market value each month. At the end of each scheme year, an additional matching share is awarded for every two shares purchased throughout the period. Dividend shares accumulate while the employee participates in the plan. The additional matching shares are not entitled for dividend shares. If the employee withdraws from the plan, or leaves the Group, matching shares will be forfeited. The matching shares are vested 12 months later.

Share-based compensation plans (cash settled)

There are two main groups of compensation plans which are described below.

(a) Incentives plans

Prudential Public Limited Company, the ultimate holding company of the Company, established these plans to reward executive directors and senior management staff for delivering sustainable long-term returns for shareholders.

The incentive plans vest subject to the employee being in employment at the time. One of the plans also vests on the basis of the Group's relative Total Shareholder Return (TSR) performance against a peer group of international insurers. These are discretionary and on a year by year basis determined by the ultimate holding company's full year financial results and the employee's contribution to the business.

(b) Non-employee share-based compensation plans

These are share-based compensation plans for non-employee advisors relating to the shares of its ultimate holding company, Prudential Public Limited Company. Every year, shares or cash equivalent, with minimum vesting period of three years or more, will be granted, subject to the individual continuing to be an advisor with the Company at the end of the vesting period.

(i) The number and weighted average exercise price of share options and share awards are as follows:

	Weighted average exercise price $	2014 Number of options	2013 Number of options
Options outstanding			
At 1 January	14.41	257,107	162,996
- Granted	18.06	1,117	120,140
- Transfer (out)/ in	8.66	(41,267)	(1,431)
- Vested	14.44	(36,036)	(10,015)
- Withdrawn	18.06	(2,794)	(14,583)
At 31 December	15.70	178,127	257,107

	Number of awards	Number of awards
Awards outstanding		
At 1 January	1,377,670	1,100,531
- Granted	885,478	528,730
- Vested	(211,094)	(125,347)
- Withdrawn	(52,117)	(126,244)
At 31 December	1,999,937	1,377,670

(ii) Fair value of share options and share awards

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured by the ultimate holding company based on Black Scholes option pricing model.

Fair value of share options and assumptions	Options granted on 16/9/2011	Options granted on 21/9/2012	Options granted on 20/9/2013	Options granted on 20/9/2013
Fair value at measurement date ($)	5.17	4.48	6.55	7.43
Share price at grant date ($)	11.90	16.39	23.75	23.75
Exercise price ($)	9.15	12.48	18.06	18.06
Expected volatility	62.67%	34.27%	23.68%	26.23%
Expected life	3 years	3 years	3 years	5 years
Expected dividend yield	3.33%	3.63%	2.73%	2.73%
Risk-free interest rate	0.89%	0.33%	0.87%	1.68%

The forecasted volatilities are based upon an analysis which provides a forecast essentially equivalent to an exponentially weighted average rate with the added refinement of incorporating regression towards the mean of the historical trend line. Volatility rates for intermediate points in time were obtained by interpolation.

Share options were granted under a service condition and a simulation study was used to assess the impact of the performance conditions of the ultimate holding company.

The share price of Prudential Public Limited Company listed on the London Stock Exchange on the last trading day in 2014 was GBP14.92 (2013: GBP13.40) respectively.

	2014 $'000	2013 $'000
Share-based compensation expense		
- Amount accounted for as cash settled	11,690	12,773
- Amount accounted for as equity settled	210	411
Carrying value at 31 December of liabilities arising from cash settled share-based payment transactions	20,484	16,289

29 Commitments

(a) Capital commitments

	2014 $'000	2013 $'000
Contracted at the reporting date but not provided for	1,075	460

(b) Operating lease commitments

The Company leases a number of premises under operating leases. The leases typically run for a period of three to fourteen years, with an option to renew the leases after those dates.

The Company had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2014 $'000	2013 $'000
Payable:		
- Within one year	24,608	23,029
- After one year but within five years	76,597	70,996
- After five years	37,557	49,538
	138,762	143,563

30 Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

Other than disclosed elsewhere in the financial statements, significant transactions between the Company and related parties are as follows:

	2014 $'000	2013 $'000
Charges for life administration and operation services rendered by related corporations	29,602	27,434
Charges for management services provided to immediate holding company	150	150
Charges for management services rendered by a related corporation	18,408	12,801
Interest on loan to key management personnel	1	1
Investment management fees (net) paid to a related corporation	21,633	17,559
Outstanding loan to key management personnel	4	13
Recovery of expense from related corporations	1,781	1,128
Salaries and other short-term employee benefits to key management	5,909	6,423

The loan to key management personnel has an interest rate of 3% (2013: 3%) and is repayable monthly over less than a year (2013: 1 year). The outstanding loan to key management personnel is unsecured.