2017

ANNUAL REPORT

CONTENTS


RELATIONSHIPS ARE AT THE HEART OF EVERYTHING WE DO
I Am We

ABOUT US

For more than 86 years, we have been serving the financial and protection needs of Singaporeans.

Prudential Singapore, an indirect wholly-owned subsidiary of UK-based Prudential plc, is a leading life insurance company in Singapore. For more than 86 years, we have been serving the financial and protection needs of Singaporeans. Our focus is to bring comprehensive and relevant financial solutions to customers through our multi-channel distribution network, including more than 4,600 Financial Consultants. We are one of the market leaders in Protection, Savings and Investment-linked plans with S$36.3 billion in funds under management as at 31 December 2017. In testament to our financial strength, we are the only life insurer in Singapore to have been awarded an AA Financial Strength Rating by leading credit rating agency Standard & Poor's.

ASIA CONTINUES TO BE THE GROWTH ENGINE FOR PRUDENTIAL IN 2017 WITH SINGAPORE BEING A KEY CONTRIBUTOR.

CEO STATEMENT

Asia continues to be the growth engine for Prudential in 2017 with Singapore being a key contributor.

Amid an uncertain global economic backdrop, I am pleased to share that Prudential Singapore has achieved robust performance with New Business Sales growing 21% to S$795 million and Regular Premium Sales rising 15% to S$643 million.

We have maintained our leadership position by building on our foundational strengths and investing in people and technology to make insurance simpler and more accessible for our customers. We also continued to inspire strong confidence among our customers, Financial Consultants, bank partners and investors as the only life insurance company in Singapore with an AA rating awarded by leading credit agency Standard and Poor's.

TRANSFORMING THE WAY WE SERVE OUR CUSTOMERS

Transformation was a key theme for Prudential Singapore in 2017 as we sought new ways to serve a new generation of customers whose expectations and lifestyles are being influenced by the world of digital. To ensure we continue to meet the evolving needs of these customers, we invested significantly in technology to change the way we engage and serve our customers.

Several successful digital initiatives were launched in 2017, including our askPRU chatbot, digital sales tool PRUONE Express and industry-first claims automation service. These solutions, designed to make consultation easier and to support enquiries and claims, have enabled us to deliver a much better service experience and to increase our productivity.

We also became more data driven in the way we developed solutions for our customers. All our products were developed with feedback from our customers and Financial Consultants via our online community portal and through focus groups. We believe such collaboration and co-creation efforts are key to becoming more customer-centric.

As we move forward, we will continue to invest in digital solutions that will make it easier for our customers to understand and to buy insurance, and for our Financial Consultants to identify needs and to make the right recommendations.

TRANSFORMING THE WAY WE INNOVATE

2017 also marks a new chapter in Prudential

Singapore's history as we moved from Prudential Tower to PRUWorkplayce, our brand new office located at Marina One.

PRUWorkplayce is the innovation hothouse for our 1000-strong workforce. With its open spaces for collaboration and connection, it has been designed to encourage experimentation, teamwork and self-initiative. We believe such a work culture will help us nurture a future-ready workforce that is agile and adaptive, with the right skillset and mindset to meet the increased and changing demands of our customers, today and tomorrow.

Recognising that innovation knows no boundaries in our inter-connected world, we are tapping into multiple sources of creativity to develop solutions that will make insurance simpler and more accessible. Our internal ideation platform, Ignite, was launched to challenge employees to come up with ways to improve work processes and increase productivity. Last year, we also established the PRUFintegrate programme which made its debut at the annual Singapore FinTech Festival. As part of PRUFintegrate, we are working with selected global fintechs to co-create solutions that complement our customers' digital lives.

By innovating with communities in and around us, we have been able to develop several breakthrough solutions, including the first blockchain-powered digital trade platform to fuel the growth of small and medium-sized enterprises. We will continue to further our innovation agenda in the coming year to create innovative solutions that will transform our business and the way our customers experience our brand.

TRANSFORMING HEALTHCARE

Healthcare is another key area of focus for us in our transformation journey. As a leading life insurance provider in Singapore, we have a responsibility to ensure Singaporeans have access to affordable healthcare insurance in the long term.

To address the problem of rising medical costs and claims, we introduced the industry's first claims-based pricing approach for private hospitalisation plans, where our customers are rewarded for staying healthy and using medical services prudently. We believe that in the long run, claims-based pricing will positively influence medical consumption behaviours, help contain rising healthcare costs and improve the lives of our customers.

ACKNOWLEDGEMENTS

Looking back on 2017, I would like to extend my heartfelt gratitude to those who have committed to and supported our transformation initiatives to become more innovative and customer-centric. I look forward to working with our people, Financial Consultants, bank partners and shareholders, in an onward journey to take Prudential to new heights.

Thank you.

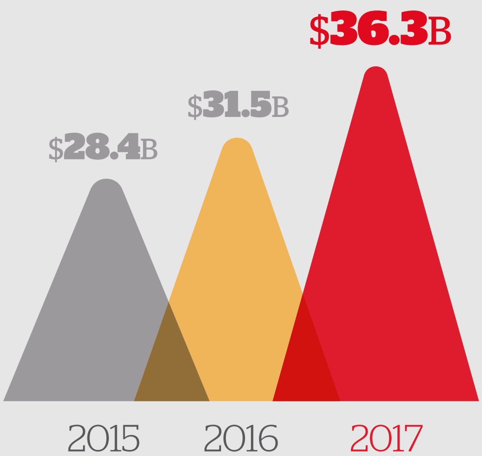
Wilfred Blackburn
Chief Executive Officer

ANNUAL PREMIUM EQUIVALENT NEW BUSINESS PREMIUM

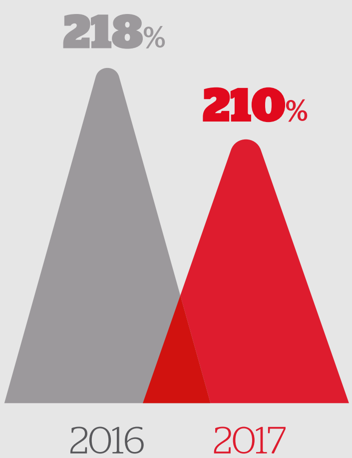
$795m 2017

$656m 2016

$648m 2015



TOTAL FUNDS UNDER MANAGEMENT



CAPITAL ADEQUACY RATIO

OUR BUSINESS

We are a leading life insurer in Singapore responsible for meeting the financial needs of close to a million customers.

COMMITTED TO SERVING SINGAPORE'S INSURANCE NEEDS

Prudential Singapore is a leading life insurer in Singapore responsible for meeting the financial needs of close to a million customers. Throughout our 86-year history, we have been trusted partners in some of their biggest life decisions - how to protect their families against life's uncertainties, save enough for their children's education and plan for retirement.

Through our 4,600 Financial Consultants and bancassurance partners, we meet Singapore's healthcare and financial planning needs, providing a comprehensive suite of protection, medical and savings solutions and consistent delivery of quality service and advice.

As a major employer in the insurance industry and asset manager in the Singapore market, we contribute to the stability of our financial system and economy. We are committed to making a positive impact in our community through long-term relationships with charity partners and by investing in programmes that help young people plan for their financial future.

Underpinning our efforts is our AA rating awarded by Standard and Poor's. As the only life insurer in Singapore with such a rating, we possess the financial strength and stability to support our various stakeholders through economic cycles.

In 2017, we continued to bring leading solutions to the market as we transformed the way we serve customers using a customer-centric approach enabled by technology, and helped our workforce get future-fit with new tools and training.

The PRUman and PRUlady critical illness plans meet the gender-specific healthcare insurance needs of customers.

CUSTOMERS

Recognising that the majority of Singaporeans are under-insured, we continued to focus our efforts on helping our customers build better futures for themselves and their families by helping to bridge the protection gap.

HELPING CUSTOMERS TO BRIDGE THE PROTECTION GAP

Recognising that the majority of Singaporeans are under-insured, we continued to focus our efforts on helping our customers build better futures for themselves and their families by helping to bridge the protection gap.

According to the 2016 Prudential Protection Poll, eight in 10 Singaporeans are under-insured by industry standards, with only five times their annual earnings set aside as contingency funds for unexpected personal and financial events. According to the Life Insurance Association Singapore, one should aim to have approximately 10 times his or her annual earnings as basic life cover.

To help customers meet their protection needs, we launched several new plans in 2017 including two gender-focused ones designed to meet the specific healthcare needs of men and women in Singapore. PRUman is a male-focused critical illness plan which covers male-specific illnesses such as prostate cancer, while PRUlady provides enhanced protection against illnesses that women are more predisposed to such as breast or ovarian cancer.

The myDNA programme aims to promote better lifestyle habits and to help individuals achieve their fitness goals.

myDNA also offers a comprehensive suite of resources to help individuals achieve their fitness goals.

ENCOURAGING A PREVENTION MINDSET

We began encouraging a shift in mindset from protection to prevention with myDNA, Singapore's first DNA-based fitness and diet programme which aims to promote better lifestyle habits through greater health awareness. Prudential partnered Prenetics, one of Asia's leading genetics testing companies, to create myDNA. It involves the use of a simple saliva test to provide personalised insights through a 40+ page report. The report reveals how an individual's genes may affect his or her nutrition needs (vitamins and minerals), dietary sensitivities and fitness. For instance, individuals can find out whether they may be more sensitive to carbohydrates, fats and alcohol, as well as which exercises may be best for them.

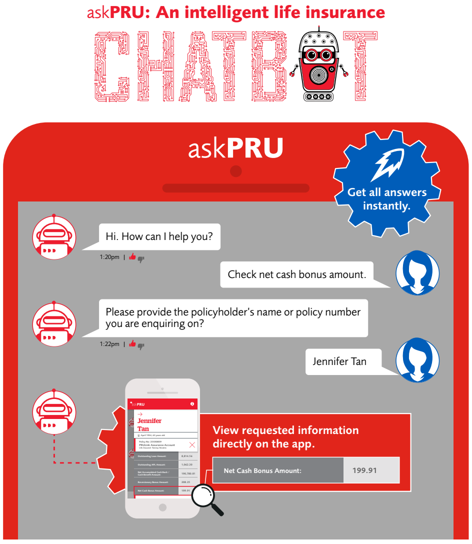
myDNA also offers a comprehensive suite of resources to help individuals achieve their fitness goals. This includes a mobile application that helps users set fitness goals, track progress, log food photos and get a calorie count; a chat-on-demand with nutrition experts for diet advice; a one-time phone consultation with a professional dietician; and a series of wellness events organised by Prudential.

ENSURING THE LONG TERM AFFORDABILITY OF PRIVATE HEALTHCARE

As one of the major insurers in Singapore, we have a part to play in helping to manage rising medical costs and claims, and to ensure the affordability of private healthcare plans in the long term. We believe that it is important to encourage healthy living and more prudent use of medical services as our population ages rapidly and more demands are made on the healthcare system.

In line with this, we made a change in our pricing approach in May 2017 by introducing claims-based pricing for one of our private hospital Integrated Shield Plan riders. This pricing approach was developed with direct feedback from our customers.

We believe that claims-based pricing is fairer than a fixed pricing approach in that the premium will be determined based on a customer's claims experience in private hospitals. There are different levels of pricing under claims-based pricing and customers will start at the lowest premium levels of their age band (Standard Level Premium). Their future premium level may stay or change depending on the claim amount made from the private hospital during the Review Period. Such an approach means that customers who stay healthy and claim less enjoy lower premiums.



The askPRU chatbot provides real-time information specific to customers' insurance plans.

Our customers are leading digital lives and with that comes the desire for greater speed, seamlessness, convenience and control over their finances.

MAKING INSURANCE SIMPLER AND MORE ACCESSIBLE WITH TECHNOLOGY

Our customers are leading digital lives and with that comes the desire for greater speed, seamlessness, convenience and control over their finances. To connect with them more meaningfully, we drew on technology to make insurance simpler and more accessible.

As part of our digital roadmap, we are using data to understand customers' needs more deeply and creating a distinctive Prudential customer experience across multiple touch-points. To make this happen, S$70 million was invested in technology in 2017 in innovative digital solutions for customers and Financial Consultants, and to streamline our operational processes through automation. In addition, we continue to actively seek collaboration opportunities with entrepreneurial startups that would help us solve business challenges and bring creative solutions to market with speed and scale.

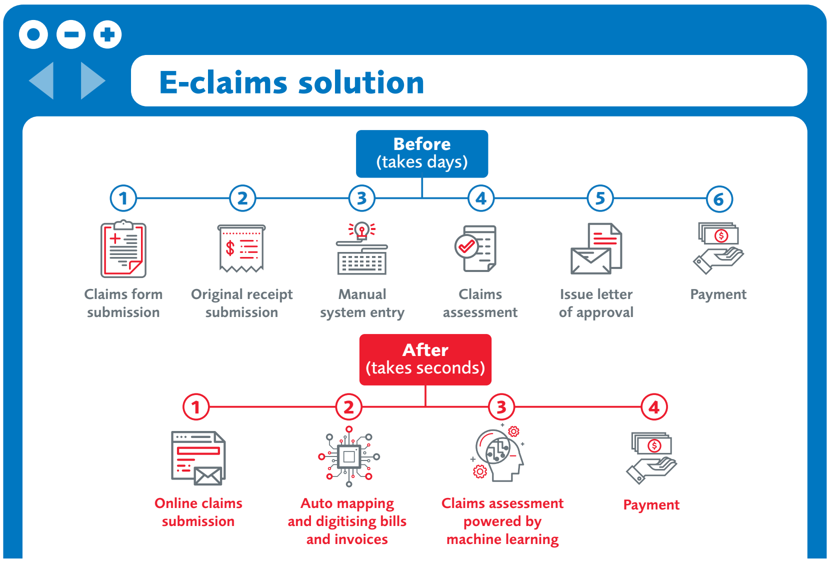
Our Financial Consultants use the askPRU chatbot to provide a better service experience to customers.

EMPOWERING OUR FINANCIAL CONSULTANTS WITH DIGITAL CAPABILITIES

In August, we launched askPRU, an industry-first chatbot that provides our Financial Consultants with real-time policy information. It allows Prudential's Financial Consultants to obtain information pertaining to their customers' insurance plans at any time of the day, enabling them to be more productive and responsive. Apart from improving the customer experience, askPRU also creates operational efficiencies as we have recorded a 30 per cent drop in call volume at our Customer Service Centre since askPRU's launch. Such time savings allow both our call centre colleagues and Financial Consultants to focus on delivering higher value work.

askPRU complements PRUONE Express, an enhanced digital point-of-sales portal, to help our Financial Consultants engage customers more efficiently. For instance, PRUONE Express is able to generate a detailed quotation in just three seconds and uses the latest technologies, such as SmartData Capture and Fingerprint Authentication, to facilitate a quicker and more effective consultation and sales process.

Simplifying the Claims Process



The e-claims solution's intelligent decision-making capabilities considerably shortens claims processing times.

To bring our customers greater convenience, Prudential began trials of a new e-claims solution.

OFFERING CUSTOMERS A MORE SEAMLESS EXPERIENCE WITH E-CLAIMS

To bring our customers greater convenience, Prudential began trials of a new e-claims solution, which will soon make insurance claims assessments in seconds a reality. The machine-learning based solution is an industry-first and focuses on automating the processing of PRUshield pre- and post-hospitalisation claims from eight major hospitals in Singapore.

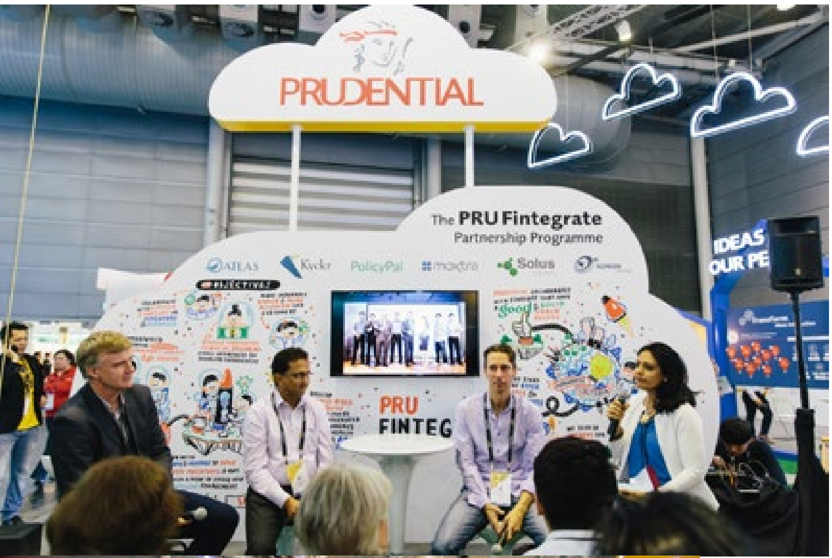
With the new solution, customers simply need to upload scans or images of bills and invoices through the PRUaccess customer portal to submit a claim. This will significantly reduce the time that claims assessors spend on handling paper-based submissions. The system's intelligent decision-making capabilities aim to progressively shorten the claims assessment time from seven days down to mere seconds by the time the trial ends in the first half of 2018, providing a more seamless experience to our customers.

The move towards high-precision, data-driven decision-making is part of the company's wider digital roadmap to improve productivity and to improve the customer experience with Prudential.

PARTNERING WITH GLOBAL FINTECHS TO CO-CREATE SOLUTIONS

To enable us to bring digital solutions to market with speed, in October, we launched the PRUFintegrate Partnership (PRUFintegrate) which seeks to collaborate with fintech startups globally. This is a first-of-its-kind programme within the Prudential Group, and marks a milestone in our continued efforts to foster greater innovation in the industry.

PRUFintegrate focuses on building innovative financial solutions, simple interfaces and seamless experiences for our customers. These enhancements will be applied across the value chain and customer touchpoints,



Through the PRUFintegrate program, Prudential collaborates with fintech start-ups to develop innovative customers solutions that will make insurance simpler and more accessible.

Prudential showcased its latest solutions at the 2017 Singapore FinTech Festival, and has pledged continued support for the Festival for the next five years.

with the objective of simplifying the process of buying insurance and enhancing the customers' understanding of policies and the importance of closing the protection gap. In the programme's inaugural cycle, Prudential selected three fintech startups to work with - Kyckr, Moxtra and Sqreem. Each of the three startups are currently working alongside teams at Prudential to develop a proof-of-concept for their proposed solutions in areas such as compliance, mobile collaboration and pattern recognition. The induction into the PRUFintegrate Programme is also the second win for Moxtra and Sqreem, which were both honoured as winners of the Global Fintech Hackcelerator at the Singapore FinTech Festival in November 2017. Prudential was a Grand Sponsor of the Festival.

As part of its onward support to foster a culture of innovation, collaboration and co-creation among financial institutions, fintechs and regulators globally, Prudential announced a five-year commitment to the Monetary Authority of Singapore to be a Grand Sponsor of the Singapore FinTech Festival from 2018 to 2022. The festival is the largest of its kind in the world, bringing together more than 25,000 participants from financial institutions, technology companies and fintech startups from over 100 countries.

(L-R) Ms. Agnes Hugot, CEO and Co-founder, Cites Gestion; Ms. Stephanie Simonnet, Chief Partnerships Distribution Officer, Prudential Singapore; Dr. Chong Yoke Sin, Chief of Enterprise Business Group, StarHub; and Mr. Wilfred Blackburn, Chief Executive Officer, Prudential Singapore, at the launch of the Fasttrack Trade digital trade platform.

In November, Prudential and leading telco, StarHub, jointly announced a partnership to launch Fasttrack Trade (FTT).

SUPPORTING THE GROWTH ASPIRATIONS OF SMES

To support our enterprise customers, Prudential is creating a digital ecosystem based on cross-industry collaboration that will transform commerce and drive the growth of enterprises.

In November, Prudential and leading telco, StarHub, jointly announced a partnership to launch Fasttrack Trade (FTT) - Singapore's first digital trade platform for Small and Medium-sized Enterprises (SMEs) using blockchain technology.

It would allow SMEs to seek business partners and distributors, buy and sell goods, track shipments, receive and make payments, access financing and buy insurance via a single platform. The pioneering platform is being developed by fintech startup Cites Gestion with funding from Prudential.

Under the partnership, StarHub will offer its enterprise customers access to FTT's services while Prudential will offer insurance to help them mitigate business risks. The platform also provides alternative financing options to SMEs through Funding Societies, a peer-to-peer lender. More service providers in areas ranging from financing, business intelligence, payments and logistics are expected to join the FTT by the time it is commercially launched in 2018.

Such insurer-telco-fintech collaboration is the first of its kind in Singapore and opens up opportunities for Prudential to help drive engagement with a new group of enterprise customers.

Prudential Financial Consultants meeting new customers at a roadshow.

EXCLUSIVE DISTRIBUTORS

We continued to strengthen our multi-channel distribution platform comprising our Financial Consultants and bancassurance partners.

STRENGTHENING OUR DISTRIBUTION CAPABILITIES

We continued to strengthen our multi-channel distribution platform comprising our Financial Consultants and bancassurance partners – Standard Chartered Bank (SCB) and United Overseas Bank Group (UOB). These distributors have exclusive rights to sell Prudential's suite of products and solutions. Exclusivity remains fundamental to our operating model as we believe it gives our distributors an edge over others in the market.

We invested in expanding our agency distribution capabilities to more than 4,600 Financial Consultants, making ours the largest tied agency force in Singapore. Supporting the efforts of our Financial Consultants is a new online portal offering customers the convenience of purchasing our suite of insurance policies directly. The portal creates more opportunities for our Financial Consultants as it helps generate new sales leads and enables them to reach a growing segment of digitally-savvy customers. For instance, Financial Consultants are alerted when their customers visit the site, prompting a personal follow-up call to be made.

To ensure our Financial Consultants provide our customers with quality advice and suitable solutions, we conducted more than 560 hours of product and fair dealing training in 2017. We have zero tolerance for conduct that goes against the Fair Dealing guidelines as we believe that long-term relationships with our customers can only be built on trust.

As part of our efforts to groom young talent for the insurance industry, we more than doubled the number of undergraduate interns admitted to our internship programme from the year before to 70 in 2017.

Employees at Prudential's Career Day learning about internal mobility opportunities.

Prudential's Ignite innovation programme encourages employees to experiment and to create new solutions.

PEOPLE

We are committed to nurturing a future-ready workforce that is equipped with the right mindset and skillset to drive our business in the digital economy.

INVESTING IN OUR PEOPLE

We are committed to nurturing a future-ready workforce that is equipped with the right mindset and skillset to drive our business in the digital economy.

EMBARKING ON A CULTURE JOURNEY

In 2017, we transformed our work culture into one where teamwork, creativity, self-initiative and ownership are encouraged and recognised. This was done through a series of intensive culture workshops and exercises to change the way we work and collaborate with our peers. Employees spent an average of three days each on improving leadership skills, strategic thinking, design thinking and technical capabilities.

An internal ideation programme, Ignite, was launched to actively encourage a culture of experimentation and creative thinking among employees. In addition, an internal mobility programme was introduced to enable cross-pollination of ideas and to support employees in developing their careers. A hundred and one employees took advantage of this programme in 2017.

BLENDING WORK AND PLAY AT PRU WORKPLAYCE

In November, we celebrated the opening of our new Prudential office at Marina One, with Deputy Prime Minister and Coordinating Minister for Economic and Social Policies, Mr. Tharman Shanmugaratnam, as our guest-of-honour.

Prudential's PRUWorkplayce is the first of its kind in the local insurance industry. Inspired by Albert Einstein's philosophy that play is the highest form of research, it integrates work and play at the office. PRUWorkplayce engages employees with activity-based working options and areas for experimentation and exploration of ideas. It also includes social spaces for greater collaboration and connection among colleagues as well as nature-inspired nooks and rest-pods for employees to recharge.

(L to R) Mr. Nic Nicandrou, Chief Executive, Prudential Corporation Asia; Mr. Mike Wells, Group Chief Executive, Prudential plc; Mr. Wilfred Blackburn, Chief Executive Officer, Prudential Singapore; Mr. Tharman Shanmugaratnam, Singapore's Deputy Prime Minister and Coordinating Minister for Economic and Social Policies; Ms. Lilian Ng, Chief Executive, Insurance, Prudential Corporation Asia; and Mr. Kai Nargolwala, Non-executive Chairman, Prudential Corporation Asia, at the official opening of Prudential's new PRUWorkplayce.

The PRUWorkplayce features collaboration zones and social spaces that encourage conversation and creativity.

The new PRUWorkplayce supports Prudential's outcome-based work culture which means employees have the flexibility and autonomy to work from anywhere and at any time.

INVESTING IN TALENT DEVELOPMENT AND TRAINING

As we recognise that our people are our greatest asset, we invest in fostering an environment in which they are given the opportunities to build meaningful careers and to perform to the best of their abilities.

Our Human Resources colleagues work in collaboration with the different divisions to identify the learning needs of our people and to develop training programmes around enhancing core capabilities, personal productivity, team management and creative thinking.

In June, we began a programme offering commitment-free part-time education sponsorship to nine promising employees to pursue further studies in tertiary institutions while they are with the company.

We also widened the scope of our Management Associate (MA) Programme to include rotations to business units such as information technology, finance, actuarial and the distribution channels, providing MAs with even more opportunities to learn about the insurance industry and to acquire specialist skills. They were also given opportunities to work on company-wide strategic initiatives. Nine graduates were accepted into the 2017 MA programme which puts them through six-month job rotations for two years while they pursue a professional insurance qualification managed by the Singapore College of Insurance.

Additionally, we doubled our cohort of Prudential Business interns to 30 students from the top education institutions in Singapore. These interns from National University of Singapore, Nanyang Technological University, and Singapore Management University went through a 12-week journey designed to prepare them for a career in the corporate world.

Employees doing their part for the community by packing and delivering food hampers to beneficiaries.

COMMUNITY

As one of the oldest life insurance companies in Singapore, we have a responsibility to help strengthen the social fabric of our community.

BEING AT THE HEART OF OUR COMMUNITY

As one of the oldest life insurance companies in Singapore, we have a responsibility to help strengthen the social fabric of our community and to contribute to the country's economic stability and progress.

GIVING BACK TO THE LESS FORTUNATE

2017 marked our ninth year as the Presenting Sponsor of the Boys' Brigade Share-a-Gift (BBSG) programme. Our employees and Financial Consultants lent their time and effort to pack and deliver 8000 hampers filled with healthy food to beneficiaries' homes across Singapore. They also participated in BBSG's Adopt-A-Wish programme and made the wishes of 100 beneficiaries come true.

As part of our long-term commitment to BBSG, Prudential pledged S$2 million to the project in 2017. These funds are expected to be disbursed over a ten-year period to provide beneficiaries with healthy food hampers and to support the programme.

SHARING THE GIFT OF PLAY

As a leading life insurer, we care about the wellness of our customers. Not just their financial health, but also their emotional health because this plays a part in their overall

Ms. Sheela Parakkal, Chief Human Resources Officer, Prudential Singapore, sharing a light-hearted moment with a senior citizen at the Prudential Marina Bay Carnival.

As a leading life insurer, we care about the overall wellness of our customers.

wellness. To support our customers and the community in building strong relationships with our families and loved ones, we became the title sponsor of the Singapore's largest ever carnival, the Prudential Marina Bay Carnival.

Through our community outreach programme, we invited more than 100 children and senior citizens to join in the fun with us. Aged from seven to 97 years young, the participants were accompanied by 60 Prudential Singapore volunteers on a tour of the carnival fairgrounds which featured a wide range of games and rides for visitors of all ages.

SUPPORTING FINTECH STARTUPS

To support fintech entrepreneurs in strengthening their safety net and managing risk better, we partnered with the Singapore Fintech Association (SFA) to offer its members complimentary Group Personal Accident coverage for a year.

This initiative is targeted at supporting young startups established in Singapore within the last five years. Such companies have less than ten employees on average and are usually run by the founders themselves. These entrepreneurs tend to overlook provisioning for adequate personal insurance coverage for themselves and their employees especially in the first critical years of operations.

To help close their protection gap, Prudential extended personal accident protection with coverage of S$350,000 to employees of the startups registered with SFA. The plan provides 24-hours, worldwide coverage against accidental death and injury and no medical underwriting is required.

Our support of SFA's members is in recognition of the tremendous value and vibrancy that fintech startups bring to Singapore's insurance industry and financial ecosystem.

BOARD OF DIRECTORS

DIRECTORS' PROFILE

Lilian Lup-Yin Ng
Chairman

Lilian Ng is Chief Executive, Insurance, of Prudential Corporation Asia (PCA) and a member of its Executive Board. She was appointed as the Chairman of the Board of Directors of Prudential Singapore in August 2015.

She has overall responsibility for Prudential's network of life insurance operations across 12 markets in Asia: Cambodia, China, Hong Kong, India, Indonesia, Laos, Malaysia, Philippines, Singapore, Taiwan, Thailand and Vietnam. Lilian is responsible for driving regional strategies and strengthening capabilities across its insurance business units.

She has been part of the Prudential family in Asia for over 20 years and has held a range of leadership roles across the company, both in a local business and at PCA, including Chief Operating Officer, Insurance, for six years.

Lillian is a Fellow of the Institute of Actuaries of Australia.

Wilfred Blackburn
Executive Director and Chief Executive Officer

Wilfred Blackburn has been Executive Director of the Board and Chief Executive Officer (CEO) of Prudential Singapore since November 2016.

Wilfred is an industry veteran with close to three decades of diverse experience, having worked in seven countries in Asia. Wilfred joined Prudential in 2012 and led new market initiatives prior to his appointment as CEO of Prudential Vietnam in July 2014. His work included overseeing the launch of Prudential's business operations in Cambodia and the establishment of Prudential's representative office in Myanmar and Laos.

Prior to joining Prudential, Wilfred was with Allianz, during which his roles included Regional GM, Life & Health Insurance for Asia and CEO of their joint venture companies in China, Thailand and the Philippines. Before Allianz, Wilfred worked in the United Kingdom for three life insurers and a firm of consulting actuaries.

Wilfred, a British national, qualified as a Fellow of the Institute of Actuaries (FIA) in 1995. He has an MBA from the University of Bath and a Bachelor of Science (Mathematics - First Class Honours) from the University of Newcastle upon Tyne (his home town) and has been a postgraduate student at both the City University (now CASS) and Harvard Business School.

Dr Tan Ng Chee

Non-Executive Director

Dr Tan Ng Chee, a Non-Executive Director of Prudential Singapore since March 2009, was re-appointed to the Board in March 2018. A member 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, of the International Bank of Singapore Ltd and Chairman of OUB Bullion & Futures Ltd. Dr Tan was the Alternate Chairman of the Association of Banks in Singapore from 1993 to 1995.

Dr Tan retired as Chairman of Intraco Limited in 2015 and is currently an Independent 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.

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 Non-Executive Director on several company Boards, 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 British 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) degree from the London School of Economics and Political Science.

Wan Mei Kit

Non-Executive Director

Wan Mei Kit was appointed as a Non-Executive Director of Prudential Singapore in January 2018. She is the Chairman of the Audit Committee of Prudential Singapore.

Mei Kit began her career in audit with Cooper & Lybrand Public Accountants (now PricewaterhouseCoopers) in 1978. Since then she has worked in various global financial institutions, including Bank of America as the Regional Auditor and Union Bank of Switzerland as the Head of Internal Audit. She held various regional head and leadership roles in the global audit, compliance and operational risk functions within Standard Chartered Bank Singapore from 1989 to 2015. In her most recent corporate role, she was the Regional Head of Audit, ASEAN, at Standard Chartered Bank Singapore from 2011 to 2015.

She is currently a member of the Audit and Risk Committee of the National Kidney Foundation, and a member of the Audit Committee of the Singapore Institute of Directors and the Boys' Brigade of Singapore. Mei Kit is a Fellow of the Association of Chartered Certified Accountants UK and of the Institute of Chartered Accountants of Singapore. She is a member of the Singapore Institute of Directors and a Graduate of the Australian Institute of Company Directors. She has attended executive management programmes at the London Business School, Templeton College (Oxford University) and INSEAD.

MANAGEMENT EXECUTIVE COMMITTEE

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Wilfred Blackburn
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Andreas Rosenthal
Chief Financial Officer

Andreas Rosenthal is the Chief Financial Officer (CFO) of Prudential Singapore. He oversees Finance (Operations), Financial Reporting, Actuarial Financial Management, Actuarial Products and Advisory, Distribution Compensation and Analytics, Performance and Expense Management, Finance Projects and Transformation, and Procurement.

A finance and actuarial veteran with 20 years of insurance industry experience, Andreas has held regional and local CFO roles in markets across Asia including Korea, Singapore, Taiwan, Thailand, the Philippines.

Prior to joining Prudential Singapore in January 2018, Andreas was with the AIA group for five years in the Philippines and Korea - first as CFO of Philippine American Life and General Insurance Company (Philam Life), then CFO of AIA Life Korea and coming full circle as CFO and Head of Transformation of Philam Life. Andreas also spent several years with Allianz where he was the regional CFO for Asia based in Singapore, CFO in Taiwan and Thailand.

A qualified German Actuary, Andreas holds a Master's Degree in Mathematics from the FU University of Berlin, Germany and a PhD in Mathematics from the University of Bielefeld, Germany.

Theresa Nai
Chief Operating Officer

Theresa Nai is the Chief Operating Officer of Prudential Singapore. She has held the position since June 2009 and is responsible for overseeing the Life Operations of the company which covers Claims and New Business, as well as Customer Management and Property Services.

Prior to joining the company, she was Vice-President and Deputy GM, as well as the Alternate Principal Officer of a major insurance player in Singapore.

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

Roy Lim
Chief Agency Officer

Roy Lim is the Chief Agency Officer (CAO) of Prudential Singapore. He oversees the recruitment, distribution and retention of the agency force as well as agency proposition, leads management, business quality, and learning and development.

Since joining Prudential Singapore in 2014, Roy has played a pivotal role in growing its agency force into one of the largest and most respected in the industry by leading the Agency Distribution in Recruitment, Manpower and Competency.

A 30-year industry veteran, Roy has held numerous leadership positions. His career started with Great Eastern Life where he was an agency leader and a member of the Million Dollar Round Table. He was previously the CAO of Zurich Life Singapore where he led the launch of the subsidiary in 2012 and the CAO of AXA AFFIN Life Insurance, Malaysia.

He has also spent several years with AIA, managing the regional distribution (India, Indonesia, South Korea, Australia and New Zealand) at AIA Asia Pacific Life Operations, Hong Kong before assuming the role of CEO, AIA Financial Services, Australia.

Roy holds diplomas in Life Insurance, Marketing and Business Studies and is a Chartered Financial Consultant and Chartered Life Underwriter.

Sheela Parakkal
Chief Human Resources Officer

Sheela Parakkal was appointed Chief Human Resources Officer (CHRO) of Prudential Singapore in September 2015.

As the CHRO, Sheela's role is to champion the human capital value chain and provide leadership in developing and driving HR strategies in line with business goals to meet the future plans of the company. This includes formulating and working with the leaders on appropriate recruitment strategies, managing the company's talent and succession planning, reviewing and enhancing the existing reward and recognition schemes and bringing the best in class people practices.

She started her career with PricewaterhouseCoopers Singapore (PwC Singapore) as an auditor and qualified as a CPA before moving into a human capital role focusing on business partnership, talent and development, and mobility of its large professional workforce. After 17 years with PwC Singapore, Sheela assumed the role of Group Human Resources Director at Sindicatum Sustainable Resources overseeing HR for its regional operations. In her last role, she was the Human Capital Leader for PwC Singapore Consulting, a regional joint venture in Southeast Asia.

Sheela holds an MBA (Banking & Finance) from the Nanyang Technological University, Singapore and is a member of the Australian Society for Certified Practising Accountants.

Jackie Chew
Chief Risk Officer

Jackie Chew is the Chief Risk Officer of Prudential Singapore. She oversees Enterprise Risk Management, Legal, Compliance and Risk Analytics.

She is a trained accountant who has more than 20 years of work experience in insurance, asset management, investment banking and private banking.

In 2011, Jackie joined Prudential and has a distinguished career in various Prudential entities. Her most recent role was in Group-wide Internal Audit as Audit Director, Fund Management, Prudential Corporation Asia. Prior to that, Jackie was the Chief Executive Officer of Eastspring (Singapore) Investments. Her previous experience also includes roles at Merill Lynch, ING Bank and PricewaterhouseCoopers.

Jackie holds an MBA in Finance (Merit) from the University of Leeds, UK and a Bachelor of Accountancy (Honours) from the Nanyang Technological University, Singapore. She is a certified public accountant and a fellow, Life Management Institute with Distinction, LOMA.

Angela Hunter
Chief Customer Officer

Angela Hunter is the Chief Customer Officer of Prudential Singapore. She oversees Business Analytics, Marketing, Product Portfolio Performance, Product Evaluation and Design, Customer Strategy and Experience, Digital Strategy, and Events.

She joined Prudential Singapore in August 2015 and was previously the Managing Director of GE Capital in New Zealand, the largest non-bank finance provider in the country. In this role, Angela was responsible for steering the company's six business units (Cards, Personal Loans, Insurance, Custom Fleet, Equipment Finance, and Distribution Finance). She was also the Country Manager for all General Electric business and chaired the GE New Zealand Business Council.

Angela has over 20 years of financial services experience. Prior to joining GE, she spent four years at Citibank Australia. Her previous experience also includes roles at Insurance Australia Group (IAG) and telecommunications companies Vodafone and Optus.

She holds a Bachelor of Business from the University of Technology, Sydney. Angela has a Certificate IV in Financial Services with Australian and New Zealand Institute of Insurance and Finance (ANZIIF) and is a Graduate of the Australian Institute of Company Directors.

Stephanie Simonnet
Chief Partnerships Distribution Officer

Stephanie Simonnet is the Chief Partnerships Distribution Officer of Prudential Singapore. She is responsible for the distribution of products and services of Prudential Singapore's bank and strategic partners. With the established relationships that Prudential enjoys with the bancassurance partners, the distribution channel is a substantial contributor to the company's business.

Stephanie has spent 21 years in Asia and her career includes extensive experience in bancassurance. She joined Prudential in Hong Kong in January 2003 where she supported the country's bancassurance partners. She managed the partnership with Citibank for three years, regionally, before moving to Singapore.

In April 2010, she joined Prudential Singapore to implement and manage the United Overseas Bank (UOB) partnership. She was appointed Head of Partnerships Relations Management for both UOB and Standard Chartered Bank (SCB) in December 2013. In November 2014, she was promoted to her current position where she continues to capitalise on her strengths and experience to steer Prudential's Partnerships business to greater heights and success.

Stephanie has an Arts degree from University Le Mirail, Toulouse, France.

Lena Teoh
Chief Investment Officer

Lena Teoh joined Prudential Singapore in January 2017.

She leads the Investment team in developing Prudential Singapore's long-term investment strategies and in managing asset allocation with the aim to maximise the value of investments in assets across the insurance platform. She will also engage distribution channels and product management teams in areas of investment-related advice and business support.

Lena's career spans over 25 years in the financial services industry comprising corporate banking, investment banking and asset management for the last 20 years. She has strong experience investing in multi-class assets across Global and Asian markets as well as a deep understanding of the macro and micro economic drivers that are crucial to making successful investments. Lena was the Managing Director with Credit Suisse Singapore till April 2016, where she was responsible for steering the tactical asset allocation strategies for the Bank's Global and Asian-based discretionary and advisory solutions. She was the Asia Pacific Regional Chief Investment Officer for Credit Suisse's Multi Asset Class Division in Asset Management from 2006 to 2014.

She graduated from the National University of Singapore with a First Class Honours Degree in Biochemistry and is also a Chartered Financial Analyst.

Arvind Mathur
Chief Information Technology Officer

Arvind Mathur is the Chief Information Technology Officer of Prudential Singapore. In his role, he leads the Information Technology (IT) function in building a digital powerhouse to help Prudential Singapore create awesome experiences for its employees, customers and distributors.

He joined Prudential Singapore in August 2017 after nearly 20 years in the consumer goods industry with Procter & Gamble, and brings with him a strong passion for customer centricity and experiences in driving digital transformation across business and technology domains. Arvind has lived in India, the Philippines, USA and Singapore.

A Lean/Agile Champion, Arvind is adept at leading cross-functional teams and building organisation capability. He is an Industrial Engineer with a Bachelor of Engineering in Production and Industrial from the Delhi College of Engineering, and an MBA in Finance and IT from the Management Development Institute (MDI), Gurgaon, India.

Maheshwar Venkataraman
Chief Transformation Officer

Maheshwar Venkataraman is the Chief Transformation Officer of Prudential Singapore. He oversees the organisation's transformation strategy across key functions and major strategic initiatives.

Prior to joining Prudential Singapore in February 2018, Maheshwar was most recently a Partner at PricewaterhouseCoopers (PwC) Consulting Southeast Asia (SEA) and a member of PwC's Global Leadership team for Business Services Transformation. In addition, he also led PwC's consulting practice in Myanmar.

In his 21-year career at PwC, Maheshwar provided counsel to corporates on strategy and operations transformation to achieve their business objectives. He also championed transformation initiatives within PwC and provided leadership in developing and driving change strategies.

Maheshwar holds a Bachelor of Science in Physics from the University of Delhi and an MBA from Warwick Business School, University of Warwick, UK. He is also a Chartered Accountant from the Institute of Chartered Accountants of India.

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 Board-approved 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 held and attended by each director throughout 2017.

Board/Committee Meetings and Attendance	(includes 1 Special meeting)	Audit Committee Meetings
Chief Executive Officer		
Wilfred Blackburn	5	4
Non-Executive Director		
Wan Mei Kit (Note 1)	-	-
Kevin Wong Kingcheung (Note 2)	4	3
Dr Tan Ng Chee (Note 3)	5	4
Sir Alan Stanley Collins	5	4

Note 1: Appointed as Director and Audit Committee member with effect from 23 January 2018. Ms Wan was appointed as the Audit Committee Chairman on 13 March 2018.

Note 2: Stepped down as Director and Audit Committee member with effect from 3 March 2018.

Note 3: Audit Committee member. 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 2018 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 INDEPENDANCE

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, Ms Lilian Ng, the Chief Executive Officer (CEO), Mr Wilfred Blackburn, and three non-executive directors, namely, Dr Tan Ng Chee, Ms Wan Mei Kit and Sir Alan Stanley Collins. There are two independent directors, namely Ms Wan Mei Kit and Sir Alan Stanley Collins. Although Dr Tan Ng Chee is a non-executive director, he is considered a non-independent director as he has served on the Board for more than nine years. The current composition of the Board satisfies the statutory requirement of having a majority of directors who are independent from any management and business relationship with Prudential Singapore.

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 her other responsibilities, the Chairman is tasked with the leadership and the governance of the Board as a whole. She 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 fulfillment 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 2017 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 fulfill 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 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. Accordingly, material risks will be retained selectively where we think there is value to do so, and where it is consistent with the Company's risk appetite and philosophy towards risk-taking.

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.

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.

Risk Governance

Prudential Singapore's risk governance framework comprises organizational structures, reporting relationships, delegation of authority, roles and responsibilities and risk policies to enable business units to make decisions and control activities on risk related matters. Business units 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 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 2017, 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, reviewed outcomes of the annual MAS stress testing exercise and approved changes from PACS' annual review of its risk management framework and related risk policies.

Risk Management Framework 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.

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 Policies and Risk Exposures

Risk Policies set out the specific requirements which cover the fundamental principles for risk management within the Risk Management Framework. Policies are designed to give some flexibility so that business users can determine how best to comply with policies based on their local expertise. There are core risk policies for credit,market, insurance, liquidity and operational risks.

Risks are categorised as shown below:

Category	Risk type	Definition
Financial risks	**Insurance risk**	The risk of loss for the business 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 for the business 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.
	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 Culture

Culture is a strategic priority of the Board who recognise the importance of good culture in the way that we do business. Risk culture is a subset of broader organizational culture, which shapes the organization wide values that we use to prioritise risk management behaviours and practices.

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 Group-wide Internal Audit Asia, with recommendations provided to the Audit Committee (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 March 2018, the Audit Committee (AC) comprised Ms Wan Mei Kit (Chairman), Dr Tan Ng Chee 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 2017 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 and the Board, 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.

DIRECTORS' STATEMENT

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 2017.

In our opinion:

(a) the financial statements set out on pages 50 to 112 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 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 the date of this statement, authorised these financial statements for issue.

Directors

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

Lilian Lup-Yin Ng
Wilfred John Blackburn
Dr Tan Ng Chee
Sir Alan Stanley Collins
Wan Mei Kit (Appointed on 23 January 2018)

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' interests 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.

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

Wilfred John Blackburn
Director

Lilian Lup-Yin Ng
Director

13 March 2018

INDEPENDENT AUDITORS' REPORT

Member of the Company
Prudential Assurance Company Singapore (Pte) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Prudential Assurance Company Singapore (Pte) Limited (the "Company"), which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 50 to 112.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

Opinion

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
Public Accountants and
Chartered Accountants

Singapore
13 March 2018

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 $'000	2016 $'000
Assets			
Property and equipment	6	51,895	57,043
Intangible assets	7	304,884	311,246
Investments and loans			
- Equity securities	8	6,236,021	4,310,146
- Debt securities	8	7,562,447	6,292,982
- Collective investment schemes	8	21,298,481	19,976,756
- Derivative financial instruments	8	153,895	11,342
- Loans and receivables	8	674,944	590,236
Reinsurers' share of insurance contract liabilities	9	1,093,219	888,315
Insurance and other receivables	10	281,383	563,980
Cash and cash equivalents	11	1,104,507	883,279
Total assets		**38,761,676**	**33,885,325**
Liabilities			
Gross insurance contract liabilities	12	32,534,724	28,137,536
Investment contracts with discretionary participating features	12	46,356	86,371
Insurance and other payables	13	3,345,243	2,696,413
Derivative financial instruments	14	68,298	404,610
Provision for tax		66,960	99,607
Deferred tax liabilities	15	1,391,602	1,138,024
Total liabilities		**37,453,183**	**32,562,561**
Net assets		**1,308,493**	**1,322,764**
Equity			
Share capital	16	526,557	526,557
Reserves	17	17,801	16,274
Accumulated surplus	18	764,135	779,933
Total equity		**1,308,493**	**1,322,764**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Insurance premiums	20	5,348,554	4,575,572
Reinsurance premiums	20	(319,153)	(611,267)
Net insurance premiums	20	5,029,401	3,964,305
Fees and commission income	21	20,571	47,933
Investment income	22	3,821,588	2,243,460
Other operating income		15,017	7,144
Net income before claims, benefits and expenses		**8,886,577**	**6,262,842**
Gross claims, maturity and surrender benefits		(3,243,262)	(2,634,122)
Increase in gross insurance contracts (including investment contracts with discretionary participating features) liabilities during the year		(4,344,254)	(2,859,149)
Reinsurers' share of contract liabilities, claims and benefits incurred		290,010	730,845
Net claims and benefits incurred	23	(7,297,506)	(4,762,426)
Commission and distribution costs	24	(594,844)	(524,080)
Staff costs	25	(135,994)	(101,794)
Depreciation of property and equipment	6	(18,503)	(11,807)
Other operating expenses	26	(282,431)	(212,090)
Claims, benefits and expenses		**(8,329,278)**	**(5,612,197)**
Profit before tax		557,299	650,645
Taxation expense	27	(322,897)	(247,510)
Profit for the year	**28**	**234,402**	**403,135**
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold property (net of tax)	6	1,526	1,479
Total other comprehensive income		**1,526**	**1,479**
Total comprehensive income for the year		**235,928**	**404,614**

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Note	Share capital $'000	Capital contribution reserve $'000	Revaluation reserve $'000	Accumulated surplus $'000	Total $'000
At 1 January 2016		526,557	958	13,776	626,798	1,168,089
Total comprehensive income for the year						
Profit for the year		–	–	–	403,135	403,135
Other comprehensive income						
Gain on revaluation of leasehold property	6	–	–	1,479	–	1,479
Total comprehensive income for the year		–	–	1,479	403,135	404,614
Transactions with owner, recorded directly in equity						
Value of employee services received for issue of options		–	61	–	–	61
Dividends to equity holder	18	–	–	–	(250,000)	(250,000)
Total transactions with owner		–	61	–	(250,000)	(249,939)
At 31 December 2016		526,557	1,019	15,255	779,933	1,322,764
At 1 January 2017		526,557	1,019	15,255	779,933	1,322,764
Total comprehensive income for the year						
Profit for the year		–	–	–	234,402	234,402
Other comprehensive income						
Gain on revaluation of leasehold property	6	–	–	1,526	–	1,526
Total comprehensive income for the year		–	–	1,526	234,402	235,928
Transactions with owner, recorded directly in equity						
Value of employee services received for issue of options		–	1	–	–	1
Dividends to equity holder	18	–	–	–	(250,200)	(250,200)
Total transactions with owner		–	1	–	(250,200)	(250,199)
At 31 December 2017		526,557	1,020	16,781	764,135	1,308,493

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Profit before tax		557,299	650,645
Adjustments for:			
Amortisation of club membership		25	24
Amortisation of intangible assets	7	18,008	14,197
Depreciation of property and equipment	6	18,503	11,807
Equity settled share-based compensation expense	29	564	605
Interest, rental and other investment income	22	(610,278)	(528,189)
Gain on disposal of property and equipment		(7,743)	–
Net realised gains and fair value changes on financial assets at fair value through profit or loss	22	(3,229,254)	(1,724,766)
		(3,252,876)	(1,575,677)
Changes in operating assets and liabilities:			
Loans and receivables and insurance and other receivables		262,944	(105,479)
Reinsurers' share of insurance contract liabilities	9	(204,904)	(660,980)
Gross insurance contract liabilities	12	4,397,188	2,929,641
Investment contract liabilities		(40,015)	(62,220)
Insurance and other payables		536,794	581,461
Cash generated from operations		1,699,131	1,106,746
Income taxes paid		(101,966)	(50,587)
Net cash from operating activities		**1,597,165**	**1,056,159**
Cash flows from investing activities			
Dividends received		315,923	316,999
Interest received		239,185	230,989
Purchase of a corporate loan		(13,681)	(22,827)
Proceeds from sale of investments		10,960,172	9,649,388
Proceeds from disposal of property and equipment		9,479	–
Purchase of intangible assets	7	(11,646)	(5,242)
Purchase of investments		(12,724,875)	(10,656,997)
Purchase of property and equipment	6	(13,565)	(13,027)
Purchase of club membership		(27)	–
Rental received		1,262	1,330
Net cash used in investing activities		**(1,237,773)**	**(499,387)**
Cash flow from financing activity			
Dividends paid	18	(250,200)	(250,000)
Net cash used in financing activity		**(250,200)**	**(250,000)**
Net increase in cash and cash equivalents		109,192	306,772
Cash and cash equivalents at beginning of the year		878,799	572,027
Cash and cash equivalents at end of the year		**987,991**	**878,799**
Cash and cash equivalents comprise:			
Cash at bank and in hand, including short-term time deposits	11	987,991	878,799
Cash collateral received	11	116,516	4,480
		1,104,507	**883,279**

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

NOTES TO THE 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 13 March 2018.

1

Domicile and Activities

Prudential Assurance Company Singapore (Pte) Limited (the "Company") is incorporated in the Republic of Singapore. The address of the Company's registered office is 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

Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

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.

(b) Basis of measurement

The financial statements have been 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.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are disclosed in Note 4.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

(i) Business combination

Acquisitions from entities under common control

Business combinations arising from transfers of interests in 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 consolidated financial statements of the Company's controlling shareholder, 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 of these changes.

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

(ii) Collective investment schemes

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 statement of financial position at fair value.

In accordance with FRS 27 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.

(b) 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 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 as investment contracts. The accounting basis and disclosure are consistent with those for life insurance participating ("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 profit or loss and other 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 statement of financial position and as part of claims and benefits incurred in the statement of profit or loss and other 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. A fixed level of benefit may also be payable upon a claim event (e.g. death, disability, critical illness) in addition to unit account value. Units are deducted from the unit-linked account balances for mortality and morbidity insurance charges, asset management and policy administration fees. The investment returns derived from the variety of investment funds as elected by the policyholder accrue directly to the policyholder.

(c) 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 statement of financial position. 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 statement of financial position.

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 and 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, Insurance (Valuation and Capital) Regulations, any other requirements prescribed by the regulator and guidance notes issued by the Singapore Actuarial Society (SAS GN L01 and SAS 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 with the Monetary Authority of Singapore (MAS) Notice 319.

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; or

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

There has been a change in accounting estimates relating to the valuation basis of universal life contract liabilities as described in Note 12(ii).

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.

There has been a change in accounting estimates relating to the valuation basis of the non-unit reserves of investment-linked contract liabilities as described in Note 12(iv).

(iv) Insurance receivables and payables

Insurance receivables and payables are recognised when due. These include amounts due to and from insurance and reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method.

The carrying amount of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets. Insurance receivables and payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in Note 3k(i) and 3k(ii).

(d) 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.

(e) 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 statement of financial position 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 statement of financial position 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.

(f) 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 profit or loss and other comprehensive income.

(g) 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.

(h) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss in the statement of profit or loss and other comprehensive income.

(i) Property and equipment

(i) Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for leasehold property, which is stated at revalued amount. The revalued amount, which represents the fair value, is determined based on the best price that would reasonably be expected in an orderly transaction between market participants at the measurement date. 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 which would be determined using fair value at the reporting date.

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

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

The gain or loss on disposal of property and equipment, except for leasehold property, calculated as the difference between the net proceeds from disposal and the carrying amount of the property and equipment, is recognised in profit or loss.

(ii) Depreciation

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of the items of property and equipment. Depreciation is recognised from the date that the property and equipment are installed and are ready for use. The depreciation based on estimated useful lives for the current and comparative years are as follows:

Freehold property	2%
Leasehold property	1 to 2%
Office equipment	20%
Computer equipment	10% to 33 1/3%
Motor vehicles	20%
Office renovations	20%

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(j) 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

(k) 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, which is the date that 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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. 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 is presented in the statement of financial position 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 classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and make purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in 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.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured 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.

With the exception for infrastructure loans which have been designated at fair value through profit or loss to reduce accounting mismatch arising from insurance liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Company's cash management are included in cash and cash equivalents.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other non-derivative financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that 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 is presented in the statement of financial position 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 classifies non-derivative financial liabilities into the other financial liabilities category. 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.

Other financial liabilities comprise other payables.

(iii) Derivative financial instruments

The Company uses derivative financial instruments to facilitate efficient portfolio management and for risk management purposes. 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.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. Changes in the fair value are recognised in profit or loss. The notional amounts of derivative financial instruments are not recognised in the financial statements.

(iv) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(l) Impairment

(i) Impairment of non-derivative financial assets

A financial asset that is 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, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables
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 profit or loss and other comprehensive income and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. 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 profit or loss and other comprehensive income.

(ii) 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, then 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. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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.

(m) Provisions

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

(n) Tax

Tax expenses comprise current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

(o) Other revenue and expenditure recognition

(i) 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.

(ii) Dividend income

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

(iii) Interest income

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

(iv) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss 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, over the term of the lease.

(v) 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, as appropriate, as an integral part of the total lease payments made.

(vi) Employee benefits – defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(vii) 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.

(p) 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 plans depend upon the particular terms and conditions of each plan.

For cash settled share-based plans, 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 of 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 share-based 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.

(q) 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.

(r) 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 2017 and earlier application is permitted; however the Company has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Company does not plan to adopt these standards early.

(i) Applicable to 2018 financial statements

Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts* *(Amendments to FRS 104)*

The amendments introduce two approaches for entities that apply FRS 104 to reduce the impact of differing effective dates with IFRS 17 Insurance Contracts and FRS 109 Financial Instruments: an overlay approach and a temporary exemption from applying FRS 109.

IFRS 17 has been issued by the International Accounting Standards Board. Singapore's Accounting Standards Council is considering adopting a local version of IFRS 17. IFRS 17 is expected to have a significant impact on the Company's financial statements. That standard may impact how the Company classifies financial instruments under FRS 109. Therefore, the different effective dates of the IFRS 17 and FRS 109 are expected to have a significant impact on the Company's financial statements.

The amended FRS 104:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when FRS 109 is applied before the new insurance contracts standard is issued (the "Overlay Approach"); and
- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying FRS 109 till the earlier of annual reporting periods beginning before 1 January 2021 or when IFRS 17 becomes effective. The entities that defer the application of FRS 109 will continue to apply the existing financial instruments standard – FRS 39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of financial statements to understand:

(a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and
(b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies FRS 109.

An insurer that elects to apply the temporary exemption from FRS 109 shall disclose information to enable users of financial statements:

(a) to understand how the insurer qualified for the temporary exemption; and
(b) to compare insurers applying the temporary exemption with entities applying FRS 109.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2021 and will expire once IFRS 17 becomes effective.

Potential impact on the financial statements

The new insurance accounting standard that is currently under consideration is expected to have a significant impact on the Company's financial statements. That standard may impact how the classification and measurement of financial instruments requirements under FRS 109 is adopted.

The Company is currently assessing the impact and has decided that it will defer the implementation of FRS 109 until IFRS 17 is effective. The Company will be able to perform a comprehensive assessment of both standards together.

(ii) Applicable to 2019 financial statements

FRS 116 *Leases*

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

Potential impact on the financial statements

The Company has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 30). Based on the preliminary assessment, the Company expects the impact to the financial statements to be immaterial to the net assets of the Company under the new standard.

The Company plans to adopt the standard when it becomes effective in 2019. The Company will perform a detailed analysis of the standard, including the transition options and practical expedients before the standard is effective.

4 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.

(a) 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 12.

(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 the 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 the 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 after taking into consideration of company's ability to review premium rate.

Persistency

An investigation into the Company's experience over the most recent five 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 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 of 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 including its amendments and exemptions as granted by MAS, and SAS GNL02.

SGD denominated liabilities	2017 %	2016 %
1 year	1.71	1.17
2 years	1.64	1.42
3 years	1.68	1.58
4 years	1.72	1.74
5 years	1.76	1.90
6 years	1.82	2.03
7 years	1.89	2.15
8 years	1.95	2.28
9 years	2.02	2.41
10 years	2.09	2.54
11 years	2.15	2.58
12 years	2.20	2.63
13 years	2.26	2.67
14 years	2.32	2.72
15 years	2.38	2.76
16 years	2.54	2.87
17 years	2.71	2.98
18 years	2.87	3.09
19 years	3.04	3.19
20 years and above	3.20	3.30

USD denominated liabilities	2017 %	2016 %
1 year	1.74	0.86
2 years	1.87	1.19
3 years	1.97	1.47
4 years	2.08	1.70
5 years	2.20	1.93
6 years	2.27	2.10
7 years	2.33	2.27
8 years	2.36	2.34
9 years	2.39	2.41
10 years	2.41	2.48
11 years	2.44	2.53
12 years	2.47	2.58
13 years	2.50	2.63
14 years	2.52	2.69
15 years	2.55	2.74
16 years	2.58	2.79
17 years	2.61	2.84
18 years	2.63	2.89
19 years	2.66	2.95
20 years	2.69	3.00
21 years	2.70	3.02
22 years	2.71	3.03
23 years	2.72	3.05
24 years	2.73	3.07
25 years	2.74	3.09
26 years	2.74	3.10
27 years	2.75	3.12
28 years	2.76	3.14
29 years	2.77	3.16
30 years and above	2.78	3.17

The best estimate liability of each policy in the participating fund and universal life products are as defined in Note 3c(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 asset-liability management (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 2.03% to 5.50% (2016: 2.65% to 5.56%).

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% (2016: 2.00%) per annum. The Company conducts an expense study on an annual basis 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 2017 $'000	Change in liability 2016 $'000
Worsening of mortality and morbidity	+10%	-	–
Lowering of investment returns	-1%	1,196,203	2,077,321
Worsening of base renewal expense level	+10%	-	–
Worsening of renewal expense inflation rate	+2%	-	–
Worsening of lapse rate	-10%	-	–

Under the Insurance Act, 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 2017 $'000	Change in profit/equity 2017 $'000	Change in liability 2016 $'000	Change in profit/equity 2016 $'000
Worsening of mortality and morbidity	+10%	88,111	(73,312)	78,938	(65,518)
Lowering of investment returns	-1%	351,844	(292,031)	270,677	(224,662)
Worsening of base renewal expense level	+10%	3,652	(3,031)	3,407	(2,828)
Worsening of renewal expense inflation rate	+2%	3,809	(3,162)	2,985	(2,477)
Worsening of lapse rate	-10%	28,817	(23,918)	23,745	(19,709)

Investment-linked contracts (non-unit reserves)

Variable	Change in variable	Change in liability 2017 $'000	Change in profit/equity 2017 $'000	Change in liability 2016 $'000	Change in profit/equity 2016 $'000
Worsening of mortality and morbidity	+10%	742	(616)	1,385	(1,149)
Lowering of investment returns	-1%	765	(635)	781	(648)
Worsening of base renewal expense level	+10%	2,040	(1,694)	2,315	(1,921)
Worsening of renewal expense inflation rate	+2%	2,891	(2,400)	4,315	(1,002)
Worsening of lapse rate	-10%	2,195	(1,822)	956	(793)

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.

(b) Goodwill

Goodwill impairment testing requires the exercise of judgement by management as to prospective future cash flows. Further information is disclosed in Note 7.

5

Capital, insurance and financial risk management

This section describes the Company's risks exposure, their 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 CAR ratio of the Company as at the reporting date is 210% (2016: 218%).

Under the 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 in the Company's statement of financial position, 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 for each individual insurance fund.

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 to depends on the level of guarantees inherent in the contracts. As at 31 December 2017, the minimum condition liability, which includes only guaranteed benefits, is $10.7 billion (2016: $9.3 billion) and is significantly below the policy assets of $20.4 billion (2016: $17.4 billion). The corresponding policy liability, which would include future bonuses at a level which meets policyholders' reasonable expectations, is $18.0 billion (2016: $16.2 billion). The policy assets in excess of the policy liabilities, amounting to $2.4 billion (2016: $1.2 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 the Integrated Shield plans which cover hospitalisation, surgical fees and certain outpatient treatment expenses. The key risks faced by the Company in respect of non-par contracts are mortality and morbidity risks.

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 benefits may be payable upon death, total permanent disability and critical illness. The key risks faced by the Company in respect of investment-linked contracts are mortality and morbidity risks.

(i) Concentration of insurance risk
Concentration 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 policyholders' 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 that 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 to limit its net loss potential. Reinsurance arrangements for risk undertaken by the Company have 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 Asset-Liability Management Committee and the Investment Committee of the Company reviews the investment policy of the Company on a regular basis. The investment policy establishes investment guidelines and limits and sets controls on the 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 in the Company's statement of financial position, except for freehold property. In addition, best estimate insurance liabilities are also taken into consideration.

The Insurance (Valuation and Capital) Regulations prescribe 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 par 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 to the policyholders.

The participating fund invests in a 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-par 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
2017				
Assets				
Equity securities	–	–	6,236,021	6,236,021
Debt securities	6,669,035	893,412	–	7,562,447
Collective investment schemes	–	–	21,298,481	21,298,481
Derivative financial instruments	–	–	153,895	153,895
Loans and receivables	543,880	–	131,064	674,944
Reinsurers' share of insurance contract liabilities	–	–	1,093,219	1,093,219
Insurance and other receivables	–	–	281,383	281,383
Cash and cash equivalents	1,104,507	–	–	1,104,507
	8,317,422	893,412	29,194,063	38,404,897
Liabilities				
Gross insurance contract liabilities				
(including investment contracts with DPF)	(6,797,883)	(1,654,719)	(24,128,478)	(32,581,080)
Insurance and other payables	(1,869,998)	–	(1,475,245)	(3,345,243)
Derivative financial instruments	–	–	(68,298)	(68,298)
	(8,667,881)	(1,654,719)	(25,672,021)	(35,994,621)
2016				
Assets				
Equity securities	–	–	4,310,146	4,310,146
Debt securities	5,581,836	711,146	–	6,292,982
Collective investment schemes	–	–	19,976,756	19,976,756
Derivative financial instruments	–	–	11,342	11,342
Loans and receivables	513,080	–	77,156	590,236
Reinsurers' share of insurance contract liabilities	–	–	888,315	888,315
Insurance and other receivables	–	–	563,980	563,980
Cash and cash equivalents	883,279	–	–	883,279
	6,978,195	711,146	25,827,695	33,517,036
Liabilities				
Gross insurance contract liabilities				
(including investment contracts with DPF)	(10,555,834)	(3,970,362)	(13,697,711)	(28,223,907)
Insurance and other payables	(1,580,645)	–	(1,115,768)	(2,696,413)
Derivative financial instruments	–	–	(404,610)	(404,610)
	(12,136,479)	(3,970,362)	(15,218,089)	(31,324,930)

(ii) Foreign currency risk

The Company faces foreign currency risk, primarily because some of its investments in equity securities, 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 Dollar (SGD). Other than SGD, the currencies in which these transactions are denominated are United States Dollar (USD), Euro (EUR) and Hong Kong Dollar (HKD).

Apart from natural offsets where the assets and liabilities are denominated in the same currency, the Company adopts the approach of hedging the currency risk of investments that generate stable cash flows. Currency risk derived from investments in foreign equities is generally not hedged.

The Insurance (Valuation and Capital) Regulations prescribe the 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	HKD $'000	Others $'000	Total $'000
2017						
Assets						
Property and equipment	51,895	–	–	–	–	51,895
Intangible assets	304,884	–	–	–	–	304,884
Investments and loans						
- Equity securities	3,123,992	266,514	10,600	1,067,427	1,767,488	6,236,021
- Debt securities	6,571,133	874,874	37,283	26,944	52,213	7,562,447
- Collective investment schemes	7,583,778	10,056,948	3,013,544	165,873	478,338	21,298,481
- Derivative financial instruments	6,120,964	(5,072,896)	(662,388)	(25,711)	(206,074)	153,895
- Loans and receivables	621,901	51,183	596	197	1,067	674,944
Reinsurers' share of insurance contract liabilities	131,155	962,064	–	–	–	1,093,219
Insurance and other receivables	222,998	56,279	–	2,106	–	281,383
Cash and cash equivalents	818,153	257,609	882	8,863	19,000	1,104,507
	25,550,853	7,452,575	2,400,517	1,245,699	2,112,032	38,761,676
Liabilities						
Gross insurance contract liabilities						
(including investment contracts with DPF)	(30,719,234)	(1,861,846)	–	–	–	(32,581,080)
Insurance and other payables	(3,214,650)	(115,802)	–	(6,257)	(8,534)	(3,345,243)
Derivative financial instruments	1,630,993	(530,741)	(738,469)	–	(430,081)	(68,298)
Provision for tax	(66,960)	–	–	–	–	(66,960)
Deferred tax liabilities	(1,391,602)	–	–	–	–	(1,391,602)
	(33,761,453)	(2,508,389)	(738,469)	(6,257)	(438,615)	(37,453,183)

	SGD $'000	USD $'000	EUR $'000	HKD $'000	Others $'000	Total $'000
2016						
Assets						
Property and equipment	57,043	–	–	–	–	57,043
Intangible assets	311,246	–	–	–	–	311,246
Investments and loans						
- Equity securities	2,842,415	74,846	–	512,723	880,162	4,310,146
- Debt securities	5,318,685	846,702	38,090	28,415	61,090	6,292,982
- Collective investment schemes	6,579,715	10,164,675	2,226,959	401,106	604,301	19,976,756
- Derivative financial instruments	884,515	(73,278)	(250,497)	1,739	(551,137)	11,342
- Loans and receivables	550,652	37,183	1,100	284	1,017	590,236
Reinsurers' share of insurance contract liabilities	140,540	747,775	–	–	–	888,315
Insurance and other receivables	475,054	85,587	–	–	3,339	563,980
Cash and cash equivalents	784,523	84,803	30	2,924	10,999	883,279
	17,944,388	11,968,293	2,015,682	947,191	1,009,771	33,885,325
Liabilities						
Gross insurance contract liabilities						
(including investment contracts with DPF)	(26,537,120)	(1,686,787)	–	–	–	(28,223,907)
Insurance and other payables	(1,956,298)	(732,849)	(817)	(2,279)	(4,170)	(2,696,413)
Derivative financial instruments	5,562,561	(5,082,877)	(854,660)	(29,693)	59	(404,610)
Provision for tax	(99,607)	–	–	–	–	(99,607)
Deferred tax liabilities	(1,138,024)	–	–	–	–	(1,138,024)
	(24,168,488)	(7,502,513)	(855,477)	(31,972)	(4,111)	(32,562,561)

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 2017 $'000	Change in equity 2017 $'000	Change in profit 2016 $'000	Change in equity 2016 $'000
Equity prices				
+10%	10,067	8,355	5,444	4,519
-10%	(8,939)	(7,420)	(5,132)	(4,259)
Interest rates				
+10 basis points	(16,000)	(13,280)	(21,591)	(17,920)
-10 basis points	2,592	2,152	17,812	14,784
Foreign currency				
+5%	14	11	7	6
-5%	(14)	(11)	(7)	(6)

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

Variable	Change in investments and loans 2017 $'000	Change in gross insurance contract liabilities 2017 $'000	Change in investments and loans 2016 $'000	Change in gross insurance contract liabilities 2016 $'000
Equity prices				
+10%	976,657	966,590	851,463	856,907
-10%	(976,538)	(976,598)	(843,061)	(848,193)
Interest rates				
+10 basis points	(119,007)	(103,007)	(104,252)	(82,661)
-10 basis points	119,009	116,416	104,255	86,443
Foreign currency				
+5%	395,894	395,880	357,286	357,279
-5%	(395,894)	(395,880)	(357,286)	(357,279)

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 flows, 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
2017					
Gross insurance contract liabilities					
(including investment contracts with DPF)	10,383,350	935,285	4,476,605	16,785,840	32,581,080
Insurance and other payables	–	3,323,821	21,422	–	3,345,243
Derivative financial instruments	145	64,460	3,693	–	68,298
	10,383,495	4,323,566	4,501,720	16,785,840	35,994,621
2016					
Gross insurance contract liabilities					
(including investment contracts with DPF)	9,007,435	842,624	3,826,076	14,547,772	28,223,907
Insurance and other payables	–	2,680,516	15,897	–	2,696,413
Derivative financial instruments	8,176	291,996	102,758	1,680	404,610
	9,015,611	3,815,136	3,944,731	14,549,452	31,324,930

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 statement of 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).

The Company is exposed to substantial credit risk through its investments and reinsurance arrangements. At the reporting date, there were no significant concentration of credit risk. The maximum exposure to credit risk is represented by the aggregate carrying amount of all instruments from the same issuer.

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

	Credit ratings (from Standard & Poor's or equivalents)					
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Below BBB- or not rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2017						
Debt securities						
- Government bonds	3,908,949	11,047	34,127	21,363	328,151	4,303,637
- Corporate and other bonds	273,859	180,083	875,808	1,109,788	819,272	3,258,810
Loans and receivables	–	–	–	–	674,944	674,944
Reinsurers' share of insurance contract liabilities	–	1,093,219	–	–	–	1,093,219
	4,182,808	1,284,349	909,935	1,131,151	1,822,367	9,330,610
2016						
Debt securities						
- Government bonds	2,557,804	11,890	36,896	21,505	1,011,543	3,639,638
- Corporate and other bonds	265,739	184,991	682,474	896,888	623,252	2,653,344
Loans and receivables	–	–	–	–	590,236	590,236
Reinsurers' share of insurance contract liabilities	–	888,315	–	–	–	888,315
	2,823,543	1,085,196	719,370	918,393	2,225,031	7,771,533

The Company's investment policy sets limits on investments in bonds of different credit quality. The Company also imposes limits on each investment counterparty 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 prescribe 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 (2016: none past due).

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 MAS 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 prices at the reporting date, obtained from the Company's custodian's external price sources such as Bloomberg. For investments for which prices are not readily available, quotes are obtained from brokers or 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 the 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
2017				
Forward exchange contracts	6,442,610	1,606,907	147,753	(60,292)
Futures contracts	582,820	235,326	4,634	(1,242)
Currency swap contracts	42,953	120,693	1,508	(6,764)
	7,068,383	1,962,926	153,895	(68,298)
2016				
Forward exchange contracts	977,374	5,692,230	10,720	(379,996)
Futures contracts	114,727	231,239	560	(540)
Currency swap contracts	–	168,269	–	(24,074)
Options contracts	3	–	62	–
	1,092,104	6,091,738	11,342	(404,610)

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 profit or loss and other 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
2017				
Equity securities	6,109,611	30,005	96,405	6,236,021
Debt securities	6,961,354	601,093	–	7,562,447
Collective investment schemes	19,904,029	1,319,470	74,982	21,298,481
Loans and receivables	–	–	36,776	36,776
Derivative financial assets	4,634	149,261	–	153,895
Derivative financial liabilities	(1,242)	(67,056)	–	(68,298)
	32,978,386	2,032,773	208,163	35,219,322
2016				
Equity securities	4,217,145	7,837	85,164	4,310,146
Debt securities	5,318,745	974,237	–	6,292,982
Collective investment schemes	18,609,460	1,309,958	57,338	19,976,756
Loans and receivables	–	–	23,335	23,335
Derivative financial assets	622	10,720	–	11,342
Derivative financial liabilities	(539)	(404,071)	–	(404,610)
	28,145,433	1,898,681	165,837	30,209,951

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

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2017					
Cash and cash equivalents	11	1,104,507	–	–	1,104,507
Loans and receivables		–	638,168	–	638,168
Other receivables	10	–	143,473	–	143,473
Other payables	13	–	(546,527)	–	(546,527)
		1,104,507	235,114	–	1,339,621
2016					
Cash and cash equivalents	11	883,279	–	–	883,279
Loans and receivables		–	566,901	–	566,901
Other receivables	10	–	438,399	–	438,399
Other payables	13	–	(209,272)	–	(209,272)
		883,279	796,028	–	1,679,307

Financial assets measured at fair value based on Level 3

	Equity securities $'000	Collective investment schemes $'000	Loans and receivables $'000	Total $'000
At 1 January 2017	85,164	57,338	23,335	165,837
Net gains/(losses) included in profit or loss				
for the year presented in investment income	11,377	5,332	(2,040)	14,669
Purchases	–	14,418	15,481	29,899
Sales	(136)	(2,106)	–	(2,242)
At 31 December 2017	96,405	74,982	36,776	208,163
At 1 January 2016	84,850	–	–	84,850
Net gains included in profit or loss for the				
year presented in investment income	314	2,969	508	3,791
Purchases	–	54,369	22,827	77,196
Sales	–	–	–	–
At 31 December 2016	85,164	57,338	23,335	165,837

There were no transfers into or out of Level 3.

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.
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.
Valuation by independent valuer which uses discounted cash flow method using risk adjusted rates of comparable bonds in the market.	Risk adjusted discount rates that are not market determined.	Fair value will increase if the risk adjusted discount rates decrease.
Valuation by Net Asset Value of the fund.	Not applicable.	Not applicable.

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 statement of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the statement of financial position.

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 statement of financial position. 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 statement of financial position $'000	Net amounts of financial assets/ (liabilities) presented in the statement of financial position $'000	Related amounts not offset in the statement of financial position – Financial instruments $'000	Net amount $'000
2017						
Financial assets						
Amount due from related companies (non-insurance)	10	7,637	(7,357)	280	–	280
Other receivables	10	93,709	–	93,709	(24,838)	68,871
		101,346	(7,357)	93,989	(24,838)	69,151
Financial liabilities						
Amount due to related companies (non-insurance)	13	(35,138)	7,357	(27,781)	–	(27,781)
Other payables and accrued expenses	13	(354,490)	–	(354,490)	24,838	(329,652)
		(389,628)	7,357	(382,271)	24,838	(357,433)

	Note	Gross amounts of recognised financial assets/ (liabilities) $'000	Gross amounts of recognised financial assets/ (liabilities) offset in the statement of financial position $'000	Net amounts of financial assets/ (liabilities) presented in the statement of financial position $'000	Related amounts not offset in the statement of financial position – Financial instruments $'000	Net amount $'000
2016						
Financial assets						
Amount due from related companies (non-insurance)	10	6,435	(6,427)	8	–	8
Other receivables	10	49,284	–	49,284	(10,215)	39,069
		55,719	(6,427)	49,292	(10,215)	39,077
Financial liabilities						
Amount due to related companies (non-insurance)	13	(36,676)	6,427	(30,249)	–	(30,249)
Other payables and accrued expenses	13	(136,391)	–	(136,391)	10,215	(126,176)
		(173,067)	6,427	(166,640)	10,215	(156,425)

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

- receivables and payables – amortised cost.

The amounts in the above tables that are offset in the statement of financial position are measured on the same basis.

6

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 2016	1,440	31,500	2,058	45,370	548	20,967	101,883
Additions	–	–	773	5,517	–	6,737	13,027
Gain on revaluation	–	1,479	–	–	–	–	1,479
Reversal of depreciation on revaluation	–	(979)	–	–	–	–	(979)
At 31 December 2016	1,440	32,000	2,831	50,887	548	27,704	115,410
Additions	–	–	201	8,711	–	4,653	13,565
Disposals	(1,440)	–	(25)	(2,794)	–	–	(4,259)
Gain on revaluation	–	1,526	–	–	–	–	1,526
Reversal of depreciation on revaluation	–	(1,026)	–	–	–	–	(1,026)
At 31 December 2017	–	32,500	3,007	56,804	548	32,357	125,216
Accumulated depreciation							
At 1 January 2016	662	–	1,304	33,785	295	11,493	47,539
Depreciation charge for the year	29	979	394	6,591	57	3,757	11,807
Reversal of depreciation on revaluation	–	(979)	–	–	–	–	(979)
At 31 December 2016	691	–	1,698	40,376	352	15,250	58,367
Depreciation charge for the year	12	1,026	694	8,796	57	7,918	18,503
Disposals	(703)	–	–	(1,820)	–	–	(2,523)
Reversal of depreciation on revaluation	–	(1,026)	–	–	–	–	(1,026)
At 31 December 2017	–	–	2,392	47,352	409	23,168	73,321
Carrying amounts							
At 1 January 2016	778	31,500	754	11,585	253	9,474	54,344
At 31 December 2016	749	32,000	1,133	10,511	196	12,454	57,043
At 31 December 2017	–	32,500	615	9,452	139	9,189	51,895

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 2017. 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.

$1,526,000 (2016: $1,479,000) of revaluation gain was credited to the revaluation reserve.

The approximate carrying amount of leasehold property would have been $13,787,000 (2016: $14,170,000) had the leasehold property been carried under the cost method.

The freehold property (2016: $749,000) has been sold during the year.

Property and equipment are non-current assets.

7 Intangible assets

	Goodwill $'000	Acquired value in-force business $'000	Others $'000	Total $'000
Cost				
At 1 January 2016	231,279	29,787	114,254	375,320
Additions	–	–	5,242	5,242
Disposals	–	–	(11,393)	(11,393)
At 31 December 2016	231,279	29,787	108,103	369,169
Additions	–	–	11,646	11,646
At 31 December 2017	231,279	29,787	119,749	380,815
Accumulated amortisation				
At 1 January 2016	–	8,937	46,182	55,119
Amortisation charge for the year	–	1,488	12,709	14,197
Disposals	–	–	(11,393)	(11,393)
At 31 December 2016	–	10,425	47,498	57,923
Amortisation charge for the year	–	1,489	16,519	18,008
At 31 December 2017	–	11,914	64,017	75,931
Carrying amounts				
At 1 January 2016	231,279	20,850	68,072	320,201
At 31 December 2016	231,279	19,362	60,605	311,246
At 31 December 2017	231,279	17,873	55,732	304,884

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, morbidity, persistency and expenses as described in Note 4 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 2.81% to 6.05% (2016: 3.51% to 6.16%).

(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 1.26% to 8.53% (2016: 1.74% to 8.51%).

Others

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

Intangible assets are non-current assets.

8

Investments and loans

	Note	2017 $'000	2016 $'000
Financial assets designated at fair value through profit or loss			
Equity securities			
- Listed equity securities		6,139,616	4,224,982
- Unlisted equity securities		96,405	85,164
		6,236,021	4,310,146
Debt securities			
- Government bonds		4,303,637	3,639,638
- Listed corporate and other bonds		3,006,173	2,450,695
- Unlisted corporate and other bonds		252,637	202,649
		7,562,447	6,292,982
Collective investment schemes		21,298,481	19,976,756
Derivative financial instruments	5(d)	153,895	11,342
Loans and receivables			
Investment income receivables		131,064	77,156
Policy loans		507,104	487,945
Corporate loans		36,776	25,135
		674,944	590,236
Total investments and loans		35,925,788	31,181,462
Current portion		28,396,845	24,545,726
Non-current portion		7,528,943	6,635,736
		35,925,788	31,181,462

Included in the investments above are financial assets which have been lent out to third parties. The Company currently participates in a securities lending programme, 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.

The loaned securities are not derecognised; rather, they continue to be recognised within the appropriate investment classification. The Company's policy is that collateral in excess of 100 per cent of the fair value of securities loaned is required from all securities' borrowers and typically consists of short-term time deposits and money market instruments. The collateral and corresponding obligation to return such collateral are recognised in the statement of financial position.

The fair values of the assets on loan and collateral under the securities lending programme are as follow:

Fair value of assets on loan		Fair value of collateral		Collateral as a % of assets on loan	
2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 %	2016 %
5,016	4,222	5,267	4,433	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.

Corporate loans comprise of the following:

- An infrastructure loan of $36,775,642 (2016: $23,335,109) which is secured, bears interest at 6.875% (2016: 6.875%) per annum and has tenure of eleven years.
- A corporate loan of $1,800,000 to a company which was fully repaid during the year.

9

Reinsurers' share of insurance contract liabilities

	2017 $'000	2016 $'000
Reinsurers' share of insurance contract liabilities	1,093,219	888,315

The movement of reinsurers' share of insurance contract liabilities is as follows:

	2017 $'000	2016 $'000
At 1 January	888,315	227,335
Increase in reinsurers' share of insurance contract liabilities	204,904	660,980
At 31 December	1,093,219	888,315
Current portion	120,350	–
Non-current portion	972,869	888,315
	1,093,219	888,315

10

Insurance and other receivables

	2017 $'000	2016 $'000
Receivables arising from insurance and reinsurance contracts:		
- Due from policyholders	100,436	90,084
- Due from agents	22,435	16,254
- Due from reinsurers	2,507	1,132
	125,378	107,470
Prepayments	12,532	18,111
Other receivables:		
- Amounts due from related companies (non-insurance)	280	8
- Other receivables	93,709	49,284
- Collateral deposits placed with financial institutions	49,484	389,107
	143,473	438,399
	281,383	563,980
Current portion	280,931	562,830
Non-current portion	452	1,150
	281,383	563,980

Amounts due from related companies (non-insurance) are unsecured, interest-free and have no fixed terms of repayment. There is no allowance for doubtful debts arising from these receivables (2016: nil).

11

Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	485,987	453,457
Short-term time deposits	502,004	425,342
	978,991	878,799
Cash collateral received	116,516	4,480
	1,104,507	883,279

The effective interest rate on short-term time deposits was 0.95% (2016: 0.73%) per annum and the deposits have an average maturity of less than 25 days (2016: less than 63 days).

Cash collateral received represents bank balances received under the securities lending programme (see Note 8) and derivatives transactions.

12

Gross insurance contract liabilities

	Note	2017 $'000	2016 $'000
Long term insurance contracts:			
- Life insurance par contracts	12(i)	18,982,280	16,145,300
- Life insurance non-par contracts	12(ii)	2,980,025	2,796,040
- Investment-linked contracts			
- Unit reserves	12(iii)	10,383,350	9,007,435
- Non-unit reserves	12(iv)	16,344	28,955
		32,361,999	27,977,730
Provision for outstanding claims		172,725	159,806
Total insurance contract liabilities		32,534,724	28,137,536
Long term investment contracts:			
- Life investment contracts with DPF	12(v)	46,356	86,371
Total insurance contract liabilities *(including investment contracts with DPF)*		32,581,080	28,223,907
Current portion		172,725	159,806
Non-current portion		32,408,355	28,064,101
		32,581,080	28,223,907

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

- an amount of $818.8 million (2016: $760.8 million) relating to accumulated capital injections from the Prudential Worldwide Long-Term Estate (the "Estate") and accumulated investment returns since 1988; and
- a provision for current year policyholder bonuses of $388.2 million (2016: $365.9 million).

Movements in insurance contract liabilities

(i) Life insurance par contracts

	2017 $'000	2016 $'000
At 1 January	16,145,300	13,903,979
Premiums received, net of reinsurance	2,995,088	2,708,222
Claims and surrenders	(1,291,160)	(1,199,495)
Expenses:		
- Operating	(505,302)	(409,488)
- Non-operating	(60,593)	(47,105)
Movement in deferred tax	(255,093)	(150,127)
Income:		
- Investment income	2,039,365	1,416,907
- Other expense	(39,507)	(34,927)
Transfer to shareholders' fund	(45,818)	(42,666)
At 31 December	18,982,280	16,145,300

(ii) Life insurance non-par contracts

	2017 $'000	2016 $'000
At 1 January	2,796,040	2,514,081
Valuation premiums	31,646	36,016
Liabilities released for payments on death and other terminations	(279,811)	(106,081)
Accretion of interest	73,657	46,920
Other movements	232,834	18,987
New business	109,986	192,616
Change in valuation basis:		
- Discount rate	34,278	92,001
- Others	(18,605)	1,500
At 31 December	2,980,025	2,796,040

As defined in the accounting policies Note 3(c)(iii), valuation premiums are the amount of premiums received that have a direct impact of increasing the insurance contract liabilities.

Included in the Change in valuation basis - Others is the impact of the removal of surrender value in estimating universal life contract liabilities amounting to $0.2 million. It is impracticable to estimate the effect on future periods.

(iii) Investment-linked contracts (unit reserves)

	2017 $'000	2016 $'000
At 1 January	9,007,435	8,610,603
Premiums received	1,254,695	985,453
Fees deducted from account balances of investment-linked contracts	(332,606)	(311,372)
Liabilities released for payments on death, surrender and other terminations	(1,164,161)	(858,059)
Changes in unit prices	1,621,148	580,363
Other movements	(3,161)	447
At 31 December	10,383,350	9,007,435

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

	2017 $'000	2016 $'000
At 1 January	28,955	27,698
Premiums received	8,521	(626)
Fees deducted from account balances	1,310	1,465
Liabilities released for payments on death, surrender and other terminations	(238)	(893)
Accretion of interest	(62)	147
Changes in unit prices (within insurance benefits)	(914)	(1,529)
New business	(2,979)	867
Change in valuation basis:		
- Discount rate	(184)	1,309
- Others	(18,065)	517
At 31 December	16,344	28,955

Included in the Change in valuation basis - Others is the impact of the refinement of reserving basis for certain investment-linked contracts amounting to $20.4 million. It is impracticable to estimate the effect on future periods.

(v) Life investment contracts with DPF

	2017 $'000	2016 $'000
At 1 January	86,371	148,591
Claims and surrenders	(41,769)	(60,442)
Investment income	3,497	1,515
Others	(1,743)	(3,293)
At 31 December	46,356	86,371

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Insurance and other payables

	Note	2017 $'000	2016 $'000
Payables arising from insurance and reinsurance contracts:			
- Insurance contract payables		1,929,721	1,731,527
- Reinsurance payables		868,995	755,614
		2,798,716	2,487,141
Other payables:			
- Provision for agency expenses		18,338	14,273
- Share-based payment liability	29	29,402	23,879
- Amount due to related companies (non-insurance)		27,781	30,249
- Cash collateral received	11	116,516	4,480
- Other payables and accrued expenses		354,490	136,391
		546,527	209,272
		3,345,243	2,696,413
Current portion		3,323,821	2,680,514
Non-current portion		21,422	15,899
		3,345,243	2,696,413

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 designed to provide benefits to advisors, senior management and retirement needs of long serving advisors.

14

Financial liabilities

	Note	2017 $'000	2016 $'000
Derivative financial instruments	5(d)	68,298	404,610
Current portion		64,606	300,172
Non-current portion		3,692	104,438
		68,298	404,610

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Deferred tax liabilities

	Note	2017 $'000	2016 $'000
At 1 January		1,138,024	988,188
Net provision made during the year	27	253,578	149,836
At 31 December		1,391,602	1,138,024

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

	Assets		Liabilities		Net	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Short-term timing differences	(4,051)	(2,749)	–	–	(4,051)	(2,749)
Capital allowances for property and equipment	–	–	988	1,298	988	1,298
Tax on future distributions	–	–	1,394,665	1,139,475	1,394,665	1,139,475
Deferred tax (assets)/liabilities	(4,051)	(2,749)	1,395,653	1,140,773	1,391,602	1,138,024

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 (assets)/liabilities are non-current.

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Share capital

	2017 No. of shares ('000)	2016 No. of shares ('000)
Fully paid ordinary shares:		
At the beginning and at the 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.

17

Reserves

	Note	2017 $'000	2016 $'000
Capital contribution reserve		1,020	1,019
Revaluation reserve	6	16,781	15,255
		17,801	16,274

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

The revaluation reserve relates to the revaluation of leasehold property.

18

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:

	2017 $'000	2016 $'000
Interim dividends		
$0.48 (2016: $0.47) per qualifying share	250,200	250,000

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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
2017							
Financial assets							
Investments and loans							
- Equity securities	8	6,236,021	–	–	–	6,236,021	6,236,021
- Debt securities	8	7,562,447	–	–	–	7,562,447	7,562,447
- Collective investment schemes	8	21,298,481	–	–	–	21,298,481	21,298,481
- Derivative financial instruments	8	–	153,895	–	–	153,895	153,895
- Loans and receivables	8	36,776	–	638,168	–	674,944	674,944
Other receivables	10	–	–	143,473	–	143,473	143,473
Cash and cash equivalents	11	–	–	1,104,507	–	1,104,507	1,104,507
		35,133,725	153,895	1,886,148	–	37,173,768	37,173,768
Financial liabilities							
Other payables	13	–	–	–	(546,527)	(546,527)	(546,527)
Derivative financial instruments	14	–	(68,298)	–	–	(68,298)	(68,298)
		–	(68,298)	–	(546,527)	(614,825)	(614,825)
2016							
Financial assets							
Investments and loans							
- Equity securities	8	4,310,146	–	–	–	4,310,146	4,310,146
- Debt securities	8	6,292,982	–	–	–	6,292,982	6,292,982
- Collective investment schemes	8	19,976,756	–	–	–	19,976,756	19,976,756
- Derivative financial instruments	8	–	11,342	–	–	11,342	11,342
- Loans and receivables	8	23,335	–	566,901	–	590,236	590,236
Other receivables	10	–	–	438,399	–	438,399	438,399
Cash and cash equivalents	11	–	–	883,279	–	883,279	883,279
		30,603,219	11,342	1,888,579	–	32,503,140	32,503,140
Financial liabilities							
Other payables	13	–	–	–	(209,272)	(209,272)	(209,272)
Derivative financial instruments	14	–	(404,610)	–	–	(404,610)	(404,610)
		–	(404,610)	–	(209,272)	(613,882)	(613,882)

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Net insurance premiums

	Insurance premiums		Reinsurance premiums		Net insurance premiums	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Life insurance par contracts	2,998,031	2,711,013	(2,943)	(2,791)	2,995,088	2,708,222
Life insurance non-par contracts	1,095,829	879,106	(306,680)	(598,966)	789,149	280,140
Investment-linked contracts	1,254,694	985,453	(9,530)	(9,510)	1,245,164	975,943
	5,348,554	4,575,572	(319,153)	(611,267)	5,029,401	3,964,305

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Fees and commission income

	2017 $'000	2016 $'000
Fee income	15,356	15,145
Reinsurance commission	5,215	32,788
	20,571	47,933

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Investment income

	2017 $'000	2016 $'000
Interest income		
- Debt securities	209,747	199,508
- Loans and receivables	31,061	28,966
- Cash and cash equivalents	3,957	1,828
Dividend income	364,251	296,557
Rental income	1,262	1,330
	610,278	528,189
Net realised gains and fair value changes on financial assets at fair value through profit or loss	3,229,254	1,724,766
Exchange losses	(17,944)	(9,495)
	3,821,588	2,243,460
Life insurance par contracts *(including investment contracts with DPF)*	2,028,347	1,409,494
Life insurance non-par contracts	165,732	247,242
Investment-linked contracts	1,624,479	588,018
Investment income from insurance operations	3,818,558	2,244,754
Shareholders' fund	3,030	(1,294)
	3,821,588	2,243,460

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Net claims and benefits incurred

	2017 $'000	2016 $'000
Long-term insurance contracts:		
Life insurance par contracts ***(including investment contracts with DPF)***		
Net claims, maturity and surrender benefits	1,332,929	1,259,937
Increase in liabilities during the year	2,796,965	2,179,101
Reinsurers' share of increase in liabilities during the year	24,219	(21,794)
Life insurance non-par contracts		
Net claims, maturity and surrender benefits	618,443	400,996
Increase in liabilities during the year	183,985	281,959
Reinsurers' share of increase in liabilities during the year	(229,123)	(639,186)
Investment-linked contracts		
Net claims, maturity and surrender benefits	1,206,752	903,305
Increase in liabilities during the year	1,363,304	398,089
Shareholders' fund claims expenses		
Net claims, maturity and surrender benefits	32	19
	7,297,506	4,762,426

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Commission and distribution costs

	2017 $'000	2016 $'000
Commission expenses	444,969	411,734
Other acquisition costs	149,875	112,346
	594,844	524,080

Included in commission expenses is $2,140,000 (2016: $3,877,000) of the share-based compensation expenses.

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Staff costs

	2017 $'000	2016 $'000
Salaries and benefits in kind	118,914	86,238
Contributions to Central Provident Fund	10,201	8,491
Share-based compensation expenses	6,879	7,065
	135,994	101,794

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Other operating expenses

Included in other operating expenses are the following:

	2017 $'000	2016 $'000
Administrative expenses	20,868	17,210
Operational expenses	46,465	37,995
Advertising and promotional expenses	30,121	11,080
Investment expenses	111,416	93,069

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Taxation

	Note	2017 $'000	2016 $'000
Current tax expense			
Current year		72,452	99,154
Adjustment for prior periods		(3,133)	(1,480)
		69,319	97,674
Deferred tax expense			
Origination and reversal of temporary differences	15	253,578	149,836
Total income tax expense		322,897	247,510

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.

	2017 $'000	2016 $'000
Reconciliation of effective tax charge		
Profit before tax	557,299	650,645
Income tax using domestic corporation tax rate of 17% (2016: 17%)	94,741	110,610
Taxation relating to insurance funds	254,439	161,639
Non-deductible expenses	3,194	2,642
Adjustment for prior periods	(3,133)	(1,480)
Non-taxable income	(28,862)	(23,279)
Others	2,518	(2,622)
	322,897	247,510

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Profit/(loss) for the year by funds

	2017 $'000	2016 $'000
Life insurance par contracts *(including investment contracts with DPF)*	38,031	35,415
Life insurance non-par contracts	111,563	283,168
Investment-linked contracts	112,822	99,372
Shareholders' fund	(28,014)	(14,820)
	234,402	403,135

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Share-based payment transactions

The Company has the following share-based payment arrangements:

Share-based compensation plans (equity settled)

There are three main groups of compensation plans which are described below:

(i) 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 the exercise price.

(ii) 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 to dividend shares. If the employee withdraws from the plan, or leaves the Group, the matching shares will be forfeited. The matching shares vest 12 months after the period.

(iii) Incentive plans issued from 2015 onwards

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.

Share-based compensation plans (cash settled)

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

(i) Incentive plans issued before 2015

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.

(ii) 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, on the basis of performance and subject to the individual continuing to be an advisor with the Company at the end of the vesting period.

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

	Weighted average exercise price $	2017 Number of options	2016 Number of options
Options outstanding			
At 1 January	18.06	1,996	89,263
- Transfer in	18.06	1,664	–
- Vested	18.06	–	(78,212)
- Withdrawn	18.06	–	(9,055)
At 31 December	18.06	3,660	1,996

	2017 Number of awards	2016 Number of awards
Awards outstanding		
At 1 January	2,718,352	2,256,921
- Granted	500,967	961,085
- Vested	(494,661)	(229,843)
- Withdrawn	(65,531)	(269,811)
At 31 December	2,659,127	2,718,352

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 20/9/2013
Fair value at measurement date ($)	7.43
Share price at grant date ($)	23.75
Exercise price ($)	18.06
Expected volatility	23.23%
Expected life	5 years
Expected dividend yield	2.73%
Risk-free interest rate	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 at the date of exercise for share options exercised in 2017 was GBP19.05 (2016: GBP16.28).

	Note	2017 $'000	2016 $'000
Share-based compensation expense			
- Amount accounted for as cash settled		8,455	10,338
- Amount accounted for as equity settled		564	605
Carrying value at 31 December of liabilities arising from cash settled share-based payment transactions	13	29,402	23,879

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Commitments

Capital commitments

	2017 $'000	2016 $'000
Contracted at the reporting date but not provided for	24,904	1,585

Operating lease commitments

The Company leases a number of premises under operating leases. The leases typically run for a period of three to six 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:

	2017 $'000	2016 $'000
Payable:		
- Within one year	26,250	23,960
- After one year but within five years	88,858	52,651
- After five years	10,483	12,256
	125,591	88,867

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Significant related party transactions

Related party transactions

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

	2017 $'000	2016 $'000
Charges for life administration and operation services rendered by related corporations	32,076	28,059
Charges for management services provided to immediate holding company	161	161
Charges for management services rendered by a related corporation	24,340	22,696
Recovery of expense by a related corporation	27,908	19,632
Investment management fees (net) paid to a related corporation	40,577	31,918
Recovery of expense from related corporations	2,473	2,326
Salaries and other short-term employee benefits to key management	7,044	5,530

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Contingencies

In a suit commenced by the Company against an ex-agent, a counter-claim was made by the ex-agent. Based on the legal assessment, management believes that it is unlikely that there will be an outflow of future economic benefits as a result of this counter-claim. At the current stage of the suit, it is not practicable to estimate the potential financial effect of the contingent liability.