INTERNATIONAL FACTORS (SINGAPORE) LTD

ANNUAL REPORT 2005

INTERNATIONAL FACTORS (SINGAPORE) LTD

International Factors (Singapore) Ltd ("IFS") is an established financial institution involved in factoring, financing, venture capital and private equity investments. The Group also provides credit insurance, bonds and guarantees.

Incorporated in Singapore in 1987, the company was listed on the mainboard of the Singapore Exchange in July 1993. IFS also has operations in Indonesia and Thailand.

CONTENTS

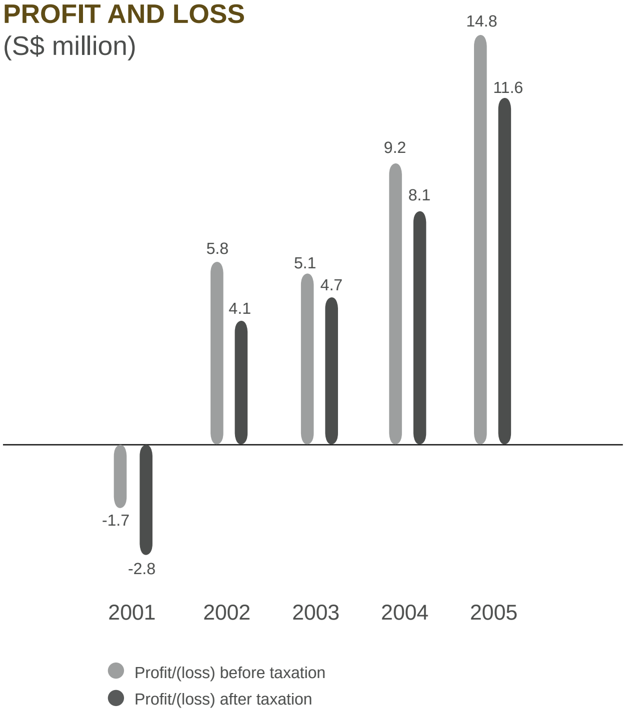
To be an innovative regional financial solutions provider for our clients, committed to service excellence, and to create value for shareholders, management and staff.

Group Financial Highlights

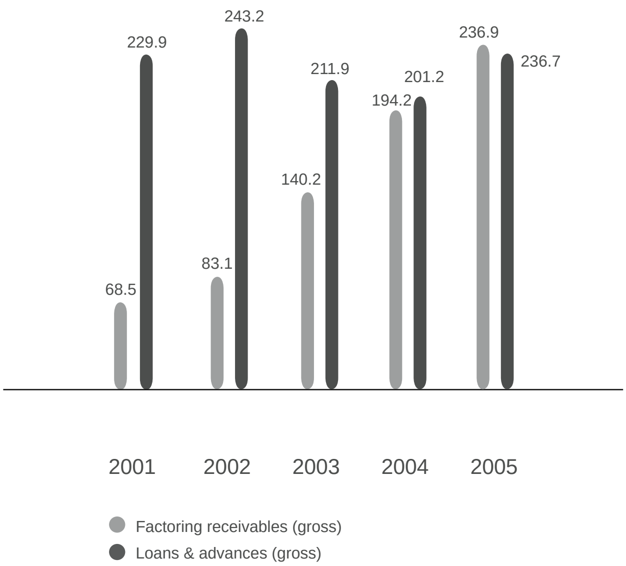
S$'000	2005	2004	2003	2002	2001
PROFIT & LOSS STATEMENT					
Gross operating income	**39,964**	33,492	22,874	22,678	22,924
Profit/(loss)					
- before tax	**14,780**	9,194	5,097	5,836	(1,744)
- after tax	**11,588**	8,107	4,677	4,057	(2,792)
BALANCE SHEET					
Issued share capital	**51,649**	51,649	51,491	51,491	51,491
Shareholders' funds	**107,591**	95,788	88,266	84,241	80,667
Total assets	**554,831**	447,177	381,961	347,068	336,482
Total liabilities	**447,240**	351,389	293,695	262,827	255,815
DIVIDEND INFORMATION					
Dividends declared/proposed for the year (net of tax)	**4,132**	2,892	1,030	803	–
FINANCIAL RATIOS					
Earnings/(loss) per share after tax (cents)	**11.20**	7.87	4.54	3.94	(2.71)
Gross dividends declared (ordinary) per share *					
- %	**10.00**	7.00	2.50	2.00	–
- cents	**5.00**	3.50	1.25	1.00	–
Dividend cover (number of times) *	**2.32**	3.07	1.49	4.18	–
Net tangible assets per share ($)	**1.04**	0.95	0.90	0.81	0.78
Return on average shareholders' funds (%)	**11.40**	8.81	5.42	4.92	(3.54)

Note: * Gross dividends per share and dividend cover are stated based on the dividends declared/proposed in relation to the respective financial years.
Certain comparatives in the financial statements have been changed from the previous year to conform with current year's presentation.

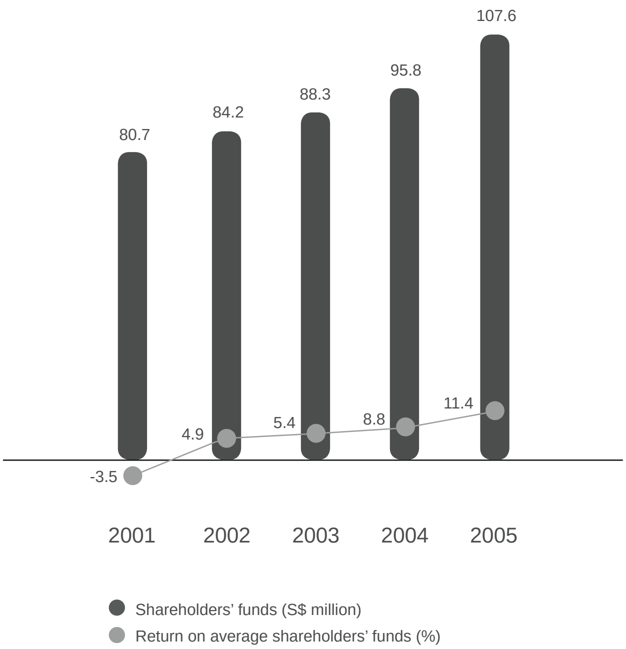
PROFIT AND LOSS
(S$ million)



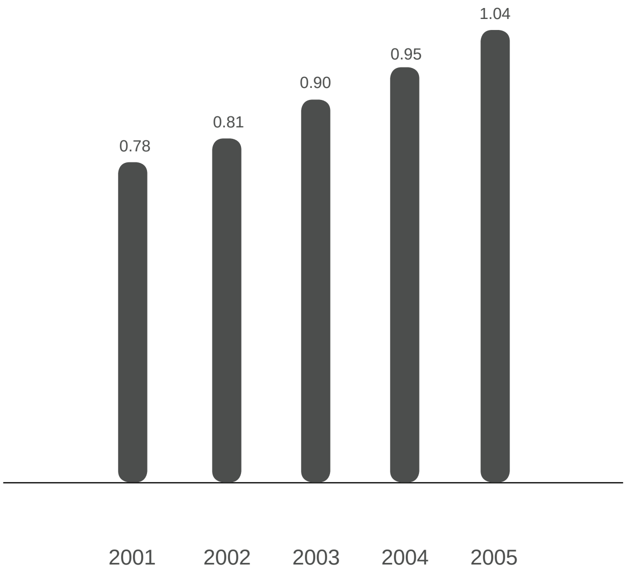
FACTORING RECEIVABLES AND LOANS & ADVANCES
(S$ million)



SHAREHOLDERS' FUNDS (S$ million) RETURN ON AVERAGE SHAREHOLDERS' FUNDS (%)



NET TANGIBLE ASSETS PER SHARE
(S$)



Lim Hua Min
Chairman of International Factors (Singapore) Ltd

Chairman's Statement

"2005 WAS A NOTE-WORTHY YEAR AS WE CONTINUED TO BUILD UPON OUR SUCCESS IN 2004. I AM PLEASED TO REPORT THAT THE IFS GROUP ACHIEVED A NET PROFIT BEFORE TAX OF $14.8 MILLION, AN INCREASE OF 61% OVER THE PREVIOUS YEAR."

2005 was a note-worthy year as we continued to build upon our success in 2004. I am pleased to report that the IFS Group achieved a net profit before tax of $14.8 million, an increase of 61% over the previous year. After tax, the Group achieved a net profit of $11.6 million, an increase of 43% over the previous year.

A number of factors contributed to this sterling result. Increased contributions from our subsidiary, ECICS Limited ("ECICS"), new clients, products and services and a general improvement in business conditions were contributory factors. We continued to achieve historical highs in our total factoring volume and our financing business including loans, hire purchases and structured finance products continued its growth.

Net interest income from our financing activities rose to $12.8 million, up by 17% due to increase in loans booked and factoring volume.

Gross written premium of ECICS surged to $13.7 million from $6.9 million in 2004 as a result of an increase in the credit insurance and bonds and guarantee businesses. However, the net earned premium was $5.5 million lower as compared to the net earned premium of $8.8 million in 2004. This is because there was a write back of the provisions for unexpired risk from the reserve account to the premium income in 2004.

Group non-interest income, including fees, commissions and investment income, rose to $15.3 million, up by 39% against the previous year.

Group income before operating expenses grew to $33.6 million as compared to $30.8 million the previous year, an increase of 9%.

Group total operating expenses incurred was $13.8 million, up by 12%. This was due mainly to an increase in commission paid to brokers and professional fees incurred for business and operational related projects. Staff costs were also higher due to an increase in the number of staff employed and provisions for performance-related bonuses.

Net claims incurred for the insurance business decreased to $0.9 million as compared to $5.4 million in 2004 due to lower provisions and claims paid in 2005. However, allowances for loans and investments impairment increased by 20% to $4.7 million due mainly to higher impairment losses set aside for loans and factoring receivables but offset by lower collective provisions following the adoption of the new accounting standard FRS 39.

On a company basis, ECICS performed well, with a net profit after tax of $5.1 million as compared to $3.0 million the previous year.

Our Thailand associate, Ayudhya International Factors Co., Ltd continued its strong performance. Our factoring volume in Thailand grew 68% to a historical high of Baht 9.1 billion. This helped to lift the contribution from associates to $0.5 million, an increase of 78% over the previous year.

PERFORMANCE BENCHMARKING

We achieved a double-digit return on equity (after tax) of 11.4% against 8.8% the previous year.

The Group's earnings per share rose to 11.2 cents versus 7.9 cents the previous year. Net asset value per share for the Group stood at $1.04 at the end of 2005 as compared to $0.93 the previous year.

While total operating expenses rose by 12%, our cost-to-income ratio (excluding ECICS) decreased from 42.6% in 2004 to 40.1% in 2005. On a group basis, including ECICS, our cost-to-income ratio increased marginally to 37.5%.

I am pleased that all the above indicators are on a healthy trend. Although reliance solely on financial ratios for benchmarking will not be sufficient, they are nevertheless useful by which management can appraise themselves. Financial indicators tend to measure the tangibles in business. In our service industry, we need to move conscientiously towards the intangibles, where traditional accounting methodology has difficulty in keeping pace.

CORPORATE INITIATIVES

During the year, IFS Capital Assets Private Limited ("IFS Capital Assets") acquired ECICS Ventures Pte Ltd (now renamed IFS Ventures Private Limited) and ECICS Ventures 2 Ltd (now renamed IFS Ventures 2 Limited) resulting in them becoming wholly-owned subsidiaries. With the start-up of the Structured Finance team in 2004, IFS Capital Assets will be the main vehicle for venture capital and direct private equity for the IFS Group. As most of IFS' clients are SMEs, the advent of IFS Capital Assets as a direct equity participant will extend our financing continuum from debt financing to direct equity.

OVERSEAS OPERATIONS

In Thailand, Ayudhya International Factors Co., Ltd had a good performance with net profits of Baht 48.7 million (equivalent to approximately S$2.0 million), a growth rate of about 55% over the previous year.

IFS also expanded its operations in Thailand with the acquisition of a 10% stake in Advance Finance Public Company Limited ("AF"), a registered finance company in Thailand. Current regulations do not favour us in increasing our interest in AF without restrictive operating conditions. While our interests remain at 10%, we see the stake as a long term core interest and we remain committed to growing our business there together with AF. As an institutional partner, we will be looking to work with AF on expanding our footprint in Thailand with a wider range of activities.

In Indonesia, IFS acquired an additional 38% in PT. Niaga International Factors (now renamed PT. International Factors Indonesia), resulting in the company becoming a subsidiary. With control of the Board and management, we will be expanding our full scope of services in factoring, leasing as well as cross border financing. Our presence in Indonesia gives us an edge with Singapore companies who wish to expand their operations there.

We are currently looking at starting up operations in Malaysia again. Shareholders will recall that our interest in our previous associate, PB International Factors Sdn Bhd was sold back to our partner due to regulatory constraints in 2004. Historically, Malaysia has been an important market for IFS and we will be looking to re-start operations there again this year.

Other markets will continue to be explored as and when opportunities arise.

PROPOSED CHANGE OF NAME

With an expanded range of activities, the Company will be proposing to change its name from International Factors (Singapore) Ltd to IFS Capital Limited. This reflects the diverse range of activities carried out by the Group. While factoring remains a core activity, the Group is also involved in working capital loans, hire purchase, leasing and machinery loans as well as investments. It has further diversified in the last few years into credit insurance and guarantee, mezzanine capital and structured finance, as well as cross border loans and finance. A name change is thus appropriate to reflect our diversity.

The new name, IFS Capital Limited retains our historical brand name, IFS, as well as identifies our growing diversification into other services.

PROPOSED DIVIDEND

To reward shareholders for the Group's performance, our Board is pleased to recommend a first and final gross dividend of 5 cents per ordinary share which gives a payout of about 43% of the Company's earnings. As mentioned in my statement last year, our Board has adopted a minimum dividend policy of paying out not less than 30% of earnings each year. The proposed dividend of 5 cents is higher than the minimum and the Board will continue to review its payout ratio each year.

THE ROAD AHEAD

After 16 years since incorporation, 2005 represents the turning corner for IFS. Our earnings are at a historical high and business volumes are much more significant than previous years. We have ventured into new business areas and we will continue to build upon these foundations.

The competition for the SME sector in Singapore has grown more competitive in the last few years with the entrance of several new players, in particular the commercial banks. The SME sector has been and will continue to be our traditional market. The SME market however is constantly evolving with new businesses being created and new entrepreneurs coming to the market each year. We will continue to service this sector, not just in providing financing but the whole continuum of capital, be it equity, debt or working capital such as factoring. Traditionally we have been involved in providing private equity to these businesses and the Group will continue to invest in viable companies with long term potential. We do not see the market as a matured one but one that is vibrant. With our skill-sets and flexibility, we believe that we can continue to have a niche role in this sector servicing both new entrepreneurs as well as existing businesses who wish to expand. Our regional network and international links with foreign partners enables us to service their growing internationalization requirements.

For 2006, the Group will be embarking on new initiatives as well as new markets. Malaysia will be restarted, we have increased our presence in Thailand and in Indonesia, our associate has become our subsidiary. These markets will continue to remain the focus for us for the future.

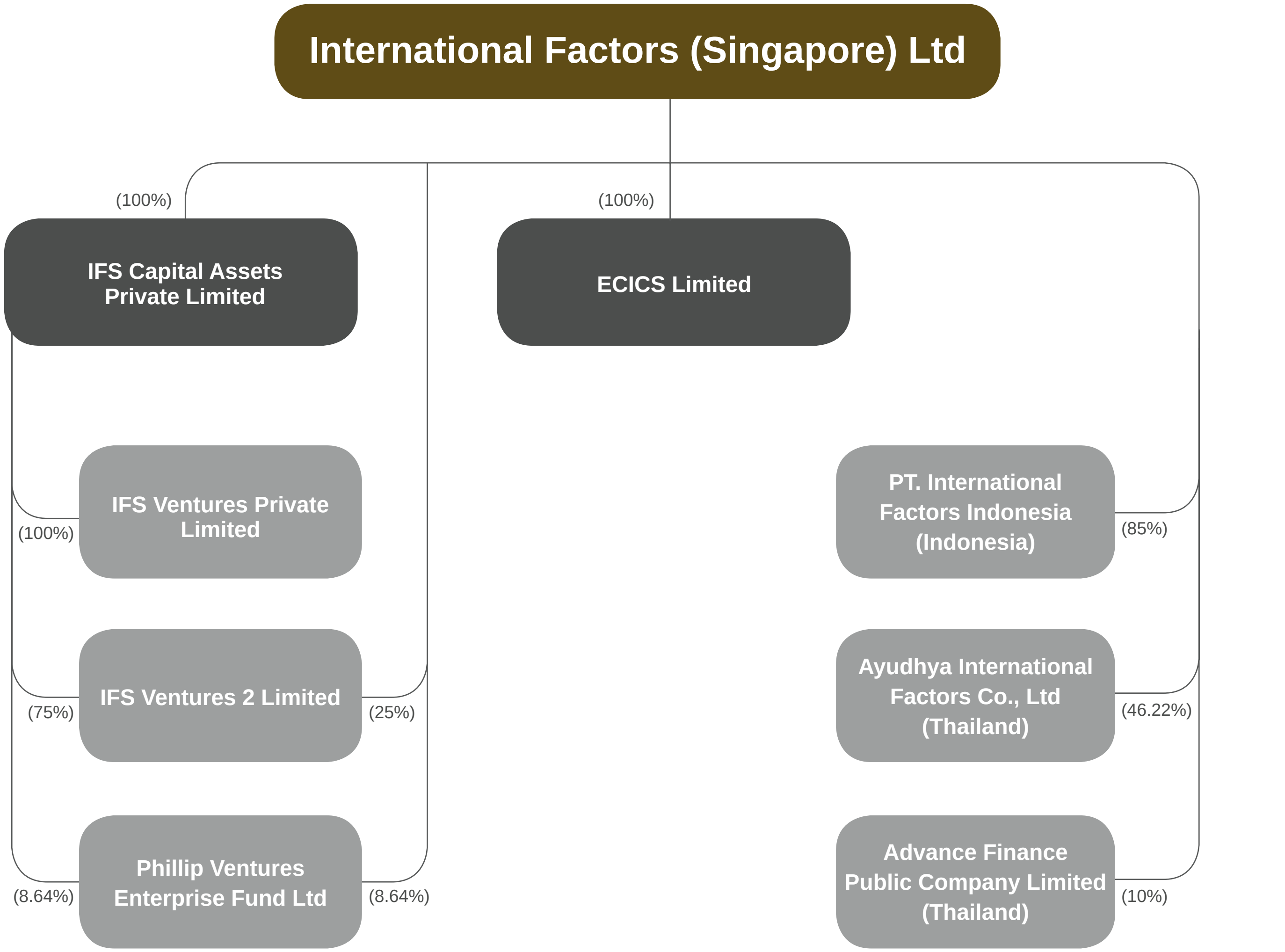
We will be looking to expand upon our expertise in factoring and will rollout new initiatives in import factoring as well as cross border factoring. Our board membership in the international factoring association, International Factors Group, provides an opportunity to expand internationally. Similarly, our strong presence in the region provides an opportunity for our fellow counterparts in Europe and America to clear their risks with us. With an import and cross border factoring platform, our services could be targeted at countries where we do not have a presence.

ECICS rolled out a number of new initiatives during the year, including the Trade Credit Insurance Program as well as the introduction of foreign workers bonds which was a new source of revenue for ECICS. The range of products that ECICS offers has been widened to better serve the exporting community. Opportunities exist for us to launch new products and further grow our range of credit insurance and surety products.

Our key strength lies not only in our unique range of products. We re-examine our business processes regularly, and continue to build new platforms to deliver our services in a more efficient manner. I should also mention our strengths in our people. We have spent and will continue to invest in training for our staff. We have recruited our second batch of management associates last year. Each year we identify talented staff to join our group and provide an extensive training program for them comprising both job rotation as well as taught courses. These courses have been uniquely designed to provide an extensive and rigorous training to ensure a pipeline of new leaders for the future. Our staff are one of our main stakeholders and we believe in nurturing our talents in addition to attracting new staff to join our exciting growth. It is fun to build together for the future.

Lim Hua Min
Chairman
9 March 2006

Corporate Structure



NB : All venture capital investments and other investments in the ordinary course of business are not reflected.

Corporate Information

BOARD OF DIRECTORS
Lim Hua Min
  Chairman
Gabriel Teo Chen Thye
Lim How Teck
Lim Jit Poh
Manu Bhaskaran
Lee Soon Kie
  Executive Director and Chief Executive Officer
Kwah Thiam Hock
  Executive Director

AUDIT COMMITTEE
Gabriel Teo Chen Thye
  Chairman
Lim How Teck
Lim Jit Poh

EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE
Lim How Teck
  Chairman (Appointed on 19 January 2006)
Lim Hua Min
Gabriel Teo Chen Thye
Lim Jit Poh

MANAGEMENT COMMITTEE
Lee Soon Kie
  Chairman
Wong Chin Kheng
Lim Mui Ling
Ong Peng
Chionh Yi Chian
Teoh Chun Mooi
Ong Geok Yeow

CREDIT COMMITTEE
Kwah Thiam Hock
  Chairman
Lee Soon Kie
Wong Chin Kheng
Ong Peng
Teoh Chun Mooi

REGISTERED OFFICE
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Fax: 6339 9527
Website: www.IntFactor.com.sg
Email: IFS_Corporate@IntFactor.com.sg

REGISTRARS
M&C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

COMPANY SECRETARY
Chionh Yi Chian

AUDITORS
KPMG
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-In-Charge
Gerald Low Gin Cheng
(since FY2005)

Board of Directors

Lim Hua Min
Chairman

Lim Hua Min was appointed Chairman of International Factors (Singapore) Ltd ("IFS") on 20 May 2003. Mr Lim is concurrently the Executive Chairman of the PhillipCapital Group of Companies. He began his career holding senior positions in the Stock Exchange of Singapore ("SES") and the Securities Research Institute. He has served on a number of committees and sub-committees of SES. In 1997, he was appointed Chairman of SES Review Committee, which was responsible for devising a conceptual framework to make Singapore's capital markets more globalised, competitive and robust. For this service, he was awarded the Public Service Medal in 1999 by the Singapore Government. Currently, he serves as a board member in the Inland Revenue Authority of Singapore.

Mr Lim holds a Bachelor of Science Degree (Honours) in Chemical Engineering from the University of Surrey and obtained a Master's Degree in Operations Research and Management Studies from Imperial College, London University.

Gabriel Teo Chen Thye
Director

Gabriel Teo has been a Director of IFS since November 1999. He runs his own consulting firm, Gabriel Teo & Associates. Mr Teo has more than 20 years of experience in the banking industry in the region. He had held senior appointments at Citibank, Chase Manhattan Bank and Bankers Trust. He also sits on the boards of other corporates and non-profit organisations.

Lim How Teck
Director

Lim How Teck was appointed a Director of IFS in June 2000. He had been with the NOL Group of Companies since 1979, retiring as Executive Director and Group Chief Financial Officer of NOL in June 2005. He is currently Chairman of Redwood International Pte Ltd, a consultancy and investment company. He is also Chairman of Tuas Power Ltd, Pacific King Shipping Ltd, Singapore Commodity Exchange, PSA Marine and a director of several other organisations.

He was awarded the Public Service Medal (Pingat Bakti Masyarakat) National Day Award in 1999, the Service Education Medal (Ministry of Education) in 2000 and 2002 and The Good Service Medal (Singapore Civil Defence Force) in 1996.

Kwah Thiam Hock
Executive Director

Kwah Thiam Hock is currently an Executive Director of IFS. He also heads IFS' wholly-owned subsidiary, ECICS Limited which specialises in trade credit protection, guarantee and bonds and related products.

Mr Kwah is a Fellow Member of the Australian Society of Accountants and also a Fellow Member of the Institute of Certified Public Accountants of Singapore.

Manu Bhaskaran
Director

Manu Bhaskaran is Partner and Head, Economic Research at the Centennial Group, a Washington DC-based strategic advisory group. Manu Bhaskaran was first appointed as a Director of IFS in June 2002. He resigned on 20 May 2003 and was re-appointed as a Director on 26 February 2004. He was appointed as Chairman of EH Group Ltd, a substantial shareholder of IFS on 22 December 2003 and also serves on the boards of Silk Air, the Centennial Group, Surbana Corporation and CIMB-GK Pte Ltd. In addition, he is Vice-President of the Economics Society of Singapore and General Secretary of the Singapore Institute of International Affairs.

Manu Bhaskaran is an adjunct senior research fellow at the Institute of Policy Studies. He was formerly Managing Director and Chief Economist of SG Securities Asia Ltd.

Lee Soon Kie
Executive Director

Lee Soon Kie is the Chief Executive Officer of IFS. As CEO, he is responsible for the overall management of the Group. Prior to IFS, he was a senior executive of the PhillipCapital Group of Companies where he was in charge of institutional business involving mergers and acquisitions and debt capital markets business. Before PhillipCapital, Mr Lee held various senior appointments with an international investment banking group – Schroders.

Mr Lee holds a Bachelor of Arts Degree from the National University of Singapore in Economics and Sociology and a Master of Science Degree in Computer Science (Distinction) from the University of Wales, Aberystwyth.

Lim Jit Poh
Director

Lim Jit Poh was first appointed as a Director of IFS on the 26 May 1994. He resigned on 24 May 2002 and was re-appointed as a Director on 26 March 2003. Mr Lim is the Chairman of ComfortDelGro Corporation Limited, SBS Transit Limited, VICOM Ltd as well as a director of several other public listed companies.

Mr Lim was a former top civil servant and a Fulbright scholar. He was awarded the Public Administration Medal by the Government of Singapore in 1972 and three awards by the National Trades Union Congress; namely, Friend of the Labour in 1986, Meritorious Service Award in 1990 and Distinguished Service Award in 2000.

Mr Lim holds a Bachelor of Science Degree (Honours) in Physics from the University of Singapore and a Master of Education Degree from the University of Oregon, USA.

Mr Lim is also a Trustee of the Singapore National Employers Federation.

IFS Management Team

LEE SOON KIE
Chief Executive Officer

WONG CHIN KHENG
General Manager, Business Development

Mr Wong was appointed General Manager in January 2001 responsible for business development. Mr Wong was appointed as a Director of IF Group in October 2005, a world-wide factoring association based in Brussels. He was also appointed as a Commissionor of PT. International Factors Indonesia in November 2005. Prior to joining the Group in May 1995, Mr Wong held appointments in the Bank of Montreal, Royal Trust Merchant Bank Ltd and Hong Leong Finance Ltd. He holds a Bachelor of Social Science (Honours) degree from the University of Singapore.

TAN LEY YEN
Director, Ayudhya International Factors Co., Ltd (Thailand)

Mr Tan was seconded to Ayudhya International Factors Co., Ltd as General Manager in May 1991 and was appointed Executive Director in October 2000. He has been with the Group since August 1985 and was seconded to PB International Factors Sdn Bhd as its General Manager in September 1990. Prior to joining the Group, he was with a local bank for several years. Mr Tan holds a MBA in International Management with the University of London and a Bachelor of Science (Honours) degree in Management Sciences from the University of Manchester Institute of Science and Technology.

LIM MUI LING
General Manager, Finance/Human Resources & Administration

Ms Lim was appointed General Manager in June 2004 and is responsible for finance, human resources and administrative functions. She joined the Group in May 1988 and was Head of Finance/Accounting. Before joining the Group, Ms Lim was an auditor in an international accounting firm for over 5 years. A Bachelor of Accountancy graduate from the National University of Singapore, she is also a member of the Institute of Certified Public Accountants of Singapore.

CHIONH YI CHIAN
General Manager, Legal & Secretariat/Compliance

Ms Chionh was appointed General Manager in June 2004 and is responsible for legal, secretariat and group compliance matters. She has been with the Group since 1995 and prior to this, practiced law in Singapore. Ms Chionh holds a Master's degree in Law from the National University of Singapore as well as a Bachelor of Laws (Honours) from the National University of Singapore.

ONG PENG
General Manager, Credit Risk Management

Mr Ong was appointed General Manager in June 2004 and is responsible for credit risk management ("CRM"). He joined IFS in March 2004 and set up the CRM unit. Prior to joining the Group, he held various senior level appointments in Standard Chartered Bank from 1974 to 2002. He obtained a Bachelor of Business Administration from the University of Singapore.

TEOH CHUN MOOI
General Manager, Operations

Ms Teoh was appointed General Manager in August 2005 overseeing the factoring and loans operations. Prior to this, she was heading one of the Business Development teams. She has been with the Group since 1989. Ms Teoh holds a Bachelor of Business Administration (Honours) from the University of Windsor.

ONG GEOK YEOW
General Manager, Structured Finance

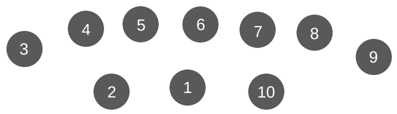
Mr Ong joined IFS in June 2004 as Head of the Structured Finance unit. He was promoted to General Manager in 2006 and appointed as a Director of IFS Capital Assets Private Limited in March 2006. He has more than 13 years of professional experience in private equity, venture capital and corporate finance. He holds a Master of Science degree in Financial Engineering and a Bachelor in Business Administration (Honours) from the National University of Singapore. He is also a Chartered Financial Analyst.

SERENE LIM GEK LUANG
Assistant General Manager, Business Development

Ms Lim joined IFS in March 2005 heading one of the Business Development teams. She has 20 years of working experience in the banking and financial industry in the areas of credit and marketing of factoring, leasing, hire purchase and mortgage loans. She holds a Bachelor of Commerce from the Nanyang University.

DOREEN CHIA LEE YOON
Senior Manager, Business Development

Ms Chia joined IFS in January 1995 and was promoted to Senior Manager in 2006. She is currently heading one of the Business Development teams. She holds a Bachelor of Science (Honours) in Management Sciences from the University of Warwick.



1. LEE SOON KIE
Chief Executive Officer

2. TAN LEY YEN
Director, Ayudhya International Factors Co., Ltd

3. ONG GEOK YEOW
General Manager, Structured Finance

4. LIM MUI LING
General Manager, Finance/Human Resources & Administration

5. CHIONH YI CHIAN
General Manager, Legal & Secretariat/Compliance

6. SERENE LIM GEK LUANG
Assistant General Manager, Business Development

7. TEOH CHUN MOOI
General Manager, Operations

8. DOREEN CHIA LEE YOON
Senior Manager, Business Development

9. WONG CHIN KHENG
General Manager, Business Development

10. ONG PENG
General Manager, Credit Risk Management

OTHER PRINCIPAL OFFICERS

LEONG YONG FEI
Director, PT. International Factors Indonesia

PHYLLIS CHIU YIN WAH
Senior Manager, Credit Risk Management

ONG PECK LI
Senior Manager, Finance

CECILIA LEE GUAT PHENG
Senior Manager, Business Development

EE SIN SOO
Senior Manager, Legal & Secretariat/Compliance

ECICS Management Team

KWAH THIAM HOCK
Chief Executive Officer

JOHANN ONG CHI KEONG
Senior Manager, Risk Management

Mr Ong was appointed the Head of Risk Management in January 2005. He joined the EH Group as a credit analyst at its credit information subsidiary in December 1996 and was transferred to EH Group in June 1998 as an underwriter. He holds a Master of Business Administration (Investment and Finance) from the University of Hull and a Bachelor of Science (Economics) from the University of London.

KIM LIN MIN
Manager, Operations

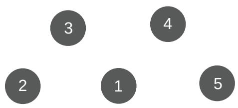
Mr Kim joined ECICS Limited in February 2004. In January 2005, he was appointed as Manager overseeing operations. He holds a Master of Engineering Science (Project Management) from the University of NSW and a Bachelor of Engineering from the University of Western Australia.

ROSAMUND LOH MUN LING
Manager, Marketing & Business Development

Ms Loh was appointed Manager in Marketing & Business Development in January 2005. She joined the EH Group in November 2001. She holds a Bachelor of Commerce (Finance and Marketing) from the Curtin University.

DELPHINA LIM SZE YIN
Manager, Finance

Ms Lim joined ECICS Limited in July 2004 and was promoted to Finance Manager to oversee the finance function in 2006. Before joining the Company, she was an auditor in an international accounting firm for 3 years. She holds a Bachelor of Accountancy from the Nanyang Technological University of Singapore.



1. KWAH THIAM HOCK
Chief Executive Officer

2. ROSAMUND LOH MUN LING
Manager, Marketing & Business Development

3. JOHANN ONG CHI KEONG
Senior Manager, Risk Management

4. KIM LIN MIN
Manager, Operations

5. DELPHINA LIM SZE YIN
Manager, Finance

Regional Economic Assessments

Prepared by ***Manu Bhaskaran***
Partner/Head, Economic Research
Centennial Group

Overview

Despite a mini-currency crisis in Indonesia in early September and a modest downturn in Thailand in early 2005, the regional economies have shown themselves to be reasonably resilient, with economic growth averaging around 5% for the core ASEAN economies. Achieving such reasonably sound economic growth in the face of high oil prices, competition from China and India and the unanticipated effects of shocks such as the December 2004 tsunami and spreading avian flu attests to the improved resilience in the region.

For 2006, the general prognosis for Southeast Asian economies is favourable. The lead indicators in the major economies which serve as key export markets signal continued growth and therefore sustained external demand for Asian exports. Financial liquidity remains very high globally – a major reason why significant monetary tightening in the US and in other major economies has yet to weaken economic activity.

While a robust performance in the global economy seems likely through most of 2006 - 2007, there are several risk factors that could hurt the region.

- First, oil prices remain a key concern. While increased supply is likely to match the rise in demand, the amount of spare capacity is low – oil prices could thus move up sharply every now and then if there is some kind of supply disruption. The political risk premium in oil prices could also rise because of the increased tensions in the Middle East.

- Second, with the Eurozone joining the US, UK, Australia, Canada and many Asian countries in tightening monetary policy in 2005, higher rates are bound to produce a lagged slowing impact on aggregate demand in 2006.

- Third, there are some signs of trouble in the housing boom which helped to sustain demand in the US and other developed economies. If home prices weaken, the impetus to consumer spending from the housing sector could weaken, putting economic growth at risk.

SINGAPORE

Review

The Singapore economy has shifted gears and has moved into a higher growth track since the middle of 2005, with GDP growing at more than 7% in both the third and fourth quarters of the year. This reflects several positive factors – the upturn in global demand for electronics components, the payoff to the economic restructuring of recent years, continued recovery in the regional hinterland despite some turbulence in Indonesia and the turnaround in the property and construction sectors. The finance sector is benefiting both from the recovery in domestic demand as well as from increased economic activity in the region.

Outlook

The lead indicators for the all-important electronics sector continue to signal improvement in manufacturing sector growth in 2006. The economy will also benefit from higher growth in the construction sector. If the regional economies pick up momentum in the second half as expected (see next page), Singapore's trade, financial and transportation services sectors will also benefit. In terms of policy, such a period of strong growth could prompt the authorities to step up the pace of exchange rate appreciation as a means of capping any incipient inflationary pressures.

Table 1 : Singapore Forecasts

	2000	2001	2002	2003	2004	2005	2006	2007
GDP growth % p.a.	10.0	-2.3	4.0	2.9	8.7	6.4	6.4	4.8
Private consumption expenditure	14.9	4.7	-4.9	0.9	5.9	2.5	6.8	3.5
Gross fixed capital formation	9.8	-3.9	-11.4	-3.3	10.2	-1.9	13.4	6.1
Current account balance/GDP	14.3	18.8	21.2	30.9	24.0	24.0	18.0	5.2
Inflation	1.3	1.0	-0.4	0.6	1.7	1.5	1.1	1.4
3-mth S$SIBOR	2.80	1.31	0.81	0.75	1.30	3.25	3.30	2.75
SGD/USD (end-year)	1.73	1.85	1.74	1.70	1.64	1.66	1.55	1.50

Source: Historical data collated from CEIC Database and forecasts by Centennial Group

MALAYSIA

Review

Despite some weakening in early 2005 and a small disappointment in fourth quarter economic growth, the economy performed creditably for the year as a whole. Despite a more restrictive fiscal policy, economic growth has been boosted by improving external demand, high prices for Malaysia's key commodities such as oil and palm oil and a housing and credit boom which improved consumer spending.

A major positive development in recent years has been Malaysia's increased competitive positioning in offshore business services. The A T Kearney Global Services Location Survey identified Malaysia as the third most competitive location in the world for business process outsourcing. At the same time, Malaysia's tourism, healthcare and education services sectors are also attracting foreign demand. The manufacturing sector, however, faces strong challenges from increased competition.

Outlook

With global demand strong and the government likely to ease its fiscal austerity to some extent, 2006 is likely to be a reasonably strong year for the economy. A key issue in 2006 will be the release by the government of the Ninth Malaysia Plan which will set out Malaysia's growth strategy for the coming five years. This Plan will give a clear direction as to how Malaysia intends to restructure and reform its economy in order to face the increased competitive challenge from countries as diverse as China, India and Vietnam. Another key policy challenge will be to determine the pace of appreciation of the Ringgit. With Asian currencies generally likely to appreciate versus the US Dollar, the Ringgit is likely to strengthen as well.

Table 2 : Malaysia Forecasts

	2000	2001	2002	2003	2004	2005	2006	2007
GDP growth % p.a.	8.3	0.4	3.3	5.1	7.2	5.2	6.3	5.4
Private consumption expenditure	13.0	2.4	4.4	6.7	6.8	9.0	5.9	5.1
Gross fixed capital formation	25.7	-2.8	0.3	2.7	12.3	6.1	13.6	9.4
Current account balance/GDP	9.4	8.3	8.4	12.9	12.5	16.0	8.5	5.2
Inflation	1.6	1.4	1.8	1.1	2.3	3.1	2.2	2.5
3-mth KLIBOR	3.21	3.09	3.01	2.94	3.30	3.75	4.25	4.25
MYR/USD (end-year)	3.80	3.80	3.80	3.80	3.80	3.77	3.60	3.55

Source: Historical data collated from CEIC Database and forecasts by Centennial Group

THAILAND

Review

Thailand has suffered a confluence of negatives in 2005. The after-effects of the December 2004 tsunami lasted through much of 2005, hurting tourism which is a key sector. In addition, Thailand's economy had to endure the negative effects of avian flu, a severe drought that cut agricultural output, a worsening insurgency in the south of the country and protectionist measures which hurt some key Thai exports. The central bank also embarked on a policy of substantial monetary tightening as inflationary pressures rose in response to the removal of fuel subsidies and the impact of higher oil prices. Despite these headwinds, the Thai economy performed relatively well, growing by an estimated 4.5%.

A positive development has been Thailand's ability to create new areas of competitiveness. The automobile and automotive parts industries have done extraordinarily well in Thailand while Thailand has also shown an ability to compete in some niches of electrical appliances and garments even against tough competition from China and other emerging exporters.

Outlook

The first half of 2006 is likely to remain weak, judging by official lead indicators, though the end of the drought and improving tourism will help support growth. If, as we believe, the current political turbulence will soon end, the second half will see a recovery in investment spending as companies step up capital spending to expand capacity. If the government's massive infrastructure investment projects do begin to take off, growth will be even stronger – it is more realistic to expect the main impact of the government infrastructure plan to be felt in 2007 though. It is also likely that the central bank will complete its monetary tightening in early 2006, removing another source of uncertainty. Some risks do remain however: political uncertainty could mar the recovery if the political challenge to Premier Thaksin is intensified to the point that the corporate sector defers investment and other spending plans, or if the southern insurgency widens.

Table 3 : Thailand Forecasts

	2000	2001	2002	2003	2004	2005	2006	2007
GDP growth % p.a.	4.6	1.8	5.2	6.7	6.1	4.5	6.3	5.4
Private consumption expenditure	5.0	3.9	4.9	6.3	6.1	4.3	6.5	5.1
Gross fixed capital formation	5.4	1.2	6.6	11.7	11.8	5.1	8.1	9.4
Current account balance/GDP	7.6	5.4	5.6	5.6	2.5	-0.3	-0.8	-1.5
Inflation	1.6	1.7	0.6	1.8	2.2	2.8	1.9	2.5
3M interest rate	5.00	2.88	1.94	1.38	2.30	4.50	5.30	4.80
THB/USD end period	43.06	43.86	43.24	39.67	40.30	40.00	39.00	39.50

Source: Historical data collated from CEIC Database and forecasts by Centennial Group

INDONESIA

Review

Indonesia's economy strengthened considerably in the first half of 2005 but suffered a setback in late 2005 following the sharp rise in interest rates by the central bank and the removal of fuel subsidies which caused fuel prices to rise in some cases by more than 125%. As a result, businesses started cutting back spending in late 2005 while consumption of interest-rate sensitive items such as cars fell off sharply as well. A sharp depreciation of the Rupiah at the end of August also raised inflationary expectations and reduced business confidence.

Decisive policy action in the third and fourth quarters has restored confidence. Fuel subsidies were reformed in October and a cabinet reshuffle in December brought into office highly respected and credible technocrats. At the same time the central bank has raised interest rates substantially – while hurting spending, this was seen as necessary to curb inflation and restored financial market stability. As a result, the Rupiah has recovered to levels prevailing before the mini-currency crisis in August-September.

Table 4 : Indonesia Forecasts

	2000	2001	2002	2003	2004	2005	2006	2007
GDP growth % p.a.	4.9	3.8	4.4	4.9	5.1	5.1	5.4	5.4
Private consumption expenditure	1.6	3.5	3.8	3.9	4.9	4.8	5.7	5.1
Gross fixed capital formation	16.7	6.5	4.7	1.0	15.7	14.3	3.1	9.4
Current account balance/GDP	4.9	4.2	3.9	3.4	1.1	0.5	0.8	0.3
Inflation	3.8	11.5	11.9	6.8	6.1	11.0	13.0	7.5
3M SBI rate end period	14.30	17.60	13.10	8.30	7.30	12.80	13.50	10.50
IDR/USD end period	9,595	10,400	8,940	8,465	9,290	10,000	10,300	10,500

Source: Historical data collated from CEIC Database and forecasts by Centennial Group

Outlook

The weakness that began in late 2005 is likely to persist in the first half of 2006, with weaker consumer and business spending dragging down GDP growth. However, the slow but steady improvement in government policies by the administration of President Yudhoyuno is likely to improve confidence of domestic and foreign investors. The cabinet reshuffle in December 2005 was well received by the business sector. Already, foreign investment is beginning to recovery from long years of decline. If policy improvements continue, Indonesia is likely to witness a moderate recovery in the second half of 2006 and a stronger recovery in 2007.

Corporate Governance Report

The Board of Directors is committed to increasing the level of corporate governance in the Company in order to protect the interest of its shareholders.

1. BOARD OF DIRECTORS

1.1 Board's Conduct of its Affairs

The Board oversees the business and affairs of the Group, sets the strategic direction, guides and monitors the performance of management, reviews the Group's financial performance and establishes a framework of internal controls and risk management procedures and monitors standards of performance. To assist in the execution of its responsibilities, the Board has established three Board committees: the Audit Committee, the Credit Committee and the Executive Resource and Compensation Committee.

The Board has delegated to management the day-to-day operations and the implementation of systems of internal control. The Company has an internal audit department which monitors these internal controls and reports its findings and recommendations to the Audit Committee. The work of the internal audit department is guided by an assessment of the key areas of risk in the Group's operations.

Matters which require the Board's approval include the following:

- Announcements of financial results;
- Statutory accounts;
- Declaration of dividends;
- Budgets and financial planning;
- Corporate Strategy;
- Establishment of joint ventures;
- Investments or increase in investments in businesses, projects, subsidiaries and associated companies;
- Acquisition or disposal of significant assets, businesses, subsidiaries or associated companies;
- Capital expenditure or any expenditure of significant amount;
- Borrowings of the Company beyond a certain limit in amount as set by the Board; and
- All major transactions or events.

The Board holds four scheduled meetings in a year. In addition, special meetings may be convened as and when warranted to deliberate on urgent substantive matters. During the financial year ended 31 December 2005, the Board of Directors held four meetings.

1.2 Board Composition and Balance

The Board comprises 7 directors of whom 3 are considered independent by the Board. The nature of the Directors' appointments on the Board is set out below:

Director	Board Membership
Lim Hua Min	Non-Executive, Non-Independent, Chairman
Lim How Teck	Independent
Gabriel Teo Chen Thye	Independent
Lim Jit Poh	Independent
Manu Bhaskaran	Non-Executive, Non-Independent
Lee Soon Kie	Executive, Chief Executive Officer
Kwah Thiam Hock	Executive

The Board has examined its size and is satisfied that a size of 7 to 9 members is currently appropriate for the Company.

The Directors submit themselves for re-nomination and re-election at regular intervals in accordance with the Articles of Association. The Code recommends, *inter alia*, that all directors be required to subject themselves for re-election at regular intervals at least every 3 years. The Articles of Association were amended at the annual general meeting of the Company held on 20 May 2003 to align the Articles to the recommendations under the Code.

To address the time commitments of directors who sit on multiple boards, the Board and Board committees meeting dates are scheduled in advance at the beginning of each calendar year.

Details of the directors' appointment dates on the Board, academic and professional qualifications and other appointments are set out on pages 29 - 31.

1.3 *Attendance Report*

The attendance of the Board members at the Board meetings and meetings of the Audit Committee and the Executive Resource and Compensation Committee during the financial year ended 31 December 2005 is set out below:-

	Board		Audit		ERCC	
Directors	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Lim Hua Min	4	4	NA	NA	2	2
Lim How Teck	4	4	2	2	2	2
Gabriel Teo Chen Thye	4	4	2	2	2	2
Lim Jit Poh	4	4	2	2	2	2
Manu Bhaskaran	4	4	NA	NA	NA	NA
Lee Soon Kie	4	4	NA	NA	NA	NA
Kwah Thiam Hock	4	4	NA	NA	NA	NA

ERCC *Executive Resource and Compensation Committee*
NA *not applicable*

1.4 *Board Performance*

At the beginning of every year, the Board adopts a performance benchmark for the Company's performance based mainly on the average return on equity of the various comparable companies in the industry.

In 2005, the Board has implemented a formal process of review to assess the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. This process involves completing evaluation questionnaires and a review of the collated results.

1.5 *Access to information and training*

The Board members are provided with board papers in advance of meetings so that sufficient time is given to the Board members to prepare. The board papers will set out information which includes background or explanatory information relating to the matters to be brought before the Board. In respect of budgets, any material variance between projections and actual results are explained.

Deviation – Guidance Note 10.2: Management provides all the members of the Board with a progress report on the performance of the Group (including group consolidated accounts) on a quarterly basis. Although such reports are not provided to all the members of the Board on a monthly basis as recommended by the Code, such monthly reports are available upon request.

1. BOARD OF DIRECTORS (Cont'd)

1.5 Access to information and training (Cont'd)

The Chairman, with the assistance of the Chief Executive Officer, exercises control over the quality and timeliness of information flow between the Board and management.

The directors have direct access to the Company's senior management and the company secretary. The company secretary attends all the board meetings. The directors, whether as a group or individually, are also entitled to seek independent professional advice with costs to be borne by the Company on any issue(s) which may arise in the course of their duties.

The Company conducts an orientation program to familarise new directors with the Company's business and policies. From time to time where suitable training courses are available, the directors are encouraged to attend these courses.

1.6 Role of Chairman and Chief Executive Officer

The Chairman of the Company is a non-executive director while the Chief Executive Officer is an executive director. The roles of the Chairman and the Chief Executive Officer are kept separate and there is a clear division of responsibilities between them. The Chairman and the Chief Executive Officer are also not related to each other.

The Chairman is primarily responsible for the workings of the Board. The Chairman's responsibilities include scheduling of meetings and setting out meeting agenda (with the assistance of the company secretary) and assisting in ensuring the Group's compliance of the Code. As Chairman of the Board, he also leads Board discussions and deliberation.

2. BOARD COMMITTEES

2.1 Audit Committee

The Audit Committee comprises 3 members, all of whom are non-executive and independent directors:

Gabriel Teo Chen Thye	Chairman, Independent
Lim Jit Poh	Member, Independent
Lim How Teck	Member, Independent

The Audit Committee functions under the terms of reference approved by the Board which sets out its duties and responsibilities. The role of the Audit Committee is mainly to oversee the adequacy of the overall internal control functions, the internal audit functions within the Group, the relationship of those functions to external audit as well as the independence of the external auditor. The Audit Committee reviews the interim and annual announcements as well as the financial statements of the Group and the Company before they are submitted to the Board for approval. The Audit Committee also reviews interested person transactions (as defined in Chapter 9 of SGX Listing Manual).

In performing its functions, the Audit Committee met with the internal and external auditors, without the presence of management, and reviewed the overall scope of both the internal and external audits, and the assistance given by management to the auditors.

To effectively discharge its functions, the Audit Committee was given full access to both the external and internal auditors. The Audit Committee is also authorised to investigate any matters within its terms of reference.

In anticipation of the Code of Corporate Governance 2005 ("2005 Code") which takes effect from annual general meetings held on or after 1 January 2007, the terms of reference of the Audit Committee have been reviewed and amended to align them to the recommendations of the 2005 Code.

Under the amended terms of reference, the Audit Committee has reviewed the "whistleblower procedures" which allow staff to raise concerns, in confidence, of any improprieties. The Company, subsequent to the review by the Audit Committee, has adopted and implemented these procedures.

2.2 *Executive Resource and Compensation Committee*

The Remuneration Committee and the Nominating Committee merged to form one committee and the merged committee was renamed the Executive Resource and Compensation Committee.

The Executive Resource and Compensation Committee comprises 4 members, all of whom are non-executive directors. On 19 January 2006, Mr Lim Hua Min stepped down as chairman (but remains a member) of the Executive Resource and Compensation Committee. On the same date, Mr Lim How Teck was appointed chairman of the Executive Resource and Compensation Committee. Following these changes, the composition of the Executive Resource and Compensation Committee is set out below:

Lim How Teck	Chairman, Independent
Lim Hua Min	Member, Non-Independent
Gabriel Teo Chen Thye	Member, Independent
Lim Jit Poh	Member, Independent

The Executive Resource and Compensation Committee functions under the terms of reference as approved by the Board. This Committee performs both the functions and duties of a remuneration committee and a nominating committee.

Under the terms of reference, the Executive Resource and Compensation Committee:

(i) in respect of its function as a remuneration committee:-

(a) reviews and approves the remuneration packages for the executive directors and key executives as well as their terms of employment, and also decides on policies relating to remuneration and incentive programs (including staff benefits and special bonuses) for the staff of the Group; and

(b) administers the share option scheme and the performance share plan, both established in the year 2000.

This Committee, if it requires, can seek expert advice on executive compensation matters from professional firms.

(ii) in respect of its function as a nominating committee:-

(a) assists the Board to assess the effectiveness of the Board as a whole as well as the contribution of the individual directors to the effectiveness of the Board;

(b) establishes a formal process for the Group on the appointment of directors, re-nomination and re-election of directors;

(c) considers and determines the independence of the directors, at least annually; and

(d) recommends to the Board on all board appointments and reappointments.

2.3 *Credit Committee*

The Credit Committee is established to specifically assess, review and make decisions on credit risks that arise in the course of the financial business activities of the Company within the authority limits imposed by the Board.

The Credit Committee comprises 2 executive directors and senior officers of the Company.

3. REMUNERATION MATTERS

3.1 Remuneration Policy

The Group's remuneration policy is to provide remuneration at a level which would be appropriate to attract, retain and motivate the directors and employees.

For the executive directors and key executive employees, their remuneration packages comprise of a fixed component which is benchmarked against the financial services industry, and a variable component which is based on the performance of the Group as well as the individual. An annual performance incentive plan implemented by the Group links rewards purely to corporate and individual performance. The Group also has in place non-cash benefit schemes in the form of a share option scheme and a performance share plan (details of the share option scheme and the performance share plan are on pages 34 - 36). As for the directors' fees, these are based on responsibilities held by each of the directors on the Board and the respective Board Committees, as well as their attendance at the meetings. Currently, the Board, on the recommendation of the Executive Resource and Compensation Committee, reviews the directors' fees payable to the directors.

Non-executive directors have no service contracts with the Company and they are subject to the Articles of Association of the Company. The service contracts of the executive directors do not contain onerous removal clauses.

Deviation - Guidance Note 9.4: During the financial year ended 31 December 2005, no share options were granted by the Company to the directors or the employees; thus, the Company has not adopted any methodology of valuing share options as recommended by the Code.

3.2 Remuneration Report

The table below shows the number of directors whose remuneration falls within the following bands:-

	Number of Directors	
Remuneration band	**2005**	**2004#**
$500,000 and above	0	1
$250,000 to below $500,000	2	1
Below $250,000	5	8
Total	**7**	**10***

* includes 3 directors who retired/resigned during the course of the financial year ended 31 December 2004

\# includes *ex gratia* payment made to a director who resigned during the course of the financial year ended 31 December 2004

There are no employees who are immediate family members of a director or the Chief Executive Officer and whose remuneration exceeds S$150,000 during the year.

Deviation - Guidance Note 9.2: The Code recommends that the report should set out the names of directors and at least the top 5 key executives (who are not also directors) earning remuneration which falls within bands of S$250,000 and within each band, there should be a breakdown (in percentage terms) showing the various components comprised in each director's remuneration.

Given the competitive industry conditions, the Board, after weighing the advantages and disadvantages, feels that it is in the interests of the Company that the details of the remuneration of the Executive Directors and the top 5 key executives (who are not directors) are not disclosed.

As for the remuneration of the non-executive directors, it constitutes the directors' fees which are subject to the approval of the shareholders at the forthcoming annual general meeting.

4. INTERNAL CONTROLS/INTERNAL AUDIT

4.1 Internal Controls

The Board is responsible for the overall internal control framework of the Group. The directors regularly review the effectiveness of all internal controls, including operational controls. This is to ensure that management maintains a sound system of controls to safeguard the shareholders' investments and the Group's assets. The Board discharges its responsibilities through the various board committees described in the foregoing sections.

Risk assessment and evaluation is an ongoing process which forms an integral part of the Group's business cycle. The Group has in general adopted a standard procedure in managing risks. This includes the identification and evaluation of priority risks and a monitoring mechanism to respond to changes within both the enterprise and the business environment. In addition, there is also a process in place to ensure that investigations and corrective action is taken up promptly whenever weaknesses in internal controls are detected.

In order to ensure smooth running of the risk management process, key business objectives have been communicated by management to the heads of the various departments in the Group. The Group's operating units are aware of their responsibilities for the internal control systems and the role they play in ensuring that the financial results are properly stated in accordance with statutory requirements and the Group's policies.

4.2 Internal Audit

The Group has an in-house internal audit function that is independent of the activities it audits. The Internal Audit department was set up to ensure internal controls are adequate and to monitor the performance and effective application of the internal audit procedures with regards to these controls. In the course of their work, the internal auditors have adopted the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal auditors report primarily to the Chairman of the Audit Committee on audit matters and to the Chief Executive Officer on administrative matters. The Audit Committee ensures that the internal audit function has adequate resources and has appropriate standing within the Group. The Committee, on an annual basis, assesses the effectiveness of the internal auditors by examining:

(a) the scope of the internal auditors' work;

(b) the quality of their reports;

(c) to whom they report within the Group;

(d) their relationship with the external auditors; and

(e) their independence of the areas reviewed.

The Board is satisfied with the adequacy of the internal controls.

5. COMMUNICATION WITH SHAREHOLDERS

The Board strives for timeliness in its disclosures to shareholders and the public and it is the Board's policy to keep shareholders informed of material developments that would have an impact on the Company or the Group through announcements via SGXNET and at times press releases.

Deviation – Guidance Note 10.1: The Company releases its financial results half-yearly instead of quarterly as recommended by the Code because currently the Company is not required to release its results quarterly under the rules of the SGX Listing Manual.

Chairperson of the Audit Committee and the Executive Resource and Compensation Committee and the external auditor attend annual general meetings to address any questions which may be raised by the shareholders at such meetings.

Shareholders are afforded the opportunity to raise relevant questions and to communicate their views at shareholders' meetings.

Deviation - Guidance Note 15.1: Currently, a shareholder may appoint one or two proxies to attend and vote in his stead. Other methods of voting in absentia (like voting by electronic mail) as recommended by the Code are not made available at the moment until issues of security controls and integrity of information for such methods are carefully studied and reviewed.

6. DEALINGS IN SECURITIES

The Company has issued an Internal Compliance Code On Securities Transactions to directors and key employees (including employees with access to price-sensitive information in relation to the Company's shares) of the Company, setting out a code of conduct on transactions in the Company's shares by these persons. The code of conduct was based on the SGX's Best Practices Guide, with some modifications. These persons are required to report to the company secretary whenever they deal in the Company's shares and the latter will assist the Audit Committee and the Board to monitor such share transactions and make the necessary announcements.

Details of the directors' appointment dates on the Company's Board, academic and professional qualifications and other major appointments:

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	(a) Present directorships in other listed companies (b) Other major appointments
Mr Lim Hua Min	- Bachelor of Science (Honours), University of Surrey, England (1968) - Master of Science, Imperial College, London University (1969)	(a) 20.05.2003 (b) 27.04.2004	(a) Walker, Crips, Weddle, Beck plc (UK) (b) Member, Board of Directors, Phillip Securities Pte Ltd Member, Board of Directors, Phillip Futures Pte Ltd Member, Board of Directors, Phillip Financial Pte Ltd Board Member, Inland Revenue Authority of Singapore Member, Resource Panel, Government Parliamentary Committee for Finance & Trade & Industry
Mr Lim How Teck	- Bachelor of Accountancy, University of Singapore (1975) - Fellow, The Chartered Institute of Management Accountants of UK - Associate, Institute of Business Administration of Australia	(a) 30.06.2000 (b) 26.04.2005	(a) FHTK Holdings Ltd Norelco UMS Holdings Limited (b) Member, Resource Panel, Government Parliamentary Committee for Transport Member, Advisory Panel, The Chartered Institute of Logistics and Transport, Singapore Fellow, Certified Public Accountants of Australia Fellow, Institute of Certified Public Accountants of Singapore Fellow, Singapore Institute of Directors

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	(a) Present directorships in other listed companies (b) Other major appointments
Mr Gabriel Teo Chen Thye	- Bachelor of Business Administration, University of Singapore (1975) - Masters in Business Administration, Cranfield School of Management (UK) (1980)	(a) 02.11.1999 (b) 27.04.2004	(a) Sunningdale Tech Ltd (b) Member, Board of Directors, NTUC Income Insurance Co-operative Limited Member, Board of Directors, SP Services Ltd Chairman, Board of Directors, SLF Management Services Pte Ltd Member, Board of Governors, St Gabriel's Foundation Member, Advisory Committee, School of Business Management, Nanyang Polytechnic
Mr Lim Jit Poh	- Bachelor of Science, University of Singapore (1963) - Bachelor of Science (Honours), University of Singapore (1964) - Masters in Education, University of Oregon, USA (1969)	(a) 26.03.2003 (previously director of IFS from 26.05.1994 – 24.05.2002) (b) 26.04.2005	(a) ComfortDelGro Corporation Limited VICOM Ltd SBS Transit Ltd The Ascott Group Limited Inchem Holdings International Limited SHC Capital Limited Kim Eng Holdings Limited China Sun Bio-Chem Technology Group Company Ltd KS Energy Services Limited Sky China Petroleum Services Ltd (b) Trustee, Singapore National Employers Federation Vice President, General Committee, Orchid Country Club Fellow, Singapore Institute of Directors

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	(a) Present directorships in other listed companies (b) Other major appointments
Mr Manu Bhaskaran	- Bachelor of Arts (Honours), Magdalene College, Cambridge University (1980) - Masters in Public Administration, John F Kennedy School of Government, Harvard University (1987) - Chartered Financial Analyst (1992)	(a) 26.02.2004 (previously director of IFS from 26.06.2002 – 20.05.2003) (b) 27.04.2004	(a) – (b) General Secretary, Singapore Institute of International Affairs Vice President, Economic Society of Singapore Senior Adjunct Fellow, Institute of Policies Studies
Mr Lee Soon Kie	- Bachelor of Arts, National University of Singapore (1983) - Masters in Science, University of Wales, Aberystwyth, UK (2002)	(a) 21.03.2003 (b) 20.05.2003	(a) LifeBrandz Ltd (b) –
Mr Kwah Thiam Hock	- Bachelor of Accountancy, University of Singapore (1973)	(a) 04.05.1987 (b) 26.04.2005	(a) Select Catering Services Limited (b) Management Committee of Singapore Turf Club Fellow, Certified Public Accountant, Institute of Certified Public Accountants of Singapore Fellow, Certified Public Accountant, Australian Society of Accountants

Financial Report 2005

We are pleased to submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 31 December 2005.

Directors

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

Lim Hua Min
Gabriel Teo Chen Thye
Lim How Teck
Lim Jit Poh
Manu Bhaskaran
Lee Soon Kie
Kwah Thiam Hock

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company are as follows:-

	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
International Factors (Singapore) Ltd				
	Ordinary Shares of $0.50 each			
Lim Hua Min	-	-	41,006,496	41,006,496
Lee Soon Kie	48,000	243,000	-	-
Kwah Thiam Hock	192,000	292,000	-	-

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or of related corporations either at the beginning of the financial year or at the end of the financial year.

Directors' Interests (Cont'd)

There was no change in any of the abovementioned interests in the Company between the end of the financial year and 21 January 2006.

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except as disclosed below under "Share Options" and "Performance Share Plan".

Since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements and in this report.

Share Options

IFS Employees Share Option Scheme 1994 ("1994 Scheme")

The 1994 Scheme was terminated at the Extraordinary General Meeting on 24 May 2000 with the adoption of the IFS (2000) Share Option Scheme ("2000 Scheme") but the outstanding existing options will continue to remain valid until the fifth anniversary of the relevant date of grant of the respective options.

IFS (2000) Share Option Scheme ("2000 Scheme")

The 2000 Scheme succeeded the 1994 Scheme.

Under the 2000 Scheme:-

(i) Options will be granted to selected employees of the Company and/or its subsidiaries, including Executive and Non-Executive Directors of the Company and other selected participants, provided that they are not controlling shareholders or its associates of the Company, to subscribe for ordinary shares in the Company.

(ii) The 2000 Scheme shall continue to be in force at the discretion of the Committee administering the Scheme, subject to a maximum period of 10 years commencing on 24 May 2000 provided always that the 2000 Scheme may continue beyond 10 years with the approval of the Company's shareholders by ordinary resolution in general meeting or any relevant authorities which may then be required.

(iii) The aggregate number of ordinary shares to be issued pursuant to the 2000 Scheme and those to be awarded under the Performance Share Plan, as detailed under "Performance Share Plan" ("PSP"), shall not exceed 15% of the issued shares in the capital of the Company on the day preceding the relevant grant date.

(iv) The offer of an option to an eligible grantee, if not accepted by him within 30 days from the date of such offer, will lapse. Upon acceptance of the offer, the eligible grantee to whom the option is granted shall pay to the Company a consideration of $1.

Share Options (Cont'd)

(v) The subscription price shall be determined by the Committee administering the Scheme at:

(1) daily weighted average price for the ordinary share as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Limited for the 3 consecutive trading days immediately preceding the date of grant of the option ("Market Price"); or

(2) a price which is set at a maximum discount of 20% of the Market Price.

(vi) The option can be exercised during the following period:-

Type of Option	Exercise Period
Option with subscription price fixed at Market Price granted to:- • Participants other than Non-Executive Directors • Non-Executive Directors	 • 12 to 120 months from date of grant • 12 to 60 months from date of grant
Option with subscription price fixed at a discount to the Market Price granted to:- • Participants other than Non-Executive Directors • Non-Executive Directors	 • 24 to 120 months from date of grant • 24 to 60 months from date of grant

The Schemes are administered by the Executive Resource and Compensation Committee ("Committee") which comprises the following non-executive directors:-

Lim How Teck (Chairman) (appointed Chairman of the Committee on 19 January 2006)	Independent
Lim Hua Min	Non-Independent
Gabriel Teo Chen Thye	Independent
Lim Jit Poh	Independent

No eligible participant has been granted options which in aggregate, represent 5% or more of the total number of new shares available under the 2000 Scheme and the Performance Share Plan.

No options were granted under the 2000 Scheme to controlling shareholders or their associated corporations, or parent group employees.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any rights to participate in any share issue of any other company.

Share Options (Cont'd)

The following are details of options granted to and exercised by Directors under the 1994 and 2000 Schemes:

Name of Participant	Options granted during the financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding as at end of financial year under review
1994 Scheme					
Kwah Thiam Hock	-	308,700	-	308,700	-
2000 Scheme					
Kwah Thiam Hock	-	120,000	60,000	-	60,000

During the financial year under review, no options were granted under the 2000 Scheme.

There were no unissued shares under options granted pursuant to the 1994 Scheme but there were a total of 297,300 unissued shares under the 2000 Scheme at the end of the financial year. Details of the options to subscribe for shares (including those granted to the Executive Directors) are as disclosed in Note 22 to the financial statements.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Performance Share Plan ("PSP")

Under the PSP awards, which represent the right to receive the Company's ordinary shares free of charge upon the achievement of certain prescribed performance targets, will be given to those participants eligible to participate in the PSP. The limit on the number of ordinary shares to be issued under the PSP is detailed in the preceding section, "Share Options".

The PSP is administered by the Committee. The PSP shall continue to be in force at the discretion of the Committee subject to a maximum period of 10 years commencing 24 May 2000. Further details for the PSP are set out in the Company's Circular dated 2 May 2000.

No awards have been granted under the PSP since its commencement.

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

Gabriel Teo Chen Thye	Chairman	Independent, Non-Executive Director
Lim Jit Poh	Member	Independent, Non-Executive Director
Lim How Teck	Member	Independent, Non-Executive Director

The Audit Committee performs the functions specified in Section 201B of the Companies Act, the Listing Manual and the Code of Corporate Governance.

The Audit Committee has held two meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

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

On behalf of the Board of Directors

Lee Soon Kie
Director

Kwah Thiam Hock
Director

Singapore
9 March 2006

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 40 to 118 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results, changes in equity and cash flows of the Group for the year ended on that date; 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.

On behalf of the Board of Directors

Lee Soon Kie
Director

Kwah Thiam Hock
Director

Singapore
9 March 2006

Report of the Auditors

to the Members of International Factors (Singapore) Ltd

We have audited the accompanying financial statements of International Factors (Singapore) Ltd for the year ended 31 December 2005 as set out on pages 40 to 118. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results, changes in equity and cash flows of the Group for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG

KPMG
Certified Public Accountants

Singapore
9 March 2006

Balance Sheets

As at 31 December 2005

	Note	Group 2005 $	Group 2004 $	Company 2005 $	Company 2004 $
Non-current assets					
Property, plant and equipment	3	**20,154,969**	20,709,155	**19,942,614**	20,510,433
Intangible assets	4	**695,182**	(2,861,257)	**174,602**	209,897
Interests in subsidiaries	5	**-**	-	**40,903,082**	40,763,000
Interests in associates	6	**5,473,825**	7,856,705	**4,014,711**	5,197,499
Other investments	7	**17,473,396**	12,552,842	**4,644,459**	800,001
Staff loans	8	**13,222**	31,497	**13,222**	31,497
Loans, advances and hire purchase receivables	9	**93,137,049**	97,623,577	**86,262,440**	92,247,235
Amounts owing by associates	11	**377**	2,079,834	**377**	2,079,834
Deferred tax assets	12	**2,341,156**	2,587,246	**2,341,156**	2,587,246
		139,289,176	140,579,599	**158,296,663**	164,426,642
Current assets					
Reinsurers' share of insurance contract provisions	14	**28,389,000**	30,801,000	**-**	-
Insurance receivables	15	**2,580,308**	2,767,112	**-**	-
Trade and other receivables	16	**313,336,848**	232,732,986	**270,472,634**	212,202,782
Derivative financial instruments	19	**220,008**	-	**220,008**	-
Other investments	7	**43,496,848**	17,508,193	**5,980,612**	-
Cash and cash equivalents	20	**27,518,822**	22,787,815	**7,370,437**	2,349,237
		415,541,834	306,597,106	**284,043,691**	214,552,019
Total assets		**554,831,010**	447,176,705	**442,340,354**	378,978,661
Equity attributable to equity holders of the parent					
Share capital	21	**51,648,568**	51,648,568	**51,648,568**	51,648,568
Reserves	23	**55,942,903**	44,139,711	**42,318,696**	35,458,022
Total equity		**107,591,471**	95,788,279	**93,967,264**	87,106,590
Non-current liabilities					
Interest-bearing borrowings	24	**48,357,807**	87,273,948	**48,357,807**	87,273,948
Deferred tax liabilities	12	**297,325**	181,608	**70,220**	75,193
		48,655,132	87,455,556	**48,428,027**	87,349,141
Current liabilities					
Trade and other payables	25	**81,691,390**	45,843,008	**41,042,863**	43,860,108
Insurance payables	27	**7,086,856**	2,613,184	**-**	-
Interest-bearing borrowings	24	**254,520,056**	161,756,215	**254,520,056**	156,863,614
Derivative financial instruments	19	**12,005**	-	**12,005**	-
Insurance contract provisions for:					
- gross unexpired risks	13	**35,100,000**	36,488,000	**-**	-
- gross insurance claims	14	**8,963,000**	8,796,000	**-**	-
Bank overdrafts (unsecured)	20	**85,674**	7,878	**82,457**	7,878
Current tax payable		**11,125,426**	8,428,585	**4,287,682**	3,791,330
		398,584,407	263,932,870	**299,945,063**	204,522,930
Total liabilities		**447,239,539**	351,388,426	**348,373,090**	291,872,071
Total equity and liabilities		**554,831,010**	447,176,705	**442,340,354**	378,978,661

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

Consolidated Profit and Loss Account

Year ended 31 December 2005

	Note	Group 2005 $	Group 2004 $
Interest income	28	**21,557,448**	16,008,538
Interest expense	29	**(8,767,950)**	(5,061,334)
Net interest income		**12,789,498**	10,947,204
Gross written premiums		**13,749,059**	6,886,119
Change in gross provision for unexpired risks		**1,388,000**	11,481,000
Gross earned premium revenue		**15,137,059**	18,367,119
Written premiums ceded to reinsurers		**(7,259,929)**	(3,421,972)
Reinsurers' share of change in the provision for unexpired risks	13	**(2,397,000)**	(6,109,000)
Reinsured premium expense		**(9,656,929)**	(9,530,972)
Net earned premium revenue	30	**5,480,130**	8,836,147
Fee and commission income	31	**7,801,174**	6,831,354
Investment income	32	**5,125,551**	1,815,893
Other income	33	**2,378,681**	2,356,407
Income before operating expenses		**33,575,034**	30,787,005
Business development expenses		**(994,884)**	(949,235)
Commission expenses		**(1,164,107)**	(490,321)
General and administrative expenses		**(11,618,900)**	(10,838,040)
		(13,777,891)	(12,277,596)
Change in provision for insurance claims		**(167,000)**	(3,090,000)
Reinsurers' share of change in provision for insurance claims		**(15,000)**	(1,175,000)
Gross claims paid		**(1,018,247)**	(2,824,144)
Reinsurers' share of claims paid		**339,353**	1,673,847
Net claims incurred		**(860,894)**	(5,415,297)
Operating profit before allowances		**18,936,249**	13,094,112
Allowances for loan losses and impairment of investments	34	**(4,688,056)**	(3,918,488)
Operating profit after allowances		**14,248,193**	9,175,624
Gain on disposal of associates		**-**	921,674
Restructuring costs		**-**	(1,200,911)
Share of after-tax results of associates		**531,474**	297,871
Profit from operations before taxation	35	**14,779,667**	9,194,258
Income tax expense	36	**(3,191,710)**	(1,087,208)
Net profit for the year		**11,587,957**	8,107,050
Earnings per share	37		
- Basic		**11.2 cents**	7.9 cents
- Fully diluted		**11.2 cents**	7.9 cents

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2005

	Share capital	Share premium	Capital reserves	Fair value and revaluation reserve	Currency translation reserve	Accumu - lated profits	Total equity
Group	$	$	$	$	$	$	$
At 1 January 2004	51,490,568	25,928,029	786,973	-	(332,044)	10,392,185	88,265,711
Exchange differences:							
- Translation of net assets of foreign associates	-	-	-	-	(237,334)	-	(237,334)
- Realisation to profit and loss account upon disposal of associate	-	-	-	-	524,663	-	524,663
Net profit for the year	-	-	-	-	-	8,107,050	8,107,050
Total recognised income and expense for the year	-	-	-	-	287,329	8,107,050	8,394,379
316,000 ordinary shares issued pursuant to exercise of IFS (2000) Share Option Scheme	158,000	-	-	-	-	-	158,000
First and final dividend paid of 1.25 cents per share less tax of 20% in respect of year 2003	-	-	-	-	-	(1,029,811)	(1,029,811)
At 31 December 2004, as previously reported	51,648,568	25,928,029	786,973	-	(44,715)	17,469,424	95,788,279
Effects of adopting FRS 39	-	-	-	83,058	-	(58,177)	24,881
Effects of adopting FRS 103	-	-	-	-	-	3,271,465	3,271,465
At 1 January 2005, restated	**51,648,568**	**25,928,029**	**786,973**	**83,058**	**(44,715)**	**20,682,712**	**99,084,625**
Exchange differences:							
- Translation of net assets of foreign entities:							
- associates	**-**	**-**	**-**	**-**	**(104,061)**	**-**	**(104,061)**
- subsidiary	**-**	**-**	**-**	**-**	**(1,671)**	**-**	**(1,671)**
Disposal of available-for-sale investments							
- quoted equity	**-**	**-**	**-**	**(83,058)**	**-**	**-**	**(83,058)**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**11,587,957**	**11,587,957**
Total recognised income and expense for the year	**-**	**-**	**-**	**(83,058)**	**(105,732)**	**11,587,957**	**11,399,167**
First and final dividend paid of 3.5 cents per share less tax of 20% in respect of year 2004	**-**	**-**	**-**	**-**	**-**	**(2,892,321)**	**(2,892,321)**
At 31 December 2005	**51,648,568**	**25,928,029**	**786,973**	**-**	**(150,447)**	**29,378,348**	**107,591,471**

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

Consolidated Statement of Cash Flows

Year ended 31 December 2005

	Group	
	2005	2004
	$	$
Operating activities		
Profit from operations before taxation	**14,779,667**	9,194,258
Adjustments for:		
Share of after-tax results of associates	**(531,474)**	(297,871)
Amortisation of :		
- intangible assets	**289,676**	280,925
- negative goodwill	**-**	(1,706,852)
- discount on floating rate notes	**100,000**	100,274
- held-to-maturity debt securities	**153,160**	62,688
Foreign exchange gain, net	**(36,001)**	-
Depreciation of property, plant and equipment	**721,395**	780,545
(Gain)/loss on disposal of:		
- property, plant and equipment	**3,810**	(5,413)
- equity securities held-for-trading	**(2,196,688)**	(324,265)
- equity securities available-for-sale	**(823,830)**	(1,114,984)
- associates	**-**	(921,674)
- other assets	**-**	3,502
Unrealised gain on equity securities held-for-trading	**(1,326,291)**	-
Property, plant and equipment written off	**-**	2,071
Impairment loss on property, plant and equipment	**-**	90,610
Allowance for impairment of:		
- doubtful receivables	**4,301,331**	3,614,577
- equity securities available-for-sale	**386,725**	303,911
Provision for:		
- unexpired risks	**1,009,000**	(5,372,000)
- insurance claims, net	**182,000**	4,265,000
Interest income	**(21,557,448)**	(16,008,538)
Investment income - bonds	**(616,150)**	(212,728)
Interest income - fixed deposits	**(14,271)**	(115,057)
Other income - interest	**(6)**	(2,149)
Financial expense	**145,722**	229,147
Interest expense	**8,767,950**	5,061,334
Dividend income	**(317,312)**	(205,548)
Negative goodwill recognised in profit and loss account	**(1,638,422)**	-
Bad and doubtful debts written off	**7**	22
Operating gain/(loss) before changes in working capital	**1,782,550**	(2,298,215)

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

Year ended 31 December 2005

Consolidated Statement of Cash Flows (Cont'd)

	Note	Group 2005 $	Group 2004 $
Changes in working capital:			
Factoring receivables		**(9,491,540)**	(51,802,958)
Factoring amounts owing to clients		**2,936,487**	4,688,219
Amounts owing to affiliated companies, net		**-**	(22)
Loans, advances and hire purchase receivables		**(42,458,279)**	8,315,687
Trade and other receivables		**(27,775,285)**	427,718
Trade and other payables		**35,645,084**	2,900,840
Cash used in operations		**(39,360,983)**	(37,768,731)
Interest received		**22,095,385**	16,209,838
Interest paid		**(8,009,817)**	(4,692,632)
Income taxes paid		**(1,159,656)**	(627,664)
Cash used in operating activities		**(26,435,071)**	(26,879,189)
Investing activities			
Redemption of loans by associate, net		**2,410**	2,048,910
Redemption of preference shares in associate		**1,049,895**	-
Purchase of property, plant and equipment		**(178,003)**	(120,903)
Proceeds from sale of property, plant and equipment		**6,984**	169,232
Purchase of computer software		**(217,709)**	(272,957)
Purchase of investments, net		**(28,725,861)**	(33,286,624)
Proceeds from disposal of investments		**5,818,968**	5,500,000
Net cash inflow on acquisition of subsidiaries	39	**112,218**	-
Proceeds from sale/redemption of investments		**1,658,033**	1,898,223
Proceeds from sale of associates		**-**	5,023,437
Dividends received from investments and associates		**735,211**	3,736,673
Cash used in investing activities		**(19,737,854)**	(15,304,009)
Financing activities			
Dividends paid		**(2,892,321)**	(1,029,811)
Proceeds from term loans		**53,703,074**	20,319,796
Proceeds from issue of ordinary shares		**-**	158,000
Cash flows generated from financing activities		**50,810,753**	19,447,985
Net increase/(decrease) in cash and cash equivalents		**4,637,828**	(22,735,213)
Effect of exchange rate changes on balances held in foreign currency		**15,383**	-
Cash and cash equivalents at beginning of the year		**22,779,937**	45,515,150
Cash and cash equivalents at end of the year	20	**27,433,148**	22,779,937

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 9 March 2006.

1 Domicile and Activities

International Factors (Singapore) Ltd (the "Company") is incorporated in the Republic of Singapore with its registered office at 7 Temasek Boulevard, #10-01 Suntec Tower One, Singapore 038987.

The principal activities of the Company are those relating to the provision of factoring services and working capital and asset based financing. The principal activities of the subsidiaries are detailed in Note 5(b) to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS) including related Interpretations promulgated by the Council on Corporate Disclosure and Governance.

In 2005, the Group adopted the following new/revised FRSs which are relevant to its operations:

FRS 1 *(revised)*	*Presentation of Financial Statements*
FRS 8 *(revised)*	*Accounting Policies, Changes in Accounting Estimates and Errors*
FRS 10 *(revised)*	*Events After the Balance Sheet Date*
FRS 16 *(revised)*	*Property, Plant and Equipment*
FRS 17 *(revised)*	*Leases*
FRS 21 *(revised)*	*The Effects of Changes in Foreign Exchange Rates*
FRS 24 *(revised)*	*Related Party Disclosures*
FRS 27 *(revised)*	*Consolidated and Separate Financial Statements*
FRS 28 *(revised)*	*Investment in Associates*
FRS 32 *(revised)*	*Financial Instruments: Disclosure and Presentation*
FRS 33 *(revised)*	*Earnings Per Share*
FRS 36 *(revised)*	*Impairment of Assets*
FRS 38 *(revised)*	*Intangible Assets*
FRS 39	*Financial Instruments: Recognition and Measurement*
FRS 102	*Share-Based Payment*
FRS 103	*Business Combinations*
FRS 104	*Insurance Contracts*

The effects of adopting the new/revised FRSs in 2005 are set out in note 38.

2 Summary of Significant Accounting Policies (Cont'd)

The financial statements, expressed in Singapore dollars, are prepared on the historical cost basis, unless otherwise stated.

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of FRSs that have a significant effect on the financial statements are discussed in note 44.

FRS not yet adopted

The Group has not applied the following standards and interpretations that have been issued but not yet effective, except for amendments to FRS 104 *Insurance Contracts* which allows the insurer to apply the standard to credit insurance and financial guarantee contracts and Amendments to FRS 39: *Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts and Credit Insurance*:

Amendments to FRS 19	*Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures*
Amendments to FRS 21	*The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*
Amendments to FRS 39	*Financial Instruments: Recognition and Measurement* - *Cash Flow Hedge Accounting of Forecast Group Transactions* - *The Fair Value Option* - *Financial Guarantee Contracts and Credit Insurance*
Amendments to FRS 104	*Insurance Contracts*
FRS 40	*Investment Properties*
FRS 106	*Explorations and Evaluation of Mineral Resources*
FRS 107	*Financial Instruments: Disclosures Amendments to FRS 1 - Presentation of Financial Statements - Capital Disclosures*
INT FRS 104	*Determining whether an Arrangement contains a Lease*
INT FRS 105	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
INT FRS 106	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*
INT FRS 107	*Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies*

2 Summary of Significant Accounting Policies (Cont'd)

The adoption of the Amendments to FRS 39 *Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts and Credit Insurance* and Amendments to FRS 104 *Insurance Contracts* does not have a material impact on the Group's financial statements. The initial application of the other standards and interpretations are not expected to have any material impact on the Group's financial statements.

2.2 Functional currency

The functional currency of the Group is Singapore dollar. As income and expense are denominated primarily in Singapore dollars and receipts from operations are usually retained in Singapore dollars, the directors are of the opinion that the Singapore dollar reflects the economic substance of the underlying events and circumstances relevant to the Group.

2.3 Consolidation

Subsidiaries

Subsidiaries are companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. In assessing controls, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

Associates

Associates are companies in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2 Summary of Significant Accounting Policies (Cont'd)

2.4 Affiliated companies

An affiliated company is a company, other than a related corporation, in which the directors and/or shareholders of the Group have substantial financial interests and may be able to exercise significant influence over the Group. All transactions with affiliated companies are therefore related party transactions carried out on terms agreed between the Group and such parties.

2.5 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Singapore dollars at foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the profit and loss account. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into Singapore dollars at foreign exchange rates ruling at the dates the fair value was determined.

Net investment in a foreign operation

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated to Singapore dollars for consolidation at the rates of exchange ruling at the balance sheet date. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in equity. On disposal, accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

2.6 Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

The Group issues credit, bond and guarantee insurance contracts described below. All such contracts are regarded as insurance contracts for the purposes of FRS 104 and are classified together in these financial statements.

2 Summary of Significant Accounting Policies (Cont'd)

Credit insurance contracts

The Group provides credit insurance against non-payment risks arising from commercial and political events. Commercial events may be due to protracted default in payments or insolvency of the buyer. Political events are defined as external factors beyond the control of both the policyholder and the buyer that lead to the buyer not being able to make payments to the policyholders. Political events are for example the occurrence of war or other disturbances in the buyer's country affecting the settlement of debt, transfer payment delays due to the imposition of foreign exchange controls, or the cancellation or imposition of import licence in the buyer's country.

The Group issues short-term comprehensive contracts where the period of coverage is usually a year or less. These policies are typically purchased by exporters who are based mainly in Singapore. The Group also issues specific policies for medium and long term credit period.

Bond and guarantee insurance contracts

Risks covered under the guarantee business are related to the client's performance capabilities to meet the requirements of projects or contracts, for which the Group issues bonds and guarantees on behalf of the clients. These include the following major classes of bonds and guarantees issued:

Performance Bond

A bond to secure the performance of any contract, where contract refers to any written agreement between the client and the beneficiary for the carrying out of works, performance of services or supply or provision of any goods.

Advance Payment Bond

A bond to secure the repayment of any sum advanced by the beneficiary to the client under or for the purposes of a contract, where such sum is advanced before the carrying out of works, the performance of services or the supply or provision of any goods pursuant to such contract.

Contract Tender Bond/Bid Bond

A bond in respect of a tender to secure the payment of any loss or damage suffered or incurred by the beneficiary arising out of the failure by the client to enter into a contract or provide performance or other bond pursuant to such tender.

Qualifying Certificate Bond

A bond required in respect of land developers whose shareholding is partly or fully owned by foreign entities in Singapore.

2 Summary of Significant Accounting Policies (Cont'd)

Customs Bond

A bond required by the Singapore Customs and Excise Department and is mainly to ensure importers and exporters and pay their custom duties promptly.

Foreign Worker Bond

A bond required by Ministry Of Manpower to ensure the particular foreign worker remains within the employment of client during the term of his employment.

Tenancy/Rental Bond

A bond to secure the tenancy/rental deposit often required in renting a place for commercial activities.

Account Payment Bond

A general class bond issued to any service provider for securing services provided to client.

2.7 Recognition and measurement of contracts

Premiums arising from insurance business

Gross written premiums are disclosed gross of commission payable to intermediaries (brokers) and exclude taxes and levies based on premiums. Premiums written do not include an estimate for pipeline premiums.

For short-term comprehensive credit insurance contracts, premiums are recognised when sales declarations are received. A minimum premium is received from the policyholder upfront at the commencement of the cover. This minimum premium is determined using premium rates which are adjusted according to the level of credit risk exposure to buyers. The minimum premium is not recognised as revenue but as a liability. Upon declaration of sales to buyers by the policyholder, the Group will recognise the revenue by reversing the minimum premium from the liability account.

For bonds and guarantees insurance contracts, premiums are recognised upon inception of risk.

The provision for unexpired risks includes unearned premiums calculated at a flat rate of 25% on the net written premiums for short-term credit insurance policies, and on a daily pro-rata basis over the policy period for long-term credit and bonds and guarantees insurance policies. An additional provision for unexpired risks is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums in relation to such policies. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

2 Summary of Significant Accounting Policies (Cont'd)

Fees and other charges to policyholders

Administration fees are charged to policyholders for the cost of processing and issuing bonds and guarantees. These are recognised in income immediately.

Claims incurred and provision for insurance claims

Claims incurred comprises claims paid during the financial year, net of subrogation recoveries, and changes in the provision for outstanding claims.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and related internal and external claims handling expenses and a prudential margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Claims provisions for claims outstanding are discounted where there is a particularly long period from incident to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

Whilst the management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed annually.

Reinsurance

The Group ceded reinsurance in the normal course of business for the purpose of limiting its losses. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Reinsurance premium expense, reinsurers' share of claims incurred and reinsurance commission income are presented in the profit and loss account and balance sheet on a gross basis.

Reinsurance assets comprise reinsurers' share of insurance contract provisions and balances due from reinsurance companies. The amounts recognised as reinsurers' share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Balances due from reinsurance companies in respect of claims paid are included within insurance receivables on the balance sheet.

Reinsurance assets are assessed for impairment at each balance sheet 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 Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

2 Summary of Significant Accounting Policies (Cont'd)

Commission expense

Commission expenses are paid to intermediaries (brokers) upon acquiring new and renewal insurance business.

For short-term comprehensive credit insurance contracts and bonds and guarantees, commission expenses are amortised on a pro-rata basis over the period of the contracts.

For credit insurance contracts under which advance premium is received upfront but only earned upon achieving the pre-set minimum insured volume, the upfront commission expense paid is deferred and amortised on a pro-rata basis over the period of the contracts.

Commission income

Commission income comprises reinsurance and profit commissions received or receivable which do not require the Group to render further service. Commission income is not deferred and amortised on a pro-rata basis over the period of the contracts but are recognised in full on the effective commencement or renewal dates of the policies.

Claim recoveries

Claim recoveries represent actual subrogation recoveries received from policyholders during the year.

Liability adequacy test

The liability of the Group under insurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of the insurance contract provisions for gross unexpired risks and gross insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in the profit and loss account.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis so as to write off items of property, plant and equipment over their estimated useful lives as follows:-

Leasehold land	-	99 years
Leasehold building	-	30 years
Freehold residential properties	-	50 years
Renovations	-	4 years
Office equipment, furniture and fittings	-	2 to 6 years
Computer equipment	-	3 to 5 years
Motor vehicles	-	5 years

Fully depreciated property, plant and equipment are retained in the financial statements until they are disposed off.

The useful lives and residual values, if not insignificant, are reassessed annually.

2 Summary of Significant Accounting Policies (Cont'd)

2.9 Intangible assets

Goodwill and negative goodwill

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less impairment losses. Goodwill on the acquisition of subsidiaries is presented as intangible assets. Goodwill on the acquisition of associates is presented together with investments in associates.

Goodwill is tested for impairment on an annual basis as described in note 2.14.

Goodwill/negative goodwill previously taken to reserves

Goodwill prior to 1 January 2001 that had previously been taken to reserves is not taken to the profit and loss account when (i) the business is disposed or (ii) the goodwill is impaired. Similarly, negative goodwill prior to 1 January 2001 that had previously been taken to reserves is not taken to the profit and loss account when the business is disposed of.

Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Computer software is amortised from the date the asset is available for use. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of 3 to 5 years.

Subsequent expenditure

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of 3 to 5 years.

2 Summary of Significant Accounting Policies (Cont'd)

2.10 Investments

Financial instruments held-for-trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the profit and loss account.

Where the Group has the positive intent and ability to hold debt securities to maturity, they are stated at amortised cost less impairment losses. Debt securities with maturity of less than one year are classified as current assets. Debt securities with maturity of more than one year are classified as non-current assets.

Other financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. The exceptions are impairment losses and foreign exchange gains and losses on monetary items such as debt securities, which are recognised in the profit and loss account. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the profit and loss account. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the profit and loss account.

The fair value of the quoted financial instruments classified as held-for-trading and available-for-sale is determined based on the quoted bid price at the balance sheet date.

Financial instruments classified as held-for-trading or available-for-sale investments are recognised by the Group on the date it commits to purchase the investments, and derecognised on the date a sale is committed.

Dividends from equity investments are recognised as and when they are received.

Interest income is recognised on the accrual basis.

2.11 Loans, advances and receivables

Loans, advances and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Fee income that is integral part of the effective interest rate is amortised in the profit and loss account over the tenor of the loans using the effective interest rate method.

2 Summary of Significant Accounting Policies (Cont'd)

2.12 Allowance for doubtful receivables

Impairment for loans and receivables losses are established when the present value of future recoverable cash flows for impaired loans is lower than the carrying value of the loans and receivables. Impaired loans and receivables are assessed on a loan-by-loan basis and are excluded from the loans that are collectively assessed for provision. Collective allowances are made for loans and receivables that have not been specifically provided for. When performing a collective assessment of impairment, loans of similar credit risk characteristics are grouped together. Collective allowances must be based on an objective evidence of impairment and are assessed on a basis taking into account the historical loss experience.

2.13 Cash and cash equivalents

Cash and cash equivalents in the balance sheets comprise cash at banks and in hand and bank deposits. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

2.14 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation, credited to equity, in which it case it is charged to equity.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment are identified.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the profit and loss account even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the profit and loss account is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account.

2 Summary of Significant Accounting Policies (Cont'd)

Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their selling price and 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment loss

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the profit and loss account. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

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.

2.15 Liabilities and interest-bearing borrowings

Trade and other payables are recognised initially at fair value. Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

2 Summary of Significant Accounting Policies (Cont'd)

2.16 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.17 Derivatives

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedging accounting are accounted for as trading investments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit and loss account.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contract is its quoted market price at the balance sheet date, being the present value of the quoted forward price.

2.18 Hedging

Cash flow hedges

The Group has entered into interest rate swaps, cap and floor that are cash flow hedges to hedge the Group's exposures to interest rate risk on its borrowings. Changes in the fair value are recognised immediately in the profit and loss account.

2.19 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

2 Summary of Significant Accounting Policies (Cont'd)

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

2.20 Revenue and interest expense recognition

Interest income

Interest income on loans, advances, hire purchase receivables and factoring accounts is recognised on the accrual basis, taking into account the effective yield of the assets. Interest income is charged principally on a monthly rest basis.

Interest income from debt sercurities with a fixed maturity is recognised as it accrues, using the effective interest rate method.

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

Fee and commission income

Fee and commission income are recognised in the profit and loss account on an accrual basis.

Guarantee fees

Fees on financial guarantees are recognised on the straight line basis over the term of the guarantee. The deferred portion of guarantee fees is disclosed as deferred income under “Other Payables and Accruals”.

Management fees

Management fees are recognised on an accrual basis.

Dividend income

Dividend income is recognised in the profit and loss account when the shareholder’s right to receive payment is established.

2 Summary of Significant Accounting Policies (Cont'd)

Interest expense

Interest expense is recognised in the profit and loss account as it accrues.

2.21 Employee share options

Share-based payments

The share option programme allows the Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium when the options are exercised.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

2.22 Dividends

Dividends payable on the issued ordinary shares are recognised as a liability in the financial year in which they are declared.

2.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3 Property, Plant and Equipment

Group	Leasehold land $	Leasehold building $	Freehold residential properties $	Renovations $	Office equipment, furniture and fittings $	Computer equipment $	Motor vehicles $	Total $
Cost								
At 1 January 2004	12,822,498	10,510,395	494,574	670,454	1,107,720	1,274,515	246,764	27,126,920
Additions	-	-	-	-	51,751	63,242	5,910	120,903
Disposals	-	-	-	-	(143,069)	(84,459)	(237,109)	(464,637)
At 31 December 2004	12,822,498	10,510,395	494,574	670,454	1,016,402	1,253,298	15,565	26,783,186
At 1 January 2005	**12,822,498**	**10,510,395**	**494,574**	**670,454**	**1,016,402**	**1,253,298**	**15,565**	**26,783,186**
Additions	**-**	**-**	**-**	**2,760**	**24,300**	**150,943**	**-**	**178,003**
Disposals	**-**	**-**	**-**	**-**	**(16,994)**	**(65,368)**	**-**	**(82,362)**
At 31 December 2005	**12,822,498**	**10,510,395**	**494,574**	**673,214**	**1,023,708**	**1,338,873**	**15,565**	**26,878,827**
Accumulated depreciation and impairment losses								
At 1 January 2004	1,049,115	1,576,559	287,586	577,278	986,448	951,690	72,956	5,501,632
Impairment loss	-	-	90,610	-	-	-	-	90,610
Depreciation for the year	139,882	397,059	3,651	29,135	53,603	144,638	12,577	780,545
Disposals	-	-	-	-	(141,803)	(78,175)	(78,778)	(298,756)
At 31 December 2004	1,188,997	1,973,618	381,847	606,413	898,248	1,018,153	6,755	6,074,031
At 1 January 2005	**1,188,997**	**1,973,618**	**381,847**	**606,413**	**898,248**	**1,018,153**	**6,755**	**6,074,031**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation for the year	**139,881**	**397,059**	**3,651**	**23,440**	**44,692**	**108,235**	**4,437**	**721,395**
Disposals	**-**	**-**	**-**	**-**	**(13,904)**	**(57,664)**	**-**	**(71,568)**
At 31 December 2005	**1,328,878**	**2,370,677**	**385,498**	**629,853**	**929,036**	**1,068,724**	**11,192**	**6,723,858**
Carrying amount								
At 1 January 2004	11,773,383	8,933,836	206,988	93,176	121,272	322,825	173,808	21,625,288
At 31 December 2004/ 1 January 2005	**11,633,501**	**8,536,777**	**112,727**	**64,041**	**118,154**	**235,145**	**8,810**	**20,709,155**
At 31 December 2005	**11,493,620**	**8,139,718**	**109,076**	**43,361**	**94,672**	**270,149**	**4,373**	**20,154,969**

3 Property, Plant and Equipment (Cont'd)

Company	Leasehold land $	Leasehold building $	Freehold residential properties $	Renovations $	Office equipment, furniture and fittings $	Computer equipment $	Motor vehicles $	Total $
Cost								
At 1 January 2004	12,822,498	10,510,395	494,574	591,705	1,061,138	797,389	22,763	26,300,462
Additions	-	-	-	-	34,555	15,222	-	49,777
Disposals	-	-	-	-	(142,803)	(84,459)	(13,108)	(240,370)
At 31 December 2004	12,822,498	10,510,395	494,574	591,705	952,890	728,152	9,655	26,109,869
At 1 January 2005	**12,822,498**	**10,510,395**	**494,574**	**591,705**	**952,890**	**728,152**	**9,655**	**26,109,869**
Additions	**-**	**-**	**-**	**2,760**	**5,250**	**73,108**	**-**	**81,118**
Disposals	**-**	**-**	**-**	**-**	**(7,647)**	**(55,663)**	**-**	**(63,310)**
At 31 December 2005	**12,822,498**	**10,510,395**	**494,574**	**594,465**	**950,493**	**745,597**	**9,655**	**26,127,677**
Accumulated depreciation and impairment losses								
At 1 January 2004	1,049,115	1,576,559	287,586	577,278	959,657	581,033	13,223	5,044,451
Impairment loss	-	-	90,610	-	-	-	-	90,610
Depreciation for the year	139,882	397,059	3,651	7,807	42,338	102,159	3,023	695,919
Disposals	-	-	-	-	(141,791)	(78,175)	(11,578)	(231,544)
At 31 December 2004	1,188,997	1,973,618	381,847	585,085	860,204	605,017	4,668	5,599,436
At 1 January 2005	**1,188,997**	**1,973,618**	**381,847**	**585,085**	**860,204**	**605,017**	**4,668**	**5,599,436**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation for the year	**139,881**	**397,059**	**3,651**	**3,753**	**32,185**	**65,181**	**1,931**	**643,641**
Disposals	**-**	**-**	**-**	**-**	**(7,196)**	**(50,818)**	**-**	**(58,014)**
At 31 December 2005	**1,328,878**	**2,370,677**	**385,498**	**588,838**	**885,193**	**619,380**	**6,599**	**6,185,063**
Carrying amount								
At 1 January 2004	11,773,383	8,933,836	206,988	14,427	101,481	216,356	9,540	21,256,011
At 31 December 2004/ 1 January 2005	**11,633,501**	**8,536,777**	**112,727**	**6,620**	**92,686**	**123,135**	**4,987**	**20,510,433**
At 31 December 2005	**11,493,620**	**8,139,718**	**109,076**	**5,627**	**65,300**	**126,217**	**3,056**	**19,942,614**

3 Property, Plant and Equipment (Cont'd)

The depreciation charge and impairment loss for the Group are recognised in the following items of the profit and loss account:

	2005 $	2004 $
General and administrative expenses	**721,395**	871,155

The Company's properties consist of the following:-

Location	Title	Description of properties
7 Temasek Boulevard #10-01 Singapore 038987	Leasehold (99 years from 1995)	Offices
Lot 1647, Title No. EMR 75, Mukim of Pengereng, District of Kota Tinggi, Johore	Freehold	Residential building
#14-06, Seaview Tower, Ocean Palms Klebang Besar, Malacca	Freehold	Residential apartment

4 Intangible Assets

Group	(Negative) goodwill/ goodwill $	Computer software $	Total $
Cost			
At 1 January 2004	(5,120,555)	3,692,201	(1,428,354)
Additions	-	272,957	272,957
Disposals	-	(6,972)	(6,972)
At 31 December 2004	(5,120,555)	3,958,186	(1,162,369)
At 1 January 2005, as previously reported	**(5,120,555)**	**3,958,186**	**(1,162,369)**
Effects of adopting FRS 103	**5,120,555**	**-**	**5,120,555**
At 1 January 2005, restated	**-**	**3,958,186**	**3,958,186**
Additions	**356,941**	**217,709**	**574,650**
At 31 December 2005	**356,941**	**4,175,895**	**4,532,836**
Accumulated amortisation and impairment losses			
At 1 January 2004	(142,238)	3,274,015	3,131,777
Amount recognised as income for the year	(1,706,852)	-	(1,706,852)
Amortisation charge for the year	-	280,925	280,925
Disposals	-	(6,962)	(6,962)
At 31 December 2004	(1,849,090)	3,547,978	1,698,888
At 1 January 2005, as previously reported	**(1,849,090)**	**3,547,978**	**1,698,888**
Effects of adopting FRS 103	**1,849,090**	**-**	**1,849,090**
At 1 January 2005, restated	**-**	**3,547,978**	**3,547,978**
Amortisation charge for the year	**-**	**289,676**	**289,676**
At 31 December 2005	**-**	**3,837,654**	**3,837,654**
Carrying amount			
1 January 2004	(4,978,317)	418,186	(4,560,131)
At 31 December 2004	(3,271,465)	410,208	(2,861,257)
At 1 January 2005, restated	**-**	**410,208**	**410,208**
At 31 December 2005	**356,941**	**338,241**	**695,182**

Upon the adoption of FRS 103 – *Business Combinations* during the financial year, the carrying amount of the negative goodwill had been derecognised from the balance sheet via a corresponding credit to opening accumulated profits as at 1 January 2005.

4 Intangible Assets (Cont'd)

	Computer software $	Total $
Company		
Cost		
At 1 January 2004	3,536,252	3,536,252
Additions	119,988	119,988
Disposals	(6,972)	(6,972)
At 31 December 2004/1 January 2005	**3,649,268**	**3,649,268**
Additions	**120,170**	**120,170**
At 31 December 2005	**3,769,438**	**3,769,438**
Accumulated amortisation and impairment losses		
At 1 January 2004	3,269,099	3,269,099
Amortisation charge for the year	177,234	177,234
Disposals	(6,962)	(6,962)
At 31 December 2004/1 January 2005	**3,439,371**	**3,439,371**
Amortisation charge for the year	**155,465**	**155,465**
At 31 December 2005	**3,594,836**	**3,594,836**
Carrying amount		
At 1 January 2004	267,153	267,153
At 31 December 2004/1 January 2005	**209,897**	**209,897**
At 31 December 2005	**174,602**	**174,602**

The amortisation and impairment charge are recognised in the following line item of the profit and loss account:

	2005 $	2004 $
General and administrative expenses	**289,676**	280,925

5 Interests in Subsidiaries

	Company 2005 $	Company 2004 $
(a) Unquoted ordinary shares, at cost	**47,741,216**	40,763,000
Less:		
Impairment losses	**(6,838,134)**	-
	40,903,082	40,763,000

(b) Details of the subsidiaries are as follows:-

Name of subsidiaries	Country of incorporation/ place of business	Effective equity interest held by the Group 2005 %	2004 %
IFS Capital Assets Private Limited *(formerly known as International Factors Leasing Pte Ltd)*	Singapore	**100**	100
IFS Ventures 2 Limited *(formerly known as ECICS Ventures 2 Ltd)*	Singapore	**100**	-
IFS Ventures Private Limited *(formerly known as ECICS Ventures Pte Ltd)*	Singapore	**100**	-
ECIL Ltd.	Singapore	**100**	-
ECGC Ltd.	Singapore	**100**	-
ECICS Limited	Singapore	**100**	100
PT. International Factors Indonesia *(formerly known as PT. Niaga International Factors)*	Indonesia	**+85**	-

+ Consolidation is prepared based on 100% beneficial interest.

The principal activities of the subsidiaries are as follows:-

Name of Subsidiaries	Principal Activities
* IFS Capital Assets Private Limited	Working capital, asset-based financing and venture capital investments
* IFS Ventures 2 Limited	Venture capital investments
* IFS Ventures Private Limited	Venture capital investments
* ECIL Ltd.	Investment holding
* ECGC Ltd.	Investment holding
* ECICS Limited	Direct general insurer, guarantee, bond and underwriting business
# PT. International Factors Indonesia	Factoring of onshore and offshore short-term trade receivables, direct financing, operating lease and consumer financing

* Audited by KPMG Singapore
\# Audited by Ernst and Young, Indonesia

6 Interests in Associates

	Group 2005 $	Group 2004 $	Company 2005 $	Company 2004 $
Unquoted shares at cost, net of amounts written off	**-**	-	**5,226,289**	12,918,917
Net tangible assets of associates on acquisition, net of amounts written off	**4,634,116**	7,162,942	**-**	-
Goodwill on consolidation	**32,973**	64,030	**-**	-
Impairment losses	**-**	-	**(1,211,578)**	(7,721,418)
	4,667,089	7,226,972	**4,014,711**	5,197,499
Exchange differences on retranslation of the net assets of foreign associates	**(148,750)**	(44,715)	**-**	-
Share of reserves:				
Retained earnings	**876,513**	(112,525)	**-**	-
Capital reserves	**78,973**	786,973	**-**	-
	806,736	629,733	**-**	-
	5,473,825	7,856,705	**4,014,711**	5,197,499

Details of the associates are as follows:-

Name of associates	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
1 PT. International Factors Indonesia	Factoring and other financing operations	Indonesia	**-**	47
2 Ayudhya International Factors Co., Ltd	Factoring and other financing operations	Thailand	**46.2**	45.6
3 IFS Ventures 2 Limited	Venture capital investments	Singapore	**-**	25

During the year, the Company acquired additional shares in PT. International Factors Indonesia and increased its shareholding interest from 47% to 85%. As a result, the associate became a subsidiary of the Company.

1 Audited by PricewaterhouseCoopers, Indonesia
2 Audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd, Thailand
3 Audited by KPMG Singapore

6 Interests in Associates (Cont'd)

The financial information of the Group's interests in the associates is as follows:

	Associates	
	2005	2004
	$	$
Assets and liabilities		
Non-current assets	**7,205,906**	20,439,254
Current assets	**76,891,409**	58,764,345
Total assets	**84,097,315**	79,203,599
Current liabilities	**69,740,844**	54,411,599
Non-current liabilities	**1,658,074**	1,802,012
Total liabilities	**71,398,918**	56,213,611
Results		
Revenue	**6,723,361**	8,593,973
Profit after taxation	**1,974,342**	903,698

The Group's share of unused credit facilities of the associates is $0.87 million (2004: $0.89 million).

7 Other Investments

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Non-current investments				
Debt securities held-to-maturity				
- At amortised cost				
- Singapore government securities	**-**	999,446	**-**	-
- Quoted corporate bonds	**2,060,949**	3,116,088	**-**	-
- Unquoted corporate bonds	**3,090,427**	5,493,406	**-**	-
	5,151,376	9,608,940	**-**	-
Available-for-sale investments				
(a) Quoted equity				
- At fair value	**-**	109,990	**-**	-

7 Other Investments (Cont'd)

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
(b) Unquoted equity				
- At fair value	**12,322,020**	2,833,912	**4,644,459**	800,001
Total	**17,473,396**	12,552,842	**4,644,459**	800,001

	Group 2005 $	Group 2004 $	Company 2005 $	Company 2004 $
Current investments				
Equity securities held-for-trading	**32,232,590**	10,509,053	**5,980,612**	-
Debt securities held-to-maturity				
- Singapore government securities	**3,987,731**	1,999,140	**-**	-
- Quoted corporate bonds	**3,015,272**	1,500,000	**-**	-
- Unquoted corporate bonds	**4,261,255**	3,500,000	**-**	-
Total	**43,496,848**	17,508,193	**5,980,612**	-

With the adoption of FRS 39, the Group states available-for-sale investments at fair value. The differences between the fair values are taken to the opening balance of the fair value reserve as at 1 January 2005.

Certain equity securities quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") with a fair value of $3,186,977 are subject to a staggered moratorium on trading on the SGX-ST where only $414,039 of the securities are freely tradeable as at balance sheet date. Of the remaining $2,772,938 of securities, half of the number of securities held are freely tradeable on 15 March 2006 with the remaining number of securities freely tradeable on 15 March 2007. In arriving at the fair value of these equity securities, the Company has used the quoted bid price at the balance sheet date to compute the fair value. Subsequent to 31 December 2005, $411,700 of the equity securities were disposed.

7 Other Investments (Cont'd)

The weighted average interest rates of debt securities at the balance sheet date the periods in which they mature are as follows:

Effective interest rates and repricing analysis:

	Effective interest rate	Fixed rate maturing within 1 year	1 to 5 years	after 5 years	Non interest-earning	Total
	%	$	$	$	$	$
Group						
2005						
Singapore government securities	**2.2**	**3,987,731**	**-**	**-**	**-**	**3,987,731**
Quoted corporate bonds	**3.3**	**3,015,272**	**2,060,949**	**-**	**-**	**5,076,221**
Unquoted corporate bonds	**3.6**	**4,261,255**	**3,090,427**	**-**	**-**	**7,351,682**
		11,264,258	**5,151,376**	**-**	**-**	**16,415,634**
2004						
Singapore government securities	1.3	1,999,140	999,446	-	-	2,998,586
Quoted corporate bonds	2.7	1,500,000	3,116,088	-	-	4,616,088
Unquoted corporate bonds	3.2	3,500,000	5,493,406	-	-	8,993,406
		6,999,140	9,608,940	-	-	16,608,080

8 Staff Loans

	Note	Group 2005	Group 2004	Company 2005	Company 2004
		$	$	$	$
Due within 12 months	18	**18,275**	42,240	**18,275**	42,240
Due after 12 months		**13,222**	31,497	**13,222**	31,497
		31,497	73,737	**31,497**	73,737

The loans granted by the Company under the car and housing benefit schemes are for employees of the Group, including executive directors of the Group and the Company. The schemes were approved by the shareholders at the Annual General Meeting held on 21 June 1995 and the Extraordinary General Meeting held on 8 June 1999.

8 Staff Loans (Cont'd)

Effective interest rates and repricing analysis:

	Effective interest rate	Fixed rate maturing within 1 year	Fixed rate maturing 1 to 5 years	Fixed rate maturing after 5 years	Non interest-earning	Total
	%	$	$	$	$	$
Group						
2005						
Staff loans	**4.0**	**18,275**	**13,222**	**-**	**-**	**31,497**
2004						
Staff loans	4.0	19,740	31,497	-	22,500	73,737
Company						
2005						
Staff loans	**4.0**	**18,275**	**13,222**	**-**	**-**	**31,497**
2004						
Staff loans	4.0	19,740	31,497	-	22,500	73,737

9 Loans, Advances and Hire Purchase Receivables

	Note	Group 2005	Group 2004	Company 2005	Company 2004
		$	$	$	$
Hire purchase receivables	10	**50,201,626**	47,693,837	**50,040,026**	46,643,270
Loans and advances		**186,493,819**	153,525,826	**169,426,390**	133,154,465
		236,695,445	201,219,663	**219,466,416**	179,797,735
Allowance for impairment of doubtful receivables					
- hire purchase receivables		**(871,618)**	(1,400,428)	**(719,118)**	(912,741)
- loans and advances		**(11,835,257)**	(15,516,756)	**(8,670,282)**	(10,232,172)
		(12,706,875)	(16,917,184)	**(9,389,400)**	(11,144,913)
		223,988,570	184,302,479	**210,077,016**	168,652,822
Due within 12 months	16	**130,851,521**	86,678,902	**123,814,576**	76,405,587
Due after 12 months		**93,137,049**	97,623,577	**86,262,440**	92,247,235
		223,988,570	184,302,479	**210,077,016**	168,652,822

9 Loans, Advances and Hire Purchase Receivables (Cont'd)

Group

Included in the loans, advances and receivables is an amount of $7,974,352 (2004: $8,402,009) less allowance for impairment of $1,417,216 (2004: $721,500) with an entity in which the Group has a 10% (2004: 10%) equity interest.

The Group's leasing arangements comprise hire purchase contracts mainly for machineries.

Effective interest rates and repricing analysis:

	Effective interest rate	Floating rate	Fixed rate maturing within 1 year	Fixed rate maturing 1 to 5 years	Fixed rate maturing after 5 years	Total
	%	$	$	$	$	$
Group						
2005						
Loans, advances and receivables						
- fixed rate	**6.4**	**-**	**36,076,650**	**43,381,103**	**-**	**79,457,753**
- variable rate	**7.0**	**144,530,817**	**-**	**-**	**-**	**144,530,817**
		144,530,817	**36,076,650**	**43,381,103**	**-**	**223,988,570**
2004						
Loans, advances and receivables						
- fixed rate	6.0	-	30,780,464	47,279,449	930,250	78,990,163
- variable rate	6.4	105,312,316	-	-	-	105,312,316
		105,312,316	30,780,464	47,279,449	930,250	184,302,479
Company						
2005						
Loans, advances and receivables						
- fixed rate	**6.4**	**-**	**36,076,650**	**43,381,103**	**-**	**79,457,753**
- variable rate	**7.1**	**130,619,263**	**-**	**-**	**-**	**130,619,263**
		130,619,263	**36,076,650**	**43,381,103**	**-**	**210,077,016**
2004						
Loans, advances and receivables						
- fixed rate	6.0	-	30,229,399	47,279,449	930,250	78,439,098
- variable rate	6.5	90,213,724	-	-	-	90,213,724
		90,213,724	30,229,399	47,279,449	930,250	168,652,822

Variable rate loans and advances are repriced at intervals of three or six months.

The above loans, advances and receivables are reflected net of allowance for impairment of doubtful receivables.

10 Hire Purchase

	2005 Total $	2004 Total $
Group		
Within 1 year	**23,009,672**	22,948,448
After 1 year but within 5 years	**27,191,954**	24,745,389
	50,201,626	47,693,837
Company		
Within 1 year	**22,968,072**	22,050,985
After 1 year but within 5 years	**27,071,954**	24,592,285
	50,040,026	46,643,270

Interest is levied on outstanding principal at monthly rest.

The Group's leasing arrangements comprise hire purchase contracts mainly for machineries.

11 Amounts Owing by Associates

	Group & Company	
	2005 $	2004 $
Loans to an associate	**-**	2,051,726
Other receivables (non-trade)	**377**	28,108
	377	2,079,834

During the year, the Company acquired additional shares in the associate resulting in the associate becoming a subsidiary. The terms of repayment for the loan owing in 2005 is set out in Note 16.

11 Amounts Owing by Associates (Cont'd)

Effective interest rates and repricing analysis:

	Effective interest rate %	Fixed rate maturing within 1 year $	Fixed rate maturing 1 to 5 years $	Fixed rate maturing after 5 years $	Non interest-earning $	Total $
Group & Company						
2005						
Amounts owing by associates	**-**	**-**	**-**	**-**	**377**	**377**
2004						
Amounts owing by associates	4.4	-	2,051,726	-	28,108	2,079,834

12 Deferred Tax

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At 31 Dec 2004 $	Effect of FRS 39 $	(Credited)/ charged to profit and loss account (note 36) $	At 31 Dec 2005 $
Group				
Deferred tax liabilities				
Property, plant and equipment	132,724	-	6,262	**138,986**
Trade and other receivables	40,152	-	(30,526)	**9,626**
Trade and other payables	(13,978)	7,211	(2,032)	**(8,799)**
Tax losses recognised	22,710	-	-	**22,710**
Dividend not remitted to Singapore	-	-	134,802	**134,802**
Total	181,608	7,211	108,506	**297,325**
Deferred tax assets				
Loans, advances and hire purchase receivables	(1,837,176)	(185,489)	398,759	**(1,623,906)**
Factoring receivables	(750,070)	-	32,820	**(717,250)**
Total	(2,587,246)	(185,489)	431,579	**(2,341,156)**

12 Deferred Tax (Cont'd)

	At 31 Dec 2004 $	Effect of FRS 39 $	(Credited)/ charged to profit and loss account (note 36) $	At 31 Dec 2005 $
Company				
Deferred tax liabilities				
Property, plant and equipment	75,193	-	(4,973)	**70,220**
Trade and other payables	-	7,211	(7,211)	**-**
	75,193	7,211	(12,184)	**70,220**
Deferred tax assets				
Loans, advances and hire purchase receivables	(1,837,176)	(185,489)	398,759	**(1,623,906)**
Factoring receivables	(750,070)	-	32,820	**(717,250)**
Total	(2,587,246)	(185,489)	431,579	**(2,341,156)**

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Group 2005 $	2004 $
Property, plant and equipment	**(250)**	(1,123)
Loans, advances and hire purchase receivables	**1,995,224**	3,863,787
Factoring receivables	**-**	59,753
Tax losses	**-**	1,500,000
	1,994,974	5,422,417
Net deferred tax at 20% (2004: 20%)	**398,995**	1,084,483

The deductible temporary differences and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

As at 31 December 2005, there were no unabsorbed tax losses (2004: $1,500,00) which are available for set-off against future taxable income subject to compliance with Section 37 of the Singapore Income Tax Act, Chapter 134.

13 Insurance Contract Provisions - Unexpired Risks

	2005			2004		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Group						
At 1 January	**36,488,000**	**(29,138,000)**	**7,350,000**	47,969,000	(35,247,000)	12,722,000
Change during the year	**(1,388,000)**	**2,397,000**	**1,009,000**	(11,481,000)	6,109,000	(5,372,000)
At 31 December	**35,100,000**	**(26,741,000)**	**8,359,000**	36,488,000	(29,138,000)	7,350,000

14 Insurance Contract Provisions – Insurance Claims

	2005			2004		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Group						
At 1 January	**8,796,000**	**(1,663,000)**	**7,133,000**	5,706,000	(2,838,000)	2,868,000
Change in specific reserves for reported claims	**(620,719)**	**163,265**	**(457,454)**	3,350,733	716,577	4,067,310
Changes in incurred-but-not-reported losses	**787,719**	**(148,265)**	**639,454**	(260,733)	458,423	197,690
At 31 December	**8,963,000**	**(1,648,000)**	**7,315,000**	8,796,000	(1,663,000)	7,133,000
Claims paid	**1,336,412**	**(454,779)**	**881,633**	4,889,078	(2,506,043)	2,383,035
Claims recovered	**(318,165)**	**115,426**	**(202,739)**	(2,064,934)	832,196	(1,232,738)
Net claims paid/ (recovered)	**1,018,247**	**(339,353)**	**678,894**	2,824,144	(1,673,847)	1,150,297

	Note	Group 2005	Group 2004
		$	$
Reinsurers' share of insurance contract provisions			
Unexpired risks	13	**26,741,000**	29,138,000
Insurance claims	14	**1,648,000**	1,663,000
		28,389,000	30,801,000

15 Insurance Receivables

	Group 2005 $	Group 2004 $
Receivables arising from insurance contracts	**1,374,421**	1,050,830
Allowance for doubtful receivables	**(18,019)**	(18,019)
	1,356,402	1,032,811
Reinsurance contracts receivables	**1,223,906**	1,734,301
	2,580,308	2,767,112

Insurance receivables are non interest-earning.

16 Trade and Other Receivables

	Note	Group 2005 $	Group 2004 $	Company 2005 $	Company 2004 $
Loans, advances and hire purchase receivables	9	**130,851,521**	86,678,902	**123,814,576**	76,405,587
Factoring receivables	17	**140,684,946**	133,038,070	**140,684,946**	133,038,070
Amount owing by a minority shareholder		**95,529**	-	**95,529**	-
Loan owing by subsidiaries		**-**	-	**3,691,063**	1,573,627
Amount owing by affiliated company		**22**	22	**22**	22
Other receivables and prepayments	18	**3,256,769**	1,895,918	**2,186,498**	1,185,476
Deposits relating to collaterals of clients		**38,448,061**	11,120,074	**-**	-
		313,336,848	232,732,986	**270,472,634**	212,202,782

The loan owing by subsidiaries are unsecured, interest bearing and repayable on demand. There are no allowances for doubtful debts arising from the outstanding balances.

Deposits relating to collaterals of clients are generally placed on short-term maturities of about one, three or six months.

16 Trade and Other Receivables (Cont'd)

Effective interest rates and repricing analysis:

	Effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing 1 to 5 years	Fixed interest rate maturing after 5 years	Non interest-earning	Total
	%	$	$	$	$	$	$
Company							
2005							
Loan owing by subsidiaries							
- fixed rate	**3.4**	**-**	**1,603,938**	**-**	**-**	**-**	**1,603,938**
- variable rate	**6.0**	**2,087,125**	**-**	**-**	**-**	**-**	**2,087,125**
Other receivables (excluding prepayments and staff loans)	**1.5**	**940,831**	**-**	**-**	**-**	**1,068,169**	**2,009,000**
		3,027,956	**1,603,938**	**-**	**-**	**1,068,169**	**5,700,063**
2004							
Loan owing by subsidiaries							
- fixed rate	3.4	-	1,551,091	-	-	-	1,551,091
- variable rate	3.2	22,536	-	-	-	-	22,536
Other receivables (excluding prepayments and staff loans)		-	-	-	-	950,733	950,733
		22,536	1,551,091	-	-	950,733	2,524,360

Group

Effective interest rate and repricing analysis for loans, advances and hire purchase receivables and factoring receivables are as set out in Notes 9 and 17 to the financial statements respectively.

The weighted average effective interest rate of deposits relating to collaterals of clients at the end of the financial year was 3.7% (2004: 1.2%). Interest rates are repriced at intervals of one month or three months.

17 Factoring Receivables

	Group & Company 2005 $	Group & Company 2004 $
Factoring receivables	**236,855,195**	194,165,973
Less:		
Factoring amounts owing to clients	**(90,661,032)**	(55,481,499)
	146,194,163	138,684,474
Allowance for doubtful receivables	**(5,509,217)**	(5,646,404)
	140,684,946	133,038,070

The weighted average interest rates of factoring receivables net of factoring amounts owing to clients of $29,369,746 (2004: $26,433,259) and allowance for doubtful receivables at the balance sheet date and the periods in which they reprice are as follows:-

	Effective interest rate %	Floating rate $	Fixed rate maturing within 1 year $	Fixed rate maturing 1 to 5 years $	Fixed rate maturing after 5 years $	Total $
Group & Company						
2005						
Factoring receivables net of factoring amounts owing to clients						
- fixed rate	**6.0**	**-**	**28,099,996**	**-**	**-**	**28,099,996**
- variable rate	**7.4**	**83,215,204**	**-**	**-**	**-**	**83,215,204**
		83,215,204	**28,099,996**	**-**	**-**	**111,315,200**
2004						
Factoring receivables net of factoring amounts owing to clients						
- fixed rate	5.1	-	27,026,750	-	-	27,026,750
- variable rate	5.4	79,578,061	-	-	-	79,578,061
		79,578,061	27,026,750	-	-	106,604,811

18 Other Receivables and Prepayments

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Prepayments	**481,229**	273,955	**159,223**	192,503
Deposits:				
- Own deposits	**2,550**	12,602	**1,060**	10,910
- Deposits held on behalf of clients	**940,831**	279,741	**940,831**	279,741
- Deposits lodged with Monetary Authority of Singapore	**500,000**	500,000	**-**	-
- Retention sum	**560,715**	534,629	**560,715**	534,629
Accrued interest receivable	**267,785**	175,297	**103,344**	49,812
Staff loans (Note 8)	**18,275**	42,240	**18,275**	42,240
Other receivables, net	**485,384**	77,454	**403,050**	75,641
	3,256,769	1,895,918	**2,186,498**	1,185,476
Other receivables comprise of :				
Gross receivables	**783,747**	566,004	**678,625**	472,993
Allowance for doubtful receivables	**(298,363)**	(488,550)	**(275,575)**	(397,352)
Other receivables, net	**485,384**	77,454	**403,050**	75,641

The deposit with Monetary Authority of Singapore (MAS) consists of a fixed deposit lodged with the MAS under the Insurance Act, Chapter 142.

19 Derivative Financial Instruments

	Group & Company	
	2005	2004
	$	$
(i) Interest rate swaps		
Balance at beginning of year	**-**	-
- Effect of adoption of FRS 39 1 January 2005 (Note 38)	**36,055**	-
As restated	**36,055**	-
Movements during the year	**-**	-
Fair value loss included in the profit and loss account	**(48,060)**	-
Balance at end of year	**(12,005)**	-

19 Derivative Financial Instruments (Cont'd)

	Group & Company	
	2005	2004
	$	$
(ii) Interest rate caps and floors		
Balance at beginning of year	-	-
Movements during the year	**44,000**	-
Fair value loss included in the profit and loss account	**176,008**	-
Balance at end of year	**220,008**	-

Analysed as follows:

		Fair Values	
	Notional Amount	Assets	Liabilities
	$	$	$
Interest rate swap	10 million	-	(12,005)
Interest rate caps & floors	20 million	220,008	-

The interest rate swap is a 6-month Swap Offer Rate ("SOR") in arrears on a notional amount of $10 million for a 3 year period commencing 30 September 2003 and maturing 1 July 2006.

The interest period for caps and floors is fixed at 3-month SGD SOR on a notional amount of $20 million for a 3 year period commencing 30 September 2005 and maturing 30 September 2008 and it is capped at 3% with a floor of 2%.

20 Cash and Cash Equivalents

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Cash at banks and in hand	**12,842,671**	5,399,168	**7,370,437**	2,349,237
Fixed deposits	**14,676,151**	17,388,647	-	-
Cash and cash equivalents in the balance sheets	**27,518,822**	22,787,815	**7,370,437**	2,349,237
Bank overdrafts (unsecured)	**(85,674)**	(7,878)	**(82,457)**	(7,878)
Cash and cash equivalents in the consolidated statement of cash flows	**27,433,148**	22,779,937		

20 Cash and Cash Equivalents (Cont'd)

Effective interest rates and repricing analysis:

	Effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing 1 to 5 years	Fixed interest rate maturing after 5 years	Non interest-earning	Total
	%	$	$	$	$	$	$
Group							
2005							
Cash at banks and in hand	**1.35**	**7,194,408**	**-**	**-**	**-**	**5,648,263**	**12,842,671**
Fixed deposits	**2.90**	**-**	**14,676,151**	**-**	**-**	**-**	**14,676,151**
		7,194,408	**14,676,151**	**-**	**-**	**5,648,263**	**27,518,822**
2004							
Cash at banks and in hand	0.25	2,026,246	-	-	-	3,372,922	5,399,168
Fixed deposits	1.30	-	17,388,647	-	-	-	17,388,647
		2,026,246	17,388,647	-	-	3,372,922	22,787,815
Company							
2005							
Cash at banks and in hand	**1.35**	**7,194,408**	**-**	**-**	**-**	**176,029**	**7,370,437**
2004							
Cash at banks and in hand	0.25	2,026,246	-	-	-	322,991	2,349,237

21 Share Capital

	Company 2005	Company 2004
	$	$
Authorised:		
500,000,000 (2004: 500,000,000) ordinary shares of $0.50 each	**250,000,000**	250,000,000

	2005 Number of shares	2005 $	2004 Number of shares	2004 $
Issued and fully paid : ordinary shares of $0.50 each				
At beginning of the year	**103,297,136**	**51,648,568**	102,981,136	51,490,568
Issue of shares	**-**	**-**	316,000	158,000
At end of the year	**103,297,136**	**51,648,568**	103,297,136	51,648,568

There were no shares being issued during the year (2004: 316,000) under the Employee Share Option Scheme ("ESOS").

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.

22 Equity Compensation Benefits

IFS Employees Share Option Scheme 1994 ("1994 Scheme")

The 1994 Scheme was terminated at the Extraordinary General Meeting on 24 May 2000 with the adoption of the IFS (2000) Share Option Scheme ("2000 Scheme") but the outstanding existing options will continue to remain valid until the fifth anniversary of the relevant date of grant of the respective options.

IFS (2000) Share Option Scheme ("2000 Scheme")

2000 Scheme succeeded the 1994 Scheme. Under the 2000 Scheme, the subscription price shall be determined by the Committee administering the Scheme at:-

(1) daily weighted average price for the ordinary share as determined by reference to the daily official list published by the Singapore Exchange Securities Trading Limited for the 3 consecutive trading days immediately preceding the date of grant of the option ("Market Price"); or

(2) a price which is set at a maximum discount of 20% of the Market Price.

The option can be exercised during the following period:-

Type of Option	Exercise Period
Option with subscription price fixed at Market Price granted to:- • Participants other than Non-Executive Directors • Non-Executive Directors	 • 12 to 120 months from date of grant • 12 to 60 months from date of grant
Option with subscription price fixed at a discount to the Market Price granted to:- • Participants other than Non-Executive Directors • Non-Executive Directors	 • 24 to 120 months from date of grant • 24 to 60 months from date of grant

The Schemes are administered by the Executive Resource and Compensation Committee ("Committee") which comprises the following non-executive directors:-

Lim How Teck (Chairman) (appointed Chairman of the Committee on 19 January 2006)	Independent
Lim Hua Min	Non-Independent
Gabriel Teo Chen Thye	Independent
Lim Jit Poh	Independent

22 Equity Compensation Benefits (Cont'd)

At the end of the financial year, unissued shares of $0.50 each of the Company under options granted to eligible employees of the Company under the IFS (2000) Share Option Scheme ("2000 Scheme") are as follows:-

Date of Grant of Option	Options outstanding As at 1.1.05	Options Granted	Options Exercised	Options Cancelled / Lapsed	Options Balance As at 31.12.05	Options Exercisable As at 1.1.05	Options Exercisable As at 31.12.05	Exercise Price	Proceeds on exercise of options during the year credited to share capital	Market price of shares at exercise date of option	Exercise dates for options exercised during the year	Exercise Period
2000 Scheme												
07/11/00	123,900	-	-	4,800	119,100	123,900	119,100	$0.50	-	-	-	08/11/01 - 06/12/10
11/05/01	60,000	-	-	-	60,000	60,000	60,000	$0.50	-	-	-	12/05/02 - 10/05/06
11/05/01	122,600	-	-	4,400	118,200	122,600	118,200	$0.50	-	-	-	12/05/02 - 10/05/11
	306,500	-	-	9,200	297,300	306,500	297,300		-			

23 Reserves

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Share premium	**25,928,029**	25,928,029	**25,928,029**	25,928,029
Capital reserves	**786,973**	786,973	**-**	-
Currency translation reserve	**(150,447)**	(44,715)	**-**	-
	26,564,555	26,670,287	**25,928,029**	25,928,029
Accumulated profits	**29,378,348**	17,469,424	**16,390,667**	9,529,993
	55,942,903	44,139,711	**42,318,696**	35,458,022

Share Premium

The application of the share premium account is governed by Sections 69 of the Singapore Companies Act, Chapter 50.

Capital Reserves

The capital reserves comprise legal reserves and capitalised retained earnings of associates.

Currency Translation Reserve

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities.

Dividends

After the balance sheet date, the directors proposed the following dividends which have not been provided for:

	2005	2004
	$	$
First and final dividend proposed of 5.0 cents (2004: 3.5 cents) per share less tax at 20%	**4,131,885**	2,892,321

24 Interest-Bearing Borrowings

		Group 2005 $	Group 2004 $	Company 2005 $	Company 2004 $
Interest-bearing borrowings:					
Payable within 12 months		**254,520,056**	161,756,215	**254,520,056**	156,863,614
Payable after 12 months		**48,357,807**	87,273,948	**48,357,807**	87,273,948
		302,877,863	249,030,163	**302,877,863**	244,137,562
The interest-bearing borrowings comprise:					
Unsecured short-term bank loans		**106,927,272**	73,541,982	**106,927,272**	68,785,976
Unsecured long-term bank loan	(a)	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Unsecured long-term bank loan	(b)	**34,923,485**	19,515,200	**34,923,485**	19,515,200
Unsecured SPRING loans	(c)	**56,066,558**	51,112,433	**56,066,558**	50,975,838
Floating rate notes	(d)	**49,960,548**	49,860,548	**49,960,548**	49,860,548
Variable rate notes	(e)	**50,000,000**	50,000,000	**50,000,000**	50,000,000
		302,877,863	249,030,163	**302,877,863**	244,137,562

(a) The bank loan bears interest at a rate of 2.85% (2004: 2.85%) per annum and is repayable by bullet repayment in 2006.

(b) The bank loan bears interest at a rate of 3.04% to 5.25% (2004: 2.23% to 2.85%) per annum and is repayable by bullet repayment in 2007.

(c) These represent unsecured advances from SPRING Singapore to fund loans and advances extended by the Group and the Company to borrowers under the Local Enterprise Finance Scheme. Credit risk for loans and advances made under these schemes are shared by SPRING Singapore with the Group and the Company.

The interest rates and repayment periods vary in accordance with the type, purpose and security for the facilities granted under the above schemes. Interest on the above loans and advances ranged from 1.75% to 6.00% (2004: 1.75% to 4.00%) per annum.

(d) The unsecured floating rate notes ("FRN") were issued at the price of 99.40% of the principal amounts. Interest is payable every 6 months from the date of issue of the FRN, being 29 May 2003 at 4.20% (2004: 2.48%) per annum. The FRN is repayable by bullet repayment in 2006.

24 Interest-Bearing Borrowings (Cont'd)

	Group & Company 2005 $	Group & Company 2004 $
FRN (unsecured)	**50,000,000**	50,000,000
Less:		
Unamortised discount:		
At 1 January	**139,452**	239,726
Amortisation for the year	**(100,000)**	(100,274)
At 31 December	**39,452**	139,452
	49,960,548	49,860,548

(e) The unsecured variable rate notes are repayable in 2009 with a 3-monthly or 6-monthly put and call option. Interest is payable 6-monthly at 2.56% (2004: 1.55% to 1.88%) per annum.

	Group		Company	
	2005	2004	2005	2004
Maturity of borrowings	$	$	$	$
Within 1 year	**254,520,056**	161,756,215	**254,520,056**	156,863,614
After 1 year but within 5 years	**48,357,807**	87,273,948	**48,357,807**	87,273,948
After 5 years	**-**	-	**-**	-
Total borrowings	**302,877,863**	249,030,163	**302,877,863**	244,137,562

24 Interest-Bearing Borrowings (Cont'd)

Effective interest rates and repricing analysis:

	Effective interest rate %	Floating rate $	Fixed rate maturing within 1 year $	Fixed rate maturing 1 to 5 years $	Fixed rate maturing after 5 years $	Total $
Group						
2005						
Unsecured short-term bank loans	**4.4**	**91,927,272**	**15,000,000**	**-**	**-**	**106,927,272**
Unsecured SPRING loans (fixed rate)	**3.5**	**-**	**42,632,236**	**13,434,322**	**-**	**56,066,558**
Unsecured long term bank loans						
- fixed rate	**2.9**	**-**	**5,000,000**	**-**	**-**	**5,000,000**
- floating rate	**4.5**	**34,923,485**	**-**	**-**	**-**	**34,923,485**
- floating and variable rate notes	**3.4**	**99,960,548**	**-**	**-**	**-**	**99,960,548**
		226,811,305	**62,632,236**	**13,434,322**	**-**	**302,877,863**
2004						
Unsecured short-term bank loans	2.7	58,541,982	15,000,000	-	-	73,541,982
Unsecured SPRING loans (fixed rate)	2.8	-	38,214,369	12,898,064	-	51,112,433
Unsecured long term bank loans						
- fixed rate	2.9	-	-	5,000,000	-	5,000,000
- floating rate	2.7	19,515,200	-	-	-	19,515,200
- floating and variable rate notes	2.1	99,860,548	-	-	-	99,860,548
		177,917,730	53,214,369	17,898,064	-	249,030,163

24 Interest-Bearing Borrowings (Cont'd)

			Fixed rate maturing			
	Effective interest rate	Floating rate	within 1 year	1 to 5 years	after 5 years	Total
	%	$	$	$	$	$
Company						
2005						
Unsecured short-term bank loans	**4.4**	**91,927,272**	**15,000,000**	**-**	**-**	**106,927,272**
Unsecured SPRING loans (fixed rate)	**3.5**	**-**	**42,632,236**	**13,434,322**	**-**	**56,066,558**
Unsecured long term bank loans						
- fixed rate	**2.9**	**-**	**5,000,000**	**-**	**-**	**5,000,000**
- floating rate	**4.5**	**34,923,485**	**-**	**-**	**-**	**34,923,485**
- floating and variable rate notes	**3.4**	**99,960,548**	**-**	**-**	**-**	**99,960,548**
		226,811,305	**62,632,236**	**13,434,322**	**-**	**302,877,863**
2004						
Unsecured short-term bank loans	2.7	53,785,976	15,000,000	-	-	68,785,976
Unsecured SPRING loans (fixed rate)	2.8	-	38,077,774	12,898,064	-	50,975,838
Unsecured long term bank loans						
- fixed rate	2.9	-	-	5,000,000	-	5,000,000
- floating rate	2.7	19,515,200	-	-	-	19,515,200
- floating and variable rate notes	2.1	99,860,548	-	-	-	99,860,548
		173,161,724	53,077,774	17,898,064	-	244,137,562

25 Trade and Other Payables

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Factoring amounts owing to clients	**29,369,746**	26,433,259	**29,369,746**	26,433,000
Trade payables	**286,028**	183,497	**286,028**	183,497
Amounts and loans owing to subsidiaries:				
- non-trade	**-**	-	**40,990**	103,235
- interest-bearing loans	**-**	-	**3,486,201**	9,881,923
Amounts owing to affiliates	**10,416**	-	**-**	-
Other payables and accruals (Note 26)	**13,577,139**	8,106,178	**7,859,898**	7,258,453
Deposits relating to collaterals of clients	**38,448,061**	11,120,074	**-**	-
	81,691,390	45,843,008	**41,042,863**	43,860,108

Company

The non interest-bearing loans and the non-trade amounts owing to subsidiaries are unsecured and have no fixed terms of repayment.

The interest-bearing loans owing to subsidiaries are unsecured, and have no fixed terms of repayment. Transactions with related parties are unsecured and priced on an arm's length basis.

Effective interest rates and repricing analysis:

			Fixed interest rate maturing				
	Effective interest rate	Floating rate	within 1 year	1 to 5 years	after 5 years	Non interest-bearing	Total
	%	$	$	$	$	$	$
Company							
2005							
Amounts and loans owing to subsidiaries	**3.3**	**3,486,201**	**-**	**-**	**-**	**40,990**	**3,527,191**
Trade payables		**-**	**-**	**-**	**-**	**286,028**	**286,028**
Other payables and accruals		**-**	**-**	**-**	**-**	**7,859,898**	**7,859,898**
		3,486,201	**-**	**-**	**-**	**8,186,916**	**11,673,117**
2004							
Amounts and loans owing to subsidiaries	3.2	9,881,923	-	-	-	103,235	9,985,158
Trade payables		-	-	-	-	183,497	183,497
Other payables and accruals		-	-	-	-	7,258,453	7,258,453
		9,881,923	-	-	-	7,545,185	17,427,108

25 Trade and Other Payables (Cont'd)

Group

For factoring amounts owing to clients, please refer to Note 17 to the financial statements. Trade payables, other payables and accruals are non interest-bearing financial liabilities.

The weighted average effective interest rate of collateral deposits from clients at the end of the financial year was 3.7% (2004: 1.2%). Interest rates are repriced at intervals of one month or three months.

26 Other Payables and Accruals

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Accrued operating expenses	**6,938,939**	6,579,772	**4,740,538**	5,812,355
Deferred income	**279,959**	175,792	**279,959**	175,792
Clients' security deposits	**940,831**	282,741	**940,831**	279,741
Accrued interest payable	**5,417,410**	1,067,873	**1,898,570**	990,565
	13,577,139	8,106,178	**7,859,898**	7,258,453

27 Insurance Payables

	Group	
	2005	2004
	$	$
Payables arising from insurance contracts	**2,879,383**	778,856
Reinsurance contract payables	**4,207,473**	1,834,328
	7,086,856	2,613,184

28 Interest Income

	Group	
	2005	2004
	$	$
Interest income from:		
Associates	**103,807**	104,947
Third parties	**21,453,641**	15,903,591
	21,557,448	16,008,538

Included in interest income from loans and advances is an amount of $84,859 (2004: $360,473) earned from an entity in which the Group has a 10% (2004: 10%) equity interest.

29 Interest Expense

	Group 2005 $	Group 2004 $
Third Parties	**8,767,950**	5,061,334

30 Statement of Profit and Loss Account of Subsidiary – ECICS Limited ("ECICS")

	Note	Group 2005 $	Group 2004 $
Revenue			
Gross written premiums		**13,749,059**	6,886,119
Change in gross provision for unexpired risks	13	**1,388,000**	11,481,000
Gross earned premium revenue		**15,137,059**	18,367,119
Written premiums ceded to reinsurers		**(7,259,929)**	(3,421,972)
Reinsurers' share of change in the provision for unexpired risks	13	**(2,397,000)**	(6,109,000)
Reinsured premium expenses		**(9,656,929)**	(9,530,972)
Net earned premium revenue		**5,480,130**	8,836,147
Other revenue:			
Commission income		**1,804,157**	814,246
Investment income		**4,021,468**	685,546
Other operating income		**165,650**	1,904,575
Net income before claims and expenses		**11,471,405**	12,240,514

30 Statement of Profit and Loss Account of Subsidiary – ECICS Limited ("ECICS")

	Note	Group 2005 $	Group 2004 $
Claims and expenses			
Change in provision for insurance claims		**(167,000)**	(3,090,000)
Reinsurers' share of change in provision for insurance claims		**(15,000)**	(1,175,000)
Gross claims paid	14	**(1,018,247)**	(2,824,144)
Reinsurers' share of claims recovered	14	**339,353**	1,673,847
Net claims incurred		**(860,894)**	(5,415,297)
Commission expenses		**(1,164,107)**	(490,321)
Investment expenses		**(71,072)**	(94,000)
Distribution expenses		**(380,099)**	(317,059)
Administrative expenses		**(2,908,801)**	(2,958,265)
Total claims and expenses		**(5,384,973)**	(9,274,942)
Net profit before tax for the year		**6,086,432**	2,965,572

The profit and loss statement reflect the credit insurance, bonds and guarantee businesses of the insurance subsidiary, ECICS, that are consolidated in the Group's profit and loss account. All intragroup transactions relating to credit premium income and expenses are eliminated on consolidation.

31 Fee & Commission Income

	Group 2005 $	Group 2004 $
Fee income	**5,997,017**	6,017,108
Underwriting commission income	**1,804,157**	814,246
	7,801,174	6,831,354

32 Investment Income

	Group 2005 $	Group 2004 $
Exchange gain	**55,241**	-
Dividend income	**317,312**	205,548
Gain on disposal of equity securities:		
- Held-for-trading	**2,196,688**	324,265
- Available-for-sale	**823,830**	1,114,983
Unrealised gain on held-for-trading investments	**1,326,291**	-
Investment income - bonds	**616,150**	212,728
Interest income - fixed deposits	**14,271**	115,057
Amortisation of held-to-maturity debt securities	**(153,160)**	(62,688)
Fees paid to fund manager	**(71,072)**	(94,000)
	5,125,551	1,815,893

33 Other Income

	Group 2005 $	Group 2004 $
Amortisation of negative goodwill arising from acquisition of the insurance business	**-**	1,706,852
Negative goodwill arising from acquisition of investment business	**1,638,422**	-
Management fees received	**59,851**	137,648
(Loss)/gain on disposal of property, plant and equipment	**(3,810)**	5,413
Loss on sale of other assets	**-**	(3,502)
Interest	**6**	2,149
Recoveries - loans and advances	**304,277**	140,013
Write back of unquoted equity securities available-for-sale previously written off	**15,267**	78,356
Others	**364,668**	289,478
	2,378,681	2,356,407

34 Allowances for Loan Losses and Impairment of Investments

	Group 2005 $	Group 2004 $
Trade and other receivables:		
- Loans, advances and hire purchase receivables (net)	**2,514,306**	1,500,788
- Factoring receivables	**1,775,779**	1,790,573
- Non-trade receivables	**11,246**	323,216
Equity securities available-for-sale:		
- Quoted equities	**44,561**	(54,317)
- Unquoted equities	**342,164**	358,228
	4,688,056	3,918,488

35 Profit from Operations Before Taxation

The following items have been included in arriving at profit from operations before taxation:

	Group 2005 $	Group 2004 $
After charging:		
Amortisation of intangible assets (Note 4)	**289,676**	280,925
Depreciation of property, plant and equipment (Note 3)	**721,395**	780,545
Impairment loss on property, plant and equipment (Note 3)	**-**	90,610
Loss on disposal of other assets	**-**	3,502
Loss/(gain) on disposal of property, plant and equipment	**3,810**	(5,413)
Exchange loss (net)	**188,420**	177,566
Non-audit fees:		
- Auditors of the Company	**89,400**	32,500
Directors' fees	**218,998**	155,682
Fees paid to corporations in which the directors have interests	**359,805**	424,863
Staff costs	**7,189,186**	6,268,055
Contributions to defined contribution plans (included in staff costs)	**561,727**	540,999

35 Profit from Operations Before Taxation (Cont'd)

	Group 2005 $	Group 2004 $
Provisions for:		
- Unexpired risks	**1,009,000**	(5,372,000)
- Insurance claims	**182,000**	4,265,000
Bad and doubtful debts written off (trade)	**7**	22
Restructuring costs*	**-**	1,200,911

And crediting:

	Group 2005 $	Group 2004 $
Dividend income from investment	**317,312**	205,548
Gain on disposal of equity securities:		
- Held-for-trading	**2,196,688**	324,265
- Available-for-sale	**823,830**	1,114,984
- Associates	**-**	921,674
Unrealised gain on equity securities held-for-trading	**1,326,291**	-
Amortisation of negative goodwill arising from acquisition of the insurance business (Note 4)	**-**	1,706,852

* Restructuring costs mainly relate to retrenchment benefits and ex-gratia payments made during the last financial year.

36 Income Tax Expense

	Group 2005 $	Group 2004 $
Current tax		
Current year	**2,796,088**	2,578,726
(Overprovided) in prior years	**(144,463)**	-
	2,651,625	2,578,726
Deferred tax		
Movements in temporary differences	**540,085**	(1,491,518)
Income tax expense	**3,191,710**	1,087,208

36 Income Tax Expense (Cont'd)

	Group 2005 $	Group 2004 $
Reconciliation of effective tax rate		
Profit before tax	**14,779,667**	9,194,258
Income tax using Singapore tax rates of 20%	**2,955,933**	1,838,852
Income subject to concessionary rate of 10%	**19,066**	(57,170)
Expenses not deductible for tax purposes	**494,751**	978,922
Reversal of temporary differences	**11,402**	(1,002,206)
Tax exempt revenues	**(43,804)**	(43,322)
Income not subject to tax	**(786,522)**	(660,499)
Unrecognised movements in deferred tax	**385,488**	(52,898)
(Overprovided) in prior years	**(144,463)**	-
Utilisation of previously unrecognised tax losses	**300,000**	85,529
Others	**(141)**	-
	3,191,710	1,087,208

Pursuant to Section 43C of the Singapore Income Tax Act, Chapter 134, income from offshore insurance business is subject to tax at the concessionary rate of 10% instead of the standard rate of 20%.

37 Earnings Per Share

(a) Basic earnings per share

	Group 2005	Group 2004
Basic earnings per share is based on:		
Net profit for the year	**$11,587,957**	$8,107,050
	No. of shares	**No. of shares**
Weighted average number of shares outstanding during the year	103,297,136	102,981,136
Weighted average number of shares issued under share option granted	-	48,283
	103,297,136	103,029,419

37 Earnings Per Share (Cont'd)

(b) Diluted earnings per share

In calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential shares:

	2005 No. of shares	2004 No. of shares
Weighted average number of shares issued, used in the calculation of basic earnings per share	**103,297,136**	103,029,419
Weighted average number of unissued shares under share options	**303,753**	645,419
Number of shares that would have been issued at average fair value	**(255,732)**	(620,596)
Weighted average number of shares (diluted)	**103,345,157**	103,054,242

38 Changes in Accounting Policies

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2005.

The changes in accounting policies arising from the adoption of FRS 39 *Financial Instruments: Recognition and Measurement*, FRS 102 *Share-based Payment*, FRS 103 *Business Combinations*, FRS 36 *(revised) Impairment of Assets,* FRS 38 *(revised) Intangible Assets and FRS 104 Insurance Contracts* are summarised below:

FRS 39 Financial Instruments: Recognition and Measurement

The adoption of FRS 39 resulted in the Group measuring its loans and receivables, derivative financial instruments, available-for-sale investments and trading investments as assets or liabilities at fair values. Other financial assets and financial liabilities are stated at amortised cost instead of cost. Previously, derivative financial instruments were not recorded on the balance sheet and investments in debt and equity securities were stated at market value if they were held for short term purposes. Where a derivative or non-derivative financial instrument is an effective hedge in a cash flow hedge relationship, the change in fair value of the hedging instrument relating to the effective portion is recorded in equity.

The adoption of FRS 39 has also resulted in the Group recognising loans, advances, hire purchase and factoring receivables, available-for-sale investments and all derivative financial instruments and assets or liabilities at fair value. This change has been accounted for by increasing the opening balance at 1 January 2005 of the fair value reserve by $83,058 and reducing the opening accumulated profits by $58,177. Comparatives have not been restated.

38 Changes in Accounting Policies (Cont'd)

FRS 102 Share-based Payment

In accordance with the transitional provision, FRS 102 has been applied to all grants after 22 November 2002 that were not yet vested as at 1 January 2005. There is no transitional impact on the financial statements as all the share options were granted to eligible employees prior to 22 November 2002. There were no performance shares awarded and no modification had been made to these equity-settled grants.

FRS 103 Business Combinations, FRS 36 (revised) Impairment of Assets and FRS 38 (revised) Intangible Assets

The adoption of FRS 103, FRS 36 (revised) and FRS 38 (revised) has resulted in a change in the accounting policy for goodwill.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the profit and loss account, instead of being systematically amortised over its useful life. This has resulted in the derecognition of negative goodwill and the transfer of the negative goodwill of $3,271,465 to accumulated profits for the Group as at 1 January 2005. Goodwill and negative goodwill prior to 1 January 2001 that had been taken to reserves will no longer be taken to the profit and loss account when the related business are disposed of or discontinued.

Had there not been a change in this accounting policy, the net profit attributable to shareholders for the financial year ended 31 December 2005 would increase by $1,757,180 as follows:

	Group 2005 $
Goodwill amortisation which would be charged to the profit and loss account	(10,672)
Negative goodwill amortisation which would be credited to the profit and loss account	1,706,852
Goodwill impairment expense which would not be charged to the profit and loss account	61,000
	1,757,180

FRS 104 Insurance Contracts

The adoption of FRS 104 has not resulted in any significant changes to the Group's accounting policies for insurance contracts, including the recognition of insurance income, expenses, assets and liabilities. Additional disclosures such as the accounting policies on insurance contracts and related risk management objectives and policies in accordance with FRS 104 have been made under note 2.7 (Recognition and measurement of contracts), note 42 (Insurance contract risks) and note 44 (Accounting judgements and estimates). Please refer to note 2.1 on the early adoption of the Amendments to FRS 39 and FRS 104 for Financial Guarantee Contracts and Credit Insurance.

39 Acquisition of Subsidiaries

On 22 November 2005, the Company acquired 53% in PT. International Factors Indonesia ("PT.IFI") for $242,006 in cash. PT.IFI is engaged in factoring business and contributed a net loss of $42,957 from the date of acquisition. If the acquisition had occurred on 1 January 2005, interest income of the Group would have been $21,565,258 and net profit for the year would have been $11,227,365.

On 30 November 2005, the Group acquired 100% in ECIL Ltd., ECGC Ltd., IFS Ventures Private Limited and additional 75% in IFS Ventures 2 Private Limited for $3,067,411 in cash. In December 2005, these companies contributed a net loss of $45,492 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2005, interest income of the Group would have been $21,557,448 and net profit for the year would have been $11,292,686.

The effect of acquisition of subsidiaries is set out below:

	Carrying amount 2005 $	Fair value adjustment 2005 $	Recognised values 2005 $
Trade and other receivables	48,774	-	48,774
Cash and cash equivalents	2,345,124	-	2,345,124
Allowance for impairment	(4,779,693)	-	(4,779,693)
Investments	9,246,215	-	9,246,215
Trade and other payables	(2,317,475)	-	(2,317,475)
Provision for taxation	(1,028,558)	-	(1,028,558)
Net identifiable assets and liabilities	3,514,387	-	3,514,387
Goodwill/(negative goodwill) on acquisition			
- goodwill			356,941
- negative goodwill			(1,638,422)
Cash consideration paid			2,232,906
Cash (acquired)			(2,345,124)
Net cash inflow			(112,218)

The negative goodwill is attributable to the discount on the acquired investment portfolios.

There were no acquisitions in the year ended 31 December 2004.

40 Commitments

(a) The subsidiaries have an outstanding investment commitment of US$179,296 (approximately S$299,370) [2004: US$104,332 (approximately S$171,025)].

(b) The Company has outstanding bankers' guarantee, letter of guarantee and standby letters of credit of $13,633,721 (2004: $6,137,480) issued on behalf of customers.

41 Significant Related Party Transactions

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

During the financial year, in addition to the information disclosed elsewhere in the financial statements, there were the following significant transactions between the Company and its related corporations carried out on terms as agreed between the parties in the normal course of business:

	Group	
	2005	2004
	$	$
Affiliated Companies		
Professional fee incurred	**3,345**	15,511
Software development fees incurred	**83,600**	146,785
Fund management fees incurred	**251,166**	262,567
Insurance paid/(received)	**21,694**	(4,843)
Associates		
Retainer fee income	**24,000**	76,911
Remuneration of key management personnel (included in staff and restructuring costs)	**841,150**	1,096,632

Key management personnel of the Group participate in the IFS Employees Share Option Scheme 1994 and the IFS (2000) Share Option Scheme as described in Note 22. Information on share options granted to key management personnel is as follows:

Options to Subscribe for Ordinary Shares of $0.50 each

	At beginning of the year	At end of the year	Exercise Price	Exercise Period
Kwah Thiam Hock	60,000	60,000	$0.50	12/05/02 to 10/05/06

42 Financial Instruments

Accepting and managing risk is central to the business of being a financial services provider and is an important part of the Group's overall business strategy. Exposure to market, credit, underwriting, interest rate, liquidity and foreign currency risks arises in the normal course of the Group's business. The Group has risk management policies and guidelines setting out its overall business strategies, its tolerance of risk and its general risk management philosophy.

Market risks

The Group has equity interests in private companies as well as quoted equity shares under the management of a fund manager, which is an affiliated company. These investments are subject to market risks such as economic risks, credit default risks and investment risks inherently arising from the nature of the venture capital business activities. The Group has representatives in the Investment Committee of the fund manager that makes investment and divestment decisions. The fund manager has established policies and procedures to monitor and control its investments and divestments.

Credit risks

The principal risk to which the Group is exposed is credit risk in connection with its loans, factoring, credit insurance, bond, guarantee and insurance activities. Management has established credit and insurance processes and limits to manage these risks including performing credit reviews of its customers and counterparties, risk-sharing and obtaining cash collaterals as security where considered necessary.

Other credit risks represent the loss that would be recognised if counterparties in connection with reinsurance and investment transactions failed to perform as contracted. The Group ensures that it transacts business with brokers or licensed intermediaries, reinsurers, financial institutions and other parties of good credit standing.

Credit risk in respect of the Group's lending activities is managed and monitored in accordance with defined credit policies and procedures. Significant credit risk strategies and policies are approved, and reviewed periodically by the Board of Directors. These include setting authority limits for approving credit facilities and establishing limits on single client, related entities, and industry exposures to ensure the broad diversification of credit risk and to avoid undue concentration. These policies are delegated to, and disseminated under the guidance and control of, the Management Committee and Credit Committee.

A delegated credit approval authority limit structure, approved by the Board of Directors, is as follows:-

- The Credit Committee, comprising executive directors and senior management staff meet regularly to specifically assess, review and make decisions on credit risks of the Group within the authority limits imposed by the Board;
- Credit Risk Management Department is responsible to independently assess the creditworthiness and risk profile of the obligors and formulate credit policies and procedures for the Group;
- Client Audit Unit is responsible to conduct audits on new factoring clients before account activation and for existing ones, on a periodic basis;
- Daily monitoring of accounts is handled by the Business Development Teams together with Operations and Credit Risk Management Department;
- Internal Audit provides independent assurance to senior management and the Audit Committee concerning compliance with credit processes and policy; and
- Established limits and actual levels of exposure are regularly reviewed and reported to the Board of Directors on a periodic basis.

42 Financial Instruments (Cont'd)

The main credit exposures of the Group relate to the property development and electronic sectors. These exposures account for 32% (2004: 29%) and 29% (2004: 26%), respectively, of total loans, advances and receivables of the Group and of the Company respectively.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the balance sheet. Allowances have been set aside in arriving at such carrying amount. The Group normally takes collateral to secure the amounts due under credit transactions. The maximum exposure to credit risk will accordingly also be reduced by the value of such collateral. Where practicable the Group will mitigate its credit risk through risk-sharing and credit insurance.

Insurance contract risks

Underwriting risks

Underwriting risks include the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting insurance pricing and conditions of insurance or reinsurance cover.

The principal underwriting risk to which the Group is exposed is credit risk in connection with its credit insurance and bond and guarantee underwriting activities. Management have established underwriting processes and limits to manage this risk including performing credit reviews of its customers and obtaining cash collaterals as security where considered necessary.

Pricing risks

The underwriting function carries out qualitative and quantitative risk assessments on all buyers and clients before deciding on an approved credit limit. For credit insurance, it also uses an internal credit score card to determine the credit scoring of a buyer and to analyse the buyer's credit score over time and against other companies. Policies with riskier markets may be rejected or charged at a higher premium rate accompanied by stricter terms and conditions to commensurate the risks.

Concentration risks

Concentration limits are set to avoid heavy concentration within a specific industry or country. Maximum limits are set for buyer credit limits and guarantee facility limits and higher limits require special approval. There is also monthly monitoring and reporting of any heavy concentration of risk exposure towards any industry, country, buyer and client limits. Buyer credit limits and client facility limits are reviewed on a regular basis to track any deterioration in their financial position that may result in a loss to the Group.

The main exposure of the Group's credit insurance contracts arises from the electronics sector. For bond and guarantee insurance contracts, the property and construction sectors contribute to a larger proportion of the Group's risk exposure. The Group does not have any significant concentration of risk to countries outside of Singapore.

42 Financial Instruments (Cont'd)

Reinsurance outwards

The Group participates in reinsurance treaties to cede risks to its reinsurers, which are internationally established firms with credit ratings ranging from BBB+ to AA from major international rating agencies. Under the treaties, the Group undertakes to cede to its reinsurers between 30% to 50% of its total written premium as well as the same proportion of corresponding losses for 2005. Risks undertaken which do not fall within the treaty scope of cover are ceded to reinsurers on facultative basis.

Interest rate risks

In carrying out its lending activities the Group strives to meet client demands for products with various interest rate structures and maturities. Sensitivity to interest rate movements arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. As interest rates and yield curves change over time, the size and nature of these mismatches may result in a loss or gain in earnings.

The Group attempts to minimise the interest rate risks wherever possible over the tenor of the financing. Floating rate lending is matched by floating rate borrowings. For fixed rate loans, these are matched by shareholders' funds and fixed rate borrowings and, if possible of the same tenor.

Liquidity risks

Liquidity risk is the risk due to insufficient funds to meet contractual and business obligations in a timely manner. The Group manages and projects its cash flow commitments on a regular basis and this involves monitoring the concentration of funding maturity at any point in time and ensuring that there are committed credit lines from banks for its funding requirements.

Foreign currency risks

The Group incurs foreign currency risk on quoted investments, loans, advances and factoring receivable and short term borrowings that are denominated in a currency other than Singapore dollars. The currency giving rise to this risk is primarily United States dollars. The Group does not use derivative financial instruments to hedge its foreign currency risk.

42 Financial Instruments (Cont'd)

Claims development in respect of credit and bond and guarantee insurance business

Claim development tables are disclosed to allow comparison of the outstanding claim provisions with those of prior years. In effect, the tables highlight the Group's ability to provide an estimate of the total value of claims. The top part of the table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or underwriting year-ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the balance sheet and the estimated cumulative claims.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Group believes that the estimated total claims outstanding as at end of 2005 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

The analysis of claims development has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

The claims information for the underwriting years below is based on the following:

Underwriting year:

2001	-	12 months ended 31 March 2001
2002	-	12 months ended 31 March 2002
2003	-	12 months ended 31 March 2003
2004	-	9 months ended 31 December 2004
2005	-	12 months ended 31 December 2005

Claims information for underwriting years 2001 to 2003 relates to the insurance and guarantee businesses of ECICS Credit Insurance Ltd ("ECIL") and ECICS Credit and Guarantee Company (Singapore) Ltd ("ECGC"), under which such businesses were acquired by the Company through IFS effective from 1 December 2003.

42 Financial Instruments (Cont'd)

(i) Analysis of claims development – gross basis

Credit insurance business
Gross loss development tables as at 31 December 2005
Unit: $'000

Estimate of cumulative claims Underwriting Year	2001	2002	2003	2004	2005	Total
At end of underwriting year			1,411	1,515	**1,904**	
One year later		3,971	2,191	1,581		
Two years later	1,004	6,153	1,966			
Three years later	848	5,957				
Four years later	788					
Current estimate of ultimate claims	788	5,957	1,966	1,581	**1,904**	12,196
Cumulative payments	732	1,513	1,585	909	**37**	4,776
Gross outstanding claim liability	56	4,444	381	672	**1,867**	7,420
Unallocated loss adjustment expenses	4	881	52	55	**160**	1,152
Effect of discount	1	61	5	9	**26**	102
Best estimate of outstanding claim liability	59	5,264	428	718	**2,001**	8,470
Provision for prior underwriting years						-
Provision for adverse deviation						491
Outstanding claim liability in accounts						8,963

Bond and guarantee insurance business
Gross loss development tables as at 31 December 2005
Unit: $'000

Estimate of cumulative claims Underwriting Year	2001	2002	2003	2004	2005	Total
At end of underwriting year			-	-	**-**	
One year later		4,506	199	110		
Two years later	3,726	5,956	199			
Three years later	4,108	5,956				
Four years later	4,138					
Current estimate of ultimate claims	4,138	5,956	199	110	**-**	10,403
Cumulative payments	4,138	5,956	199	110	**-**	10,403
Gross outstanding claim liability	-	-	-	-	**-**	-
Unallocated loss adjustment expenses	-	-	-	-	**-**	-
Effect of discount	-	-	-	-	**-**	-
Best estimate of outstanding claim liability	-	-	-	-	**-**	-
Provision for prior years						
Provision for adverse deviation						-
Outstanding claim liability in accounts						-

42 Financial Instruments (Cont'd)

(ii) Analysis of claims development – net basis

Credit insurance business
Net loss development tables as at 31 December 2005
Unit: $'000

Estimate of cumulative claims Underwriting Year	2001	2002	2003	2004	2005	Total
At end of underwriting year			635	665	**918**	
One year later		1,771	997	860		
Two years later	447	5,127	892			
Three years later	376	4,983				
Four years later	349					
Current estimate of ultimate claims	349	4,983	892	860	**918**	8,002
Cumulative payments	324	575	594	543	**-**	2,036
Net estimate of outstanding claim liability	25	4,408	298	317	**918**	5,966
Unallocated loss adjustment expenses	4	881	52	55	**160**	1,152
Effect of discount	0	60	4	4	**13**	81
Best estimate of outstanding claim liability	29	5,229	346	368	**1,065**	7,037
Provision for prior years						-
Provision for adverse deviation						278
Outstanding claim liability in accounts						7,315

Bond and guarantee insurance business
Net loss development tables as at 31 December 2005
Unit: $'000

Estimate of cumulative claims Underwriting Year	2001	2002	2003	2004	2005	Total
At end of underwriting year			-	-	**-**	
One year later		751	2	-		
Two years later	375	2,101	2			
Three years later	466	2,101				
Four years later	473					
Current estimate of ultimate claims	473	2,101	2	-	**-**	2,576
Cumulative payments	473	2,101	2	-	**-**	2,576
Net estimate of outstanding claim liability	-	-	-	-	**-**	-
Unallocated loss adjustment expenses	-	-	-	-	**-**	-
Effect of discount	-	-	-	-	**-**	-
Best estimate of outstanding claim liability	-	-	-	-	**-**	-
Provision for prior years						-
Provision for adverse deviation						-
Outstanding claim liability in accounts						-

43 Fair Value of Financial Instruments

The Group's and the Company's financial instruments are accounted for under the historical cost convention. Fair value represents the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Disclosed below are the estimated fair values of the Group's and the Company's financial instruments presented in accordance with the requirements of Financial Reporting Standard 32: *"Financial Instruments: Disclosure and Presentation".*

Although management has employed its best judgement in the estimation of fair values, there is inevitably an element of subjectivity involved in the calculations. Therefore, the fair value estimates presented below are not necessarily indicative of the amounts the Group and the Company could have realised in a sale transaction at 31 December 2005.

Methodologies

The methodologies and assumptions used depend on the terms and risk characteristics of the various instruments and include the following:

Loans, advances and receivables

The fair values of loans, advances and receivables that reprice within six months of balance sheet date are assumed to equate the carrying values. The fair values of fixed rate loans, advances, hire purchase and factoring receivables were calculated using discounted cash flow models based on the maturity of the loans. The discount rates applied in this exercise were based on the current interest rates of similar types of loans, advances, hire purchase and factoring receivables if these assets were performing at reporting date.

Investments

The fair value of long-term quoted investment is the quoted bid price at the balance sheet date.

43 Fair Value of Financial Instruments (Cont'd)

Summary

The aggregate net fair values of recognised financial assets and liabilities which are not carried at fair values in the balance sheets date at 31 December 2005 are represented in the following table:-

	2005		2004	
	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Group				
Financial Assets				
Loans, advances and receivables	**223,988,570**	**222,626,697**	184,302,479	184,436,446
Loans to staff and directors	**31,497**	**39,339**	73,737	70,282
Held-to-maturity investments	**16,415,634**	**16,268,370**	16,608,080	16,555,315
Quoted equity securities available-for-sale	**-**	**-**	109,990	193,049
	240,435,701	**238,934,406**	201,094,286	201,255,092
Financial Liabilities				
Short-term loans (unsecured)	**271,762,918**	**270,773,380**	224,514,963	224,514,963
Long-term loans (unsecured)	**34,923,485**	**34,923,485**	24,515,200	24,219,227
	306,686,403	**305,696,865**	249,030,163	248,734,190
Net	**(66,250,702)**	**(66,762,459)**	(47,935,877)	(47,479,098)
Unrecognised (loss)/gain		**(511,757)**		456,779
Company				
Financial Assets				
Loans, advances and receivables	**210,077,016**	**208,715,143**	168,652,822	168,736,197
Loans to staff and directors	**31,497**	**39,339**	73,737	70,282
	210,108,513	**208,754,482**	168,726,559	168,806,479
Financial Liabilities				
Short-term loans (unsecured)	**267,954,378**	**267,537,870**	219,622,362	219,622,362
Long-term loans (unsecured)	**34,923,485**	**34,923,485**	24,515,200	24,219,227
	302,877,863	**302,461,355**	244,137,562	243,841,589
Net	**(92,769,350)**	**(93,706,873)**	(75,411,003)	(75,035,110)
Unrecognised (loss)/gain		**(937,523)**		375,893

44 Accounting judgements and estimates

Management has assessed the development, selection and disclosure of the critical accounting policies and estimates, and the application of these policies and estimates.

The following are critical accounting judgements or estimates made by the management in applying accounting policies:

Critical accounting judgements

Impairment losses on loans, advances and receivables

The Group reviews the loan portfolio to assess impairment on a regular basis. To determine whether there is an impairment loss, the Group makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows of the loan portfolio. The evidence may include observable data indicating adverse changes in the payment status of the borrowers or local economic conditions that correlate with defaults in the loan portfolio. The methodology and assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between estimated and actual loss experience.

Held-to-maturity financial assets

The Group has the intention and ability to hold the debt securities, which includes quoted and unquoted corporate bonds and Singapore Government Securities to maturity. These securities will be redeemed upon maturity and will not be subject to disposal prior to maturity.

If the Group fails to hold these debt securities to maturity other than for specific circumstances explained in FRS 39, it will be required to classify the whole class as available-for-sale. The debt securities would therefore be measured at fair value and not amortised cost. If the class of held-to-maturity debt securities is tainted, its carrying amount would decrease by $147,264, with a corresponding entry in the fair value reserves in equity.

Critical accounting estimates

Provisions for unexpired risks and insurance claims

Provisions for unexpired risks and insurance claims as at 31 December 2005 have been assessed by the approved actuary in accordance with local insurance regulatory requirements.

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis set out in sections I and II of this note.

The process of establishing the provision for insurance claims is described in section II of this note.

The sensitivity analysis has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

44 Accounting judgements and estimates (Cont'd)

Users of these financial statements should take note of the following:

1) The sensitivity analysis in sections I and II is based upon the assumptions set out in the actuarial report issued to the Group by the approved actuary for the financial year ended 31 December 2005. The sensitivity analysis is subject to the reliance that the approved actuary has placed on management and limitations described in the report;

2) The estimates and assumptions discussed are independent of each other. However, in practice, a combination of adverse and favourable changes can occur; and

3) The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

I. Provision for unexpired risks - Sensitivity Analysis

The provision for unexpired risks is the higher of:

(i) The aggregate of the total best estimates of unexpired risk and the provision for adverse deviation ("PAD"); and
(ii) Unearned premium reserves.

For short-term credit insurance policies, the provision for unexpired risks is based on the ultimate loss ratio for 2005 which is obtained from outstanding claim analysis. For bonds and guarantee insurance contracts, a simulation approach is used to project expected future losses. In the base scenario, the Group has assumed an average bond default rate of 1.5% applies.

The provision for unexpired risks includes a PAD which is intended to provide a 75% probability of adequacy for the provision for unexpired risks. The PAD assumption relied on the approved actuary's inputs. An allowance for future management expenses and claim handling costs is made.

Based on the current assumptions, the gross and net provisions for unexpired risks are as follows:

At 31 December 2005	Net ($'000)	Gross ($'000)
Estimated provision for unexpired risks under the base scenario:	8,359	35,100

44 Accounting judgements and estimates (Cont'd)

1) Probability of default for bonds and guarantees

Probability of default of bonds and guarantees are computed based on historical claims experience of the Group. Under the base scenario, the Group has assumed that the bonds or guarantees have an average probability of default of 1.5%. If average probability of default rate of 2% or 1% is used, the provision will be modified as follows:

	Net ($'000)		Gross ($'000)	
	High	**Low**	**High**	**Low**
	2%	**1%**	**2%**	**1%**
Provision for unexpired risks:	10,376	6,321	44,663	25,479

2) Recovery rate for bonds and guarantees

Recovery rate for bonds and guarantees are computed based on published recovery rates from S&P and Moody's. Under the base scenario, the Group has allowed for recovery rate of 35% of the bond or guarantee value if it is called. Using rates of 40% or 30%, the provision for unexpired risks would change as follows:

	Net ($'000)		Gross ($'000)	
	High	**Low**	**High**	**Low**
	30%	**40%**	**30%**	**40%**
Provision for unexpired risks:	8,842	7,878	N/A	N/A

N/A: This sensitivity does not apply because the actuary has assumed no recovery under the gross basis.

3) Claim handling expenses ("CHE")

CHE is computed based on 20% of expected future losses and maintenance expenses computed at 15% of the Group's unearned premium reserves for all classes of business. Allowance for CHE relates to the costs of administering outstanding claims until all claims are fully settled. The effects of increasing and reducing CHE by 25% are presented below:

	Net ($'000)		Gross ($'000)	
	High	**Low**	**High**	**Low**
	+25%	**-25%**	**+25%**	**-25%**
Provision for unexpired risks:	8,686	8,032	35,427	34,773

44 Accounting judgements and estimates (Cont'd)

4) Provision for adverse deviation (%)

The actuary has assumed premium PAD of 25% under the base scenario. If the assumed PAD is changed to 30% or 20%, the resulting provision will be as follows:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	30%	20%	30%	20%
Provision for unexpired risks:	8,640	8,079	36,351	33,849

II. Provision for insurance claims - Sensitivity Analysis

Process of establishing provision for insurance claims

For short-term credit insurance contracts, the Group sets aside specific provisions based on actual claims notified by the policyholders. Each notified claim is assessed on a case-by-case basis with regards to the claim circumstances and information available from external sources. These specific provisions are reviewed and updated regularly as and when there are developments and are not discounted for the time value of money.

For bond and guarantee insurance contracts, there were no specific provisions as at 31 December 2005. However, the Group closely monitors the relevant projects for which the bonds and guarantees are issued, and makes specific provisions should the Group be made aware of potential claim payments through its regular project monitoring.

Given the uncertainty in estimating the provision for insurance claims, it is likely that the actual outcome will be different from the provisions made based on internal provisioning. Accordingly, the Group engages an approved actuary (Watson Wyatt Insurance Consulting Pte Ltd) to assess the adequacy of the Group's provision for insurance claims on an annual basis.

The reserving methodology and assumptions used by the approved actuary, which remain unchanged from prior year, are intended to produce a "best" estimate of the provision for insurance claims through the analysis of historical claims payment and recovery data to project future claims payment. The "best" estimate is intended to represent the mean value of the range of future outcomes of the claim costs. The provision for insurance claims is expressed in terms of the present value of the future claim costs.

For short-term credit insurance policies, claim development triangles are constructed using the historical number of paid claims. The chain ladder method is applied to the triangle to project the ultimate number of claims. Analysis of average cost per claim and non-reinsurance recovery rates is then performed to compute an average net cost per claim. The estimate of outstanding claims is then derived by combining these items.

44 Accounting judgements and estimates (Cont'd)

The chain ladder method involves the analysis of historical claim number development factors and the selection of estimated development factors based on the historical pattern. The selected factors are then applied to the cumulative numbers of claims for each underwriting year, for which the data is not yet fully developed, to produce an estimated ultimate number of claims.

In estimating the provision for insurance claims, the actuary includes an allowance for claims handling expenses and maintenance cost which are intended to cover the costs of administering outstanding claims until all claims are fully settled.

The actuary's estimate for the provision for insurance claims is subject to uncertainty and variations of the actual and expected experience are to be expected. The inherent uncertainty is due to the fact that the ultimate claim cost is subject to the outcome of future events. Possible uncertainties include those related to the selection of models and assumptions, the statistical uncertainty, the general business and economic environment, and the impact of legislative reform. A PAD is therefore made to allow for uncertainty surrounding the estimation process and is intended to provide a 75% probability of adequacy for the provision for insurance claims. The PAD assumption relied on the actuary's inputs.

Based on the current assumptions, the gross and net provisions for insurance claims are as follows:

At 31 December 2005	Net ($'000)	Gross ($'000)
Estimated provision for insurance claims under the base scenario:	7,315	8,963

1) Ultimate number of claims in underwriting year 2005 for short-term credit insurance

The ultimate number of claims paid is computed based on loss development triangles constructed using the number of paid claims from prior years.

In estimating outstanding claims under the base scenario, the Group has assumed that there will be approximately 30 claims in underwriting year 2005. If the ultimate number of claims in underwriting year 2005 is assumed to be 27 or 33 claims, the corresponding gross and net provisions for insurance claims are set out as follows:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	33 Claims	27 Claims	33 Claims	27 Claims
Provision for insurance claims:	7,480	7,189	9,203	8,780

44 Accounting judgements and estimates (Cont'd)

2) Average claim size for short-term credit insurance

Analyses on average cost per claim and reinsurance recovery rates are performed to derive an average net cost per claim.

The Group has assumed an average claim size of $31,025 under the base scenario. If the average claim size is assumed to be $35,000 and $25,000, the corresponding gross and net provisions for insurance claims will be as follows:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	$35,000	$25,000	$35,000	$25,000
Provision for insurance claims:	7,582	6,911	9,364	8,355

3) Claim handling expenses

Allowance for CHE relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on:

a) **For short-term credit insurance policies**: 20% of incurred-but-not-reported claims and 10% of case reserves.

b) **For medium/long term insurance policies**: 20% of case reserves.

The effects of varying CHE by 25% (both upwards and downwards) are presented below:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	+25%	-25%	+25%	-25%
Provision for insurance claims:	7,614	7,016	9,262	8,664

44 Accounting judgements and estimates (Cont'd)

4) Provision for adverse development (%)

Provision for insurance claims also includes a provision for adverse development which will provide a 75% probability of adequacy for the claims provision.

The Group has assumed a claim PAD of 15% under the base scenario. Changing the PAD to either 20% or 10% results in changes in provision as follows:

	Net ($'000)		Gross ($'000)	
	High	Low	High	Low
	20%	10%	20%	10%
Provision for insurance claims:	7,407	7,223	9,127	8,799

45 Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate taxation.

The Group comprises the following main business segments:-

Financing : Financing business focuses on providing services to corporate clients, mainly the small and medium-sized enterprises. The service provided include factoring/ accounts receivable financing, trade financing, mortgage financing, working capital, syndicated loans, hire purchase, financing under the Singapore Government's Local Enterprise Finance Scheme and Enterprise Development Fund.

Insurance : The provision of credit insurance facilities to Singapore exporters and the issue of performance bonds and guarantees.

Venture Capital : The acquisition, holding and disposal of equity interests in private companies.

Investment and others : The long-term investments in overseas joint ventures and financial instruments.

45 Segment Reporting (Cont'd)

Geographical segments

Financing, Insurance, Venture Capital and Investment segments are managed and operated in five principal geographical areas (2004: five). Singapore and Europe are the major markets for factoring, financing and underwriting activities. Australia, United States, and Asia (other than Singapore) are the major markets for venture capital and investment activities.

(a) Business Segments

	Financing $	Insurance $	Venture Capital $	Investment and Others $	Total $
2005					
Operating Income and Expenses					
Total operating income	27,528,798	11,234,684	686,655	514,166	39,964,303
Segment results	5,970,923	6,086,433	283,208	269,207	12,609,771
Share of after-tax results of associates	468,728	-	62,746	-	531,474
Negative goodwill					1,638,422
Profit before taxation					14,779,667
Taxation					(3,191,710)
Net profit for the year					11,587,957
Assets and Liabilities					
Segment assets	395,854,344	131,308,663	8,107,323	10,651,107	545,921,437
Interests in associates	5,473,825	-	-	-	5,473,825
Unallocated assets					3,435,748
Total assets					554,831,010
Segment liabilities	341,058,868	93,943,485	103,958	-	435,106,311
Unallocated liabilities					12,133,228
Total liabilities					447,239,539
Other Information					
Capital expenditure	212,148	183,564	-	-	395,712
Depreciation, amortisation and impairment loss	800,269	210,802	-	-	1,011,071

45 Segment Reporting (Cont'd)

	Financing $	Insurance $	Venture Capital $	Investment and Others $	Total $
2004					
Operating Income and Expenses					
Total operating income	21,945,664	10,265,938	448,101	832,229	33,491,932
Segment results	5,670,475	2,736,423	14,496	754,230	9,175,624
Share of after-tax results of associates	149,232	-	127,273	21,366	297,871
Gain on disposal of associates					921,674
Restructuring costs					(1,200,911)
Profit before taxation					9,194,258
Taxation					(1,087,208)
Net profit for the year					8,107,050
Assets and Liabilities					
Segment assets	343,118,686	93,299,307	2,943,901	25,521	439,387,415
Interests in associates	4,917,200	-	2,939,505	-	7,856,705
Unallocated assets					(67,415)
Total assets					447,176,705
Segment liabilities	282,552,102	59,657,032	-	-	342,209,134
Unallocated liabilities					9,179,292
Total liabilities					351,388,426
Other Information					
Capital expenditure	169,765	224,095	-	-	393,860
Depreciation, amortisation and impairment loss	972,520	179,560	-	-	1,152,080

45 Segment Reporting (Cont'd)

(b) Geographical Segments

	Singapore $	Asia other than Singapore $	Australia $	Europe $	US & Others $	Total $
2005						
Total operating income	**35,778,635**	**1,836,932**	**655,555**	**1,623,631**	**69,550**	**39,964,303**
Segment assets	**480,669,054**	**22,821,093**	**15,486**	**44,877,432**	**974,120**	**549,357,185**
Interests in associates	**-**	**5,473,825**	**-**	**-**	**-**	**5,473,825**
Total assets	**480,669,054**	**28,294,918**	**15,486**	**44,877,432**	**974,120**	**554,831,010**
Capital expenditure	**395,712**	**-**	**-**	**-**	**-**	**395,712**
Depreciation, amortisation and impairment loss	**1,007,420**	**3,651**	**-**	**-**	**-**	**1,011,071**
2004						
Total operating income	30,728,007	1,888,403	458,816	376,945	39,761	33,491,932
Segment assets	380,924,432	19,365,563	15,486	38,178,717	835,802	439,320,000
Interests in associates	2,939,505	4,917,200	-	-	-	7,856,705
Total assets	383,863,937	24,282,763	15,486	38,178,717	835,802	447,176,705
Capital expenditure	393,860	-	-	-	-	393,860
Depreciation, amortisation and impairment loss	1,057,819	94,261	-	-	-	1,152,080

In presenting information on the basis of geographical segments, total operating income is based on the geographical location of customers.

Total operating income comprises interest income, net earned premiums revenue, fee and commission income and investment income.

Segment assets are based on the geographical location of the assets.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

46 Comparative Information

Comparatives in the financial statements have been changed from the previous year due to the changes in accounting policies as described in note 38.

31 December 2005

1 Interested Person Transactions

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	2005	**2004**
	$	**$**
Name of interested person		
Management and professional services	-	486,265
CyberQuote Pte Ltd	**180,078**	168,567
ECICS Management Pte Ltd	**180,078**	654,832
Management services		
EH Group Ltd	-	142,500
	-	142,500

2 Materal Contracts Involving Directors' Interest

Saved as disclosed in the notes to the financial statements, there were no material contracts entered into by the Group involving the interests of the directors.

Shareholding Statistics

As at 8 March 2006

Share Capital

Paid-up Capital	:	$77,603,797
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

Analysis of Shareholdings

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	9	0.25	3,220	0.00
1,000 - 10,000	3,184	87.50	10,219,672	9.89
10,001 - 1,000,000	439	12.06	18,610,990	18.01
1,000,001 and above	7	0.19	74,517,654	72.10
	3,639	100.00	103,351,536	100.00

Top Twenty Shareholders

No.	Name of Shareholder	No. of Shares Held	%
1	Phillip Securities Pte Ltd	42,289,496	40.92
2	EH Group Ltd	8,264,376	8.00
3	SMRT Road Holdings Ltd	7,100,078	6.87
4	United Overseas Bank Nominees Pte Ltd	6,850,000	6.63
5	DBS Nominees Pte Ltd	6,071,630	5.87
6	OCBC Nominees Singapore Pte Ltd	2,648,000	2.56
7	Overseas Union Bank Nominees Pte Ltd	1,294,074	1.25
8	Ho Seong Peng	600,000	0.58
9	Hong Leong Finance Nominees Pte Ltd	429,000	0.41
10	Lua Cheng Eng	410,000	0.40
11	Tan Li Cheng Nee Lee	408,000	0.39
12	Libra Enterprises and Engineering Pte Ltd	400,000	0.39
13	Kim Eng Securities Pte. Ltd.	388,000	0.38
14	Citibank Nominees Singapore Pte Ltd	312,000	0.30
15	Lai Weng Kay	306,000	0.30
16	Kwah Thiam Hock	292,000	0.28
17	Oh Aye Lip	250,000	0.24
18	Lee Soon Kie	243,000	0.24
19	Quek Hwee Inn	239,000	0.23
20	Naganatha Pillay	237,000	0.23
		79,031,654	76.47

Shareholding Held in Hands of Public

Based on information available to the Company as at 8 March 2006, approximately 44.33% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

As at 8 March 2006

Substantial Shareholders

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 8 March 2006

	No. of Shares			
Substantial Shareholder	**Direct Interest**	**Deemed Interest**	**Total Interest**	**%**
Phillip Assets Pte. Ltd.	41,006,496 (1)	-	41,006,496	39.68
Lim Hua Min		41,006,496 (2)	41,006,496	39.68
Temasek Holdings (Private) Limited	-	15,364,454(3)	15,364,454	14.87
EH Group Ltd.	8,264,376	-	8,264,376	8.00
SMRT Road Holdings Ltd	7,100,078	-	7,100,078	6.87

Notes:

(1) Deposited with the Depository Agent, Phillip Securities Pte Ltd.

(2) Mr Lim Hua Min is deemed to have an interest in the 41,006,496 shares held by Phillip Assets Pte. Ltd.

(3) Temasek Holdings (Private) Limited is deemed to have an interest in the following shares held by:-

Name of Company	No. of Shares
EH Group Ltd.	8,264,376
SMRT Road Holdings Ltd	7,100,078
	15,364,454

Main Subsidiaries, Associated and Affiliated Companies

SUBSIDIARIES

ECICS Limited
7 Temasek Boulevard #10-01
Suntec Tower One
Singapore 038987
Tel : (65) 6337 4779
Fax : (65) 6338 9267

IFS Capital Assets Private Limited
(formerly known as International Factors Leasing Pte Ltd)
7 Temasek Boulevard #10-01
Suntec Tower One
Singapore 038987
Tel : (65) 6270 5555
Fax : (65) 6339 9527

IFS Ventures Private Limited
(formerly known as ECICS Ventures Pte Ltd)
7 Temasek Boulevard #10-01
Suntec Tower One
Singapore 038987
Tel : (65) 6270 5555
Fax : (65) 6339 9527

IFS Ventures 2 Limited
(formerly known as ECICS Ventures 2 Ltd)
7 Temasek Boulevard #10-01
Suntec Tower One
Singapore 038987
Tel : (65) 6270 5555
Fax : (65) 6339 9527

PT. International Factors Indonesia
(formerly known as PT. Niaga International Factors)
Wisma Standard Chartered Bank
23B Floor
Jl. Jend. Sudirman Kav. 33A
Jakarta 10220
Indonesia
Tel : (6221) 5790 1090
Fax : (6221) 5790 1080

ASSOCIATE

Ayudhya International Factors Co., Ltd
20 Floor, Lumpini Tower
1168/55 Rama IV Road
Tungmahamek Sathorn
Bangkok 10120
Thailand
Tel : (662) 285 6326
Fax : (662) 285 6335

AFFILIATES

Advance Finance Public Company Limited
40 Floor, CRC Tower
All Seasons Place
87/2 Wireless Road
Lumpii Pathumwan
Bangkok 10330
Thailand
Tel : (662) 626 2300
Fax : (662) 626 2301

Phillip Ventures Enterprise Fund Ltd
250 North Bridge Road #06-00
Raffles City Tower
Singapore 179101
Tel : (65) 6212 1834
Fax : (65) 6338 9778

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of International Factors (Singapore) Ltd will be held in the IFS Boardroom at 7 Temasek Boulevard #10-01 Suntec Tower One Singapore 038987 on Wednesday 26 April 2006 at 10.30 a.m. for the following purposes:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2005 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of a first and final ordinary dividend of 5.0 cents per share less income tax of 20% as recommended by the Directors for the financial year ended 31 December 2005. **(Resolution 2)**

3. To approve the Directors' fees of S$208,998 (2004: S$155,682) for the financial year ended 31 December 2005. **(Resolution 3)**

4. To re-elect the following Directors retiring in accordance with Article 91 of the Company's Articles of Association:-
   (i) Mr Gabriel Teo Chen Thye **(Resolution 4)**
   (ii) Mr Manu Bhaskaran **(Resolution 5)**
   (iii) Mr Lee Soon Kie **(Resolution 6)**

5. To re-appoint Messrs KPMG as Auditors and authorise the Directors to fix their remuneration. **(Resolution 7)**

SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Resolutions 8 and 9 which will be proposed as Ordinary Resolutions:-

6. That authority be and is hereby given to the Directors to:-

   (a) (i) issue shares in the capital of the Company ("shares") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:-

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the issued shares in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the issued shares in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 8)**

7. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the "International Factors (Singapore) Ltd (2000) Share Option Scheme" approved by the Company on 24 May 2000 (the "2000 Scheme") and to offer and grant awards in accordance with the provisions of the "International Factors (Singapore) Ltd Performance Share Plan" approved by the Company on 24 May 2000 (the "Performance Share Plan") and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the 2000 Scheme and the vesting of awards granted or to be granted under the Performance Share Plan, provided that the aggregate number of shares to be issued pursuant to the 2000 Scheme and the Performance Share Plan shall not exceed fifteen per cent (15%) of the total number of issued shares in the capital of the Company for the time being. **(Resolution 9)**

OTHER BUSINESS

8. To transact any other business that may be transacted at an Annual General Meeting.

NOTICE OF BOOKS CLOSURE AND DIVEDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and the Register of Members of the Company will be closed on 4 May 2006, for the purpose of determining shareholders' entitlements to the proposed first and final ordinary dividend for the year ended 31 December 2005.

Duly completed registrable transfers received by the Company's Registrar, M & C Services Private Limited at 138 Robinson Road #17-00 The Corporate Office Singapore 068906 up to the close of business at 5.00 p.m. on 3 May 2006 will be registered before entitlements to the proposed dividend are determined. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5.00 p.m. on 3 May 2006 will be entitled to the proposed dividend.

The proposed dividend, if approved at the Annual General Meeting, will be paid on 15 May 2006.

By Order of the Board

Chionh Yi Chian
Company Secretary
International Factors (Singapore) Ltd
Singapore, 3 April 2006

Note:

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for the Annual General Meeting.

1. **Notes to Resolution 4:-**

   Mr Gabriel Teo Chen Thye will, upon re-election as a Director of the Company, continue to serve as the Chairman of the Audit Committee and a Member of the Executive Resource and Compensation Committee. Mr Gabriel Teo is considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

2. **Notes to Resolution 8:-**

   Resolution 8 is to empower the Directors from the date of this Meeting until the conclusion of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier, to issue shares in the Company and to make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including the creation and issue of warrants, debentures or other instruments convertible into shares, and to issue shares in pursuance of such Instruments. The aggregate number of shares to be issued pursuant to such authority including shares to be issued in pursuance of Instruments made or granted pursuant thereto, shall not exceed fifty per centum (50%) of the issued shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company.

   For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares is based on the number of issued shares in the capital of the Company at the time this Resolution No. 8 is passed after adjusting for (a) new shares arising upon the conversion or exercise of convertible securities or share options or the vesting of share awards outstanding or subsisting at the time when this Resolution No. 8 is passed; and (b) any subsequent consolidation or subdivision of shares.

3. **Notes to Resolution 9:-**

   The effect of this Resolution is to empower the Directors of the Company to offer and grant options and/or awards under the "International Factors (Singapore) Ltd (2000) Share Option Scheme" (the "2000 Scheme") and the "International Factors (Singapore) Ltd Performance Share Plan" (the "Performance Share Plan") respectively and to allot and issue shares in the capital of the Company on the exercise of options granted under the 2000 Scheme and the vesting of awards granted under the Performance Share Plan, provided that the aggregate number of shares to be issued pursuant to the 2000 Scheme and the Performance Share Plan shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company for the time being.

PROXY FORM
INTERNATIONAL FACTORS (SINGAPORE) LTD
(Incorporated in the Republic of Singapore)
Company Registration No. 198700827C

Nineteenth (19th) Annual General Meeting

IMPORTANT
1. For investors who have used their CPF monies to buy shares in the capital of International Factors (Singapore) Ltd, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We____ (Name) _______________________(NRIC/Passport No.)

of ____(Address)
being a member/members of **International Factors (Singapore) Ltd** (the "Company"), hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Nineteenth (19th) Annual General Meeting of the Company to be held in the IFS Boardroom at 7 Temasek Boulevard #10-01, Suntec Tower One, Singapore 038987, on Wednesday 26 April 2006 at 10.30 a.m. and at any adjournment thereof. The proxy is to vote for or against the Resolutions before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

	Resolutions	For	Against
Ordinary Business			
1	Adoption of Directors' Report, Audited Accounts and Auditors' Report		
2	Payment of a First and Final Ordinary Dividend		
3	Approval of Directors' Fees amounting to S$208,998		
4	Re-election of Director: Mr Gabriel Teo Chen Thye (under Article 91)		
5	Re-election of Director: Mr Manu Bhaskaran (under Article 91)		
6	Re-election of Director: Mr Lee Soon Kie (under Article 91)		
7	Re-appointment of KPMG as Auditors		
Special Business			
8	Ordinary Resolution: Authorise Directors to Issue Shares and Instruments Convertible into Shares		
9	Ordinary Resolution: Authorise Directors to Grant Options and Awards and to Issue Shares Pursuant to the International Factors (Singapore) Ltd (2000) Share Option Scheme and the International Factors (Singapore) Ltd Performance Share Plan.		

[Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast "for" or "against" the Resolutions as set out in the Notice of Annual General Meeting.]

Dated this _______ day of __________________ 2006

Total Number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

1 Please insert the total number of ordinary shares in the capital of the Company ("Shares") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2 A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. A proxy need not be a member of the Company.

3 The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

4 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act Chapter 50.

5 The instrument appointing a proxy or proxies, duly completed, must be deposited at the registered office of the Company at 7 Temasek Boulevard #10-01 Suntec Tower One Singapore 038987 (Attention : The Company Secretary) not less than 48 hours before the time appointed for the Annual General Meeting.

6 The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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AFFIX POSTAGE HERE

THE COMPANY SECRETARY
INTERNATIONAL FACTORS (SINGAPORE) LTD

7 TEMASEK BOULEVARD
#10-01 SUNTEC TOWER ONE
SINGAPORE 038987

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Fold along this line and glue overleaf