IFS Capital Limited

Lasting Bonds that Grow

Annual Report 2007

Our 20th Anniversary

Lasting Bonds That Grow

The right partnerships nurture growth by tapping into each other's strengths. IFS Capital Limited has diligently developed synergistic relationships with customers, local and overseas partners and shareholders to achieve results that are greater than the sum of parts. These results are in turn re-invested in the Company as we continue to improve our organisational structure, sources of talent and financial finesse, service capabilities and lasting relationships with our stakeholders – a robust process that ensures progressive growth for the benefit of all parties.

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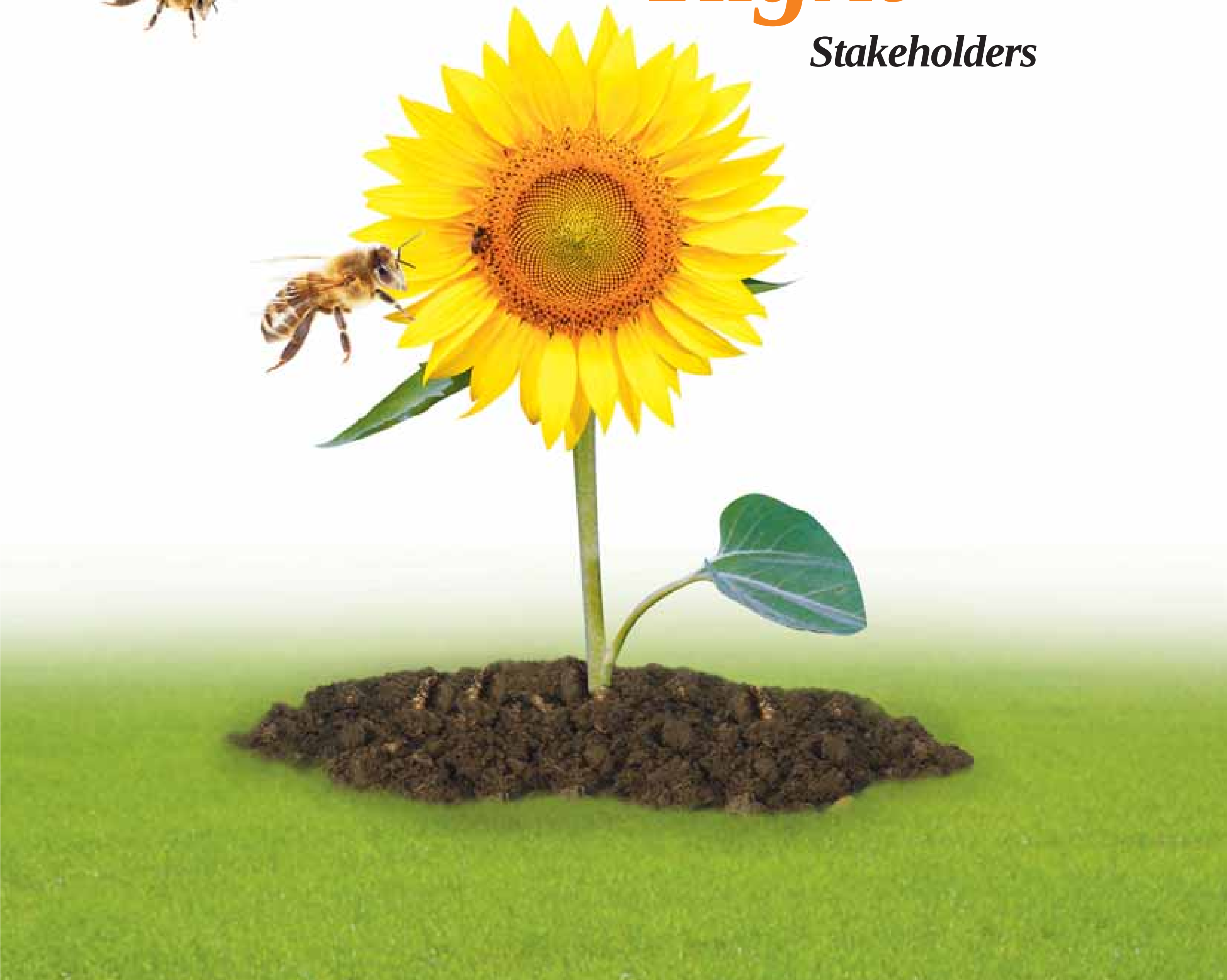
Vision

IFS Capital Limited is an established financial institution involved in commercial and structured finance, private equity investments as well as credit insurance 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 Malaysia, Indonesia, Thailand and Hong Kong.

Mission

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

*Attracting the **Right** Stakeholders*



Chairman's Statement

Review of 2007 Performance

2007 was another good year despite the market turmoil in the second half. The Group reported an after-tax profit of $12.9 million up from $11.8 million in 2006.

The Group performed well on its business lines. Group income before operating expenses was up 19% to $35.2 million.

Despite the marginal decline in gross interest income due to lower funds-in-use from the factoring business, net interest income rose 8% to $13.2 million due to lower interest costs incurred. Year-end Group loan assets including factoring receivables stood at $417.9 million in 2007 as compared to $411.6 million in 2006. While loan assets in Singapore declined marginally as compared to 2006, there was improvement in contribution from Malaysia and Indonesia due to the growth in underlying loan assets as their operations expanded.

Non-interest income comprising fees, commission, investment and other income rose by 24% from $12.6 million in 2006 to $15.6 million in 2007. Fee and commission income increased 7% to $7.7 million due mainly to higher underwriting commissions as a result of increased bonds and guarantee business. Investment income grew 50% to $7.5 million as higher gains were realised from the investment portfolios managed under ECICS' insurance funds and some structured finance equity investments.

Gross premiums written by ECICS, the Group's insurance subsidiary, increased significantly from a year ago to $15.3 million resulting from higher bonds and guarantee volume led by the growth in the construction and property development industries. After accounting for provision for unexpired risks and premiums ceded to re-insurers, net earned premium revenue grew 33% to $6.4 million.

Share of results of the Group's associates in Thailand increased by 3% to $1.4 million. Excluding a non-recurring write back of deferred tax liabilities in 2006, this share of profit would be higher by 49% as compared to 2006 due to higher profit achieved by our Thailand associates as well as increased Group's equity interests.

I am pleased to note that our regional operations had turned around last year. Starting in the third quarter of last year, Malaysia and Indonesia achieved monthly profitability. While year-to-date Malaysia and Indonesia were still unprofitable, it is pleasing to note that the losses were substantially reduced. This portends well for our regional operations as the Group strives to diversify from reliance on a single market.

I am also pleased to note that our new Hong Kong subsidiary has obtained a money lender's license which will enable us to commence operations.

Total operating costs increased $1.3 million or 9% to $15.7 million on higher commission expenses paid to intermediaries and staff costs. Staff costs rose 20% to $8.9 million due to higher wage costs and increased headcount from the inclusion of the overseas subsidiaries. Other expenses such as general and administrative, and business development costs fell 8%.

Dividend

Last year we declared a record dividend payout to shareholders, inclusive of the Rights and Bonus dividend. Total gross dividend paid was 20.5 cents per share. This included a maiden interim dividend of 3 cents per share for the half year ended 2007.

While last year's dividend payouts was motivated by the expiry of the old Section 44 tax credit balances, it also reiterated management's desire to reward shareholders for their loyalty and support.

The need for retained capital for the Group's requirements versus payouts is an issue which the Board continuously assesses together with management. IFS had previously declared a minimum dividend policy of 30% of earnings each year. Subject to performance and capital requirements, we would further enhance this policy by having an interim dividend policy whenever the Group performs well.

"2007 was another good year despite the market turmoil in the second half. The Group reported an after-tax profit of $12.9 million up from $11.8 million in 2006."

Performance Benchmarking

The Group's earnings per share rose to 10.8 cents versus 9.9 cents the previous year. Net asset value per share for the Group stood at $1.00 at the end of 2007 as compared to $0.93 previously. These figures are adjusted for the rights issue last year.

For the fourth successive year, we achieved a double-digit return on equity (after tax) of 10.7%. Our cost-to-income ratio improved to 43% as compared to 47% in 2006.

Business Model

We have recently started a new Alternative Finance unit looking at non traditional forms of lending and equity financing. This is particularly useful in the new market environment we operate in. Examples of such alternative finance include intellectual property financing, commodity finance and contract financing. We believe this is particularly relevant for entrepreneurs who need either equity, debt or a mixture of both to finance projects or ideas.

With the new business unit, we now operate four distinct business lines, Commercial Finance, Structured Finance, Alternative Finance and our credit insurance and guarantee business under ECICS.

Together with our regional companies in Thailand, Malaysia, Indonesia and a new start up in Hong Kong, we have diversified substantially from a single product and single market company. We will continue to diversify our earnings stream.

Credit Markets

The subprime crisis which started last year has impacted global credit and equity markets. Financial institutions have been adversely impacted and there are signs of a credit crunch. Risk premiums have increased substantially as the markets realise the excesses of previous credit bubbles.

The Group was fortunate to liquidate most of its equity and investment positions prior to the crisis. The Group ended the year with a substantial liquidity position. In addition ECICS has adequate capital resources which affords a large underwriting capacity.

While it would be easy to provide credit and write policies given the Group's liquidity and capital position, we would only do so at rates which are commensurate with the risks we assume.

It is difficult to say how the subprime crisis will end and its ramifications in Singapore and the region. However, we should be able to increase our returns as credit and premium rates increase.

Valuations have also come down to more realistic levels and if the opportunity arises for us to acquire businesses at realistic levels, our capital and liquidity position will be useful.

Acknowledgement

On behalf of the Board and management I would like to thank once again all staff, clients and associates who have helped to build up IFS.

Lim Hua Min
Chairman
7 March 2008

Corporate Information

Board of Directors
Lim Hua Min
  Chairman
Gabriel Teo Chen Thye
Lim How Teck
Manu Bhaskaran
Kwah Thiam Hock
Lee Soon Kie
  Executive Director and Chief Executive Officer

Audit Committee
Gabriel Teo Chen Thye
  Chairman
Lim How Teck
Manu Bhaskaran

Executive Resource and Compensation Committee
Lim How Teck
  Chairman
Lim Hua Min
Gabriel Teo Chen Thye

Management Committee
Lee Soon Kie
  Chairman
Wong Chin Kheng
Lim Mui Ling
Ong Peng
Chionh Yi Chian
Teoh Chun Mooi

Credit Committee
Lee Soon Kie
  Chairman
Wong Chin Kheng
Ong Peng
Teoh Chun Mooi
Chionh Yi Chian
  (Alternate: Ee Sin Soo)

Registered Office
7 Temasek Boulevard #10-01
Suntec Tower One
Singapore 038987
Tel: 6270 7711
Fax: 6339 9527
Website: www.ifscapital.com.sg
Email: IFS_Corporate@ifscapital.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
Certified Public Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

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

Expanding **Resources**
& Capabilities

Board of Directors

Lim Hua Min

Chairman

Lim Hua Min was appointed Chairman of IFS Capital Limited ("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.

Lim Hua Min

Lee Soon Kie

Executive Director

Lee Soon Kie is the Group Chief Executive Officer of IFS and 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 and a Master of Science Degree in Computer Science (Distinction) from the University of Wales, Aberystwyth.

Lim How Teck

Director

Lim How Teck was appointed a Director of IFS in June 2000. Mr Lim 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, Singapore Commodity Exchange and a director of several other organisations.

Mr Lim 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.

Gabriel Teo Chen Thye

Director

Gabriel Teo has been a Director of IFS since November 1999. Mr Teo runs his own consultancy firm, Gabriel Teo & Associates. Prior to starting his own practice, he spent more than 20 years in the banking industry in the region, holding senior appointments with global institutions. He was Head of Corporate Banking at Citibank, Chief Executive Officer of Chase Manhattan Bank and Regional Managing Director of Bankers Trust. Currently, he also serves on the boards of several other corporates as well as non-profit organisations.

Mr Teo holds a Bachelor of Business Administration degree from the National University of Singapore and an MBA in Finance from Cranfield School of Management. He has also attended the Executive Program in Management at Columbia Business School.

Kwah Thiam Hock

Director

Kwah Thiam Hock was an Executive Director of IFS and Chief Executive Officer/Principal Officer of IFS' wholly-owned subsidiary, ECICS Limited from June 2003 to December 2006. Mr Kwah retired as Executive Director of IFS and ECICS but remain as Non-Executive Director of both IFS and ECICS. Effective July 2007, Mr Kwah is an Advisor and Principal Officer of ECICS. He is currently an Independent Director of Wilmar International Limited, Select Group Limited and Excelpoint Technology Limited. He is also a member of Singapore Turf Club Management Committee and member of Audit Committee of Singapore Totalisation Board.

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 and a Fellow Member of the Association of Chartered Certified Accountants (UK).

Gabriel Teo Chen Thye **Kwah Thiam Hock**

Manu Bhaskaran

Director

Manu Bhaskaran is Partner and Head Economic Research at the Centennial Group, a Washington DC-based strategic advisory group. Mr 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., which was then a substantial shareholder of IFS on 22 December 2003. He was also appointed as Director of IFS' wholly-owned subsidiary, ECICS Limited in May 2007 and also serves on the boards of Silk Air, the Centennial Group, CIMB-GK Pte Ltd and Cyber Village Holdings. In addition, he is Vice-President of the Economics Society of Singapore and Council Member of the Singapore Institute of International Affairs.

Mr 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.

Manu Bhaskaran

Senior Management

5 6 7

1 **Lee Soon Kie**
Group Chief Executive Officer

2 **Serene Lim Gek Luang**
Assistant General Manager,
Business Development – Commercial Finance

3 **Lim Mui Ling**
Group Chief Financial Officer,
Finance/Human Resources & Administration

4 **Wong Chin Kheng**
Group General Manager,
Business Development & Overseas Operations

5 **Chionh Yi Chian**
General Manager, Legal, Secretariat & Compliance

6 **Phyllis Chiu Yin Wah**
Assistant General Manager, Credit Risk Management

7 **Chua Chye Seng**
Assistant General Manager,
Business Development – Alternative Finance

8 **Teoh Chun Mooi**
General Manager, Operations

9 **Ong Peng**
General Manager, ECICS Limited

10 **Tan Ley Yen**
Chief Executive Officer,
IFS Capital (Thailand) Public Company Limited

Senior Management

Lee Soon Kie

Group Chief Executive Officer

Wong Chin Kheng

Group General Manager
Business Development & Overseas Operations

Mr Wong was appointed Group General Manager in January 2007 and is responsible for business development and overseas operations. Mr Wong was appointed as a Director of IFG in October 2005, a world wide factoring association based in Brussels. He was also appointed as a Commissioner of PT. IFS Capital Indonesia in November 2005. Prior to joining the Group in May 1995, he held appointments in the Bank of Montreal, Royal Trust Merchant Bank Ltd and Hong Leong Finance Ltd. Mr Wong holds a Bachelor of Social Science (Honours) degree from the University of Singapore.

Lim Mui Ling

Group Chief Financial Officer
Finance/Human Resources & Administration

Ms Lim was appointed Group Chief Financial Officer in January 2007 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. Ms Lim holds a Bachelor of Accountancy 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, practised 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. She is also a CFA charterholder.

Teoh Chun Mooi

General Manager
Operations

Ms Teoh was appointed General Manager in August 2005 overseeing the factoring and loans operations including information technology. 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 (Canada).

Serene Lim Gek Luang

Assistant General Manager
Business Development – Commercial Finance

Ms Lim was appointed Assistant General Manager overseeing the Business Development functions for Commercial Finance. She joined IFS in March 2005 and was heading one of the Business Development teams. She has more than 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. Ms Lim holds a Bachelor of Commerce from the Nanyang University.

Phyllis Chiu Yin Wah

Assistant General Manager
Credit Risk Management

Ms Chiu was appointed Assistant General Manger in January 2008 overseeing the Credit Risk Management department. Prior to this, she was heading one of the Business Development teams. She has been with the Group since 1989. Ms Chiu is a Certified Risk Management Professional conferred by Asian Risk Management Institute. She holds a Bachelor of Arts from the National University of Singapore.

Chua Chye Seng

Assistant General Manager
Business Development – Alternative Finance

Mr Chua joined IFS in 2006 and is responsible for the Alternative Finance unit. He has more than 17 years of transactional experience in the areas of equity and debt fund raisings, valuations, mergers and acquisitions. He holds a Master of Applied Finance from the University of Adelaide and a Bachelor of Financial Administration from the University of New England. He is also a Member of Certified Practising Accountants of Australia.

Ong Peng

General Manager
ECICS Limited

Mr Ong was appointed General Manager in October 2007 to oversee the business and overall operations of IFS' insurance subsidiary, ECICS Limited. He joined IFS in March 2004 and set up the Credit Risk Management unit. Prior to joining the Group, he held various senior level appointments in Standard Chartered Bank from 1974 to 2002. Mr Ong holds a Bachelor of Business Administration from the University of Singapore.

Tan Ley Yen

Chief Executive Officer
IFS Capital (Thailand) Public Company Limited

Mr Tan was appointed Chief Executive Officer in February 2007 of IFS Capital (Thailand) Public Company Limited. He was seconded to the company 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 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.

Dani Firmansjah (not in photo)

Chief Executive Officer
PT. IFS Capital Indonesia

Mr Firmansjah joined PT. International Factors Indonesia in August 2006 as Chief Executive Officer. He has more than 23 years of experience in financial industry in Indonesia, primarily in the area of leasing & factoring business. Prior to joining the company, he had held appointments in PT Saseka Gelora Finance and PT BFI Finance Indonesia Tbk. He was appointed Secretary General of the Indonesian Financial Services Association in 2004 and Secretary General of the Asian Leasing & Finance Association in 2006, all based in Jakarta. Mr Firmansjah holds a Master in Management degree from the Asian Institute of Management, Manila, the Philippines, and he was recognised as one of the Outstanding Alumni in 2005.

Katrina Binti Ab Rahman (not in photo)

General Manager
IFS Capital (Malaysia) Sdn. Bhd.

Ms Katrina joined IFS Capital (Malaysia) Sdn. Bhd. in August 2006 as General Manager to set up our new operations in Kuala Lumpur, and is responsible for the running and overall management of the subsidiary. Prior to this, she was working in the banking and financial institutions, and had vast experience in area of credit and business development. For the last 10 years, she served as the General Manager of Affin Factors Sdn Bhd, a subsidiary of Affin Bank Berhad. She holds a Bachelor of Business Administration from the Eastern Michigan University, USA.

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

IFS Capital (Malaysia) Sdn. Bhd.
IFS Factors (Malaysia) Sdn. Bhd.
B-17-7, 17 Floor, Block B
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Tel : (603) 2161 2080/3080/4080
Fax : (603) 2161 9090

PT. IFS Capital Indonesia
Wisma Standard Chartered Bank
23B Floor
Jl. Jend Sudirman Kav. 33A
Jakarta 10220
Indonesia
Tel : (6221) 5790 1090
Fax : (6221) 5790 1080

IFS Capital (Hong Kong) Limited
11 - 12/F United Centre
95 Queensway
Hong Kong
Tel : (852) 2277 6819
Fax : (852) 2277 6565

Associates

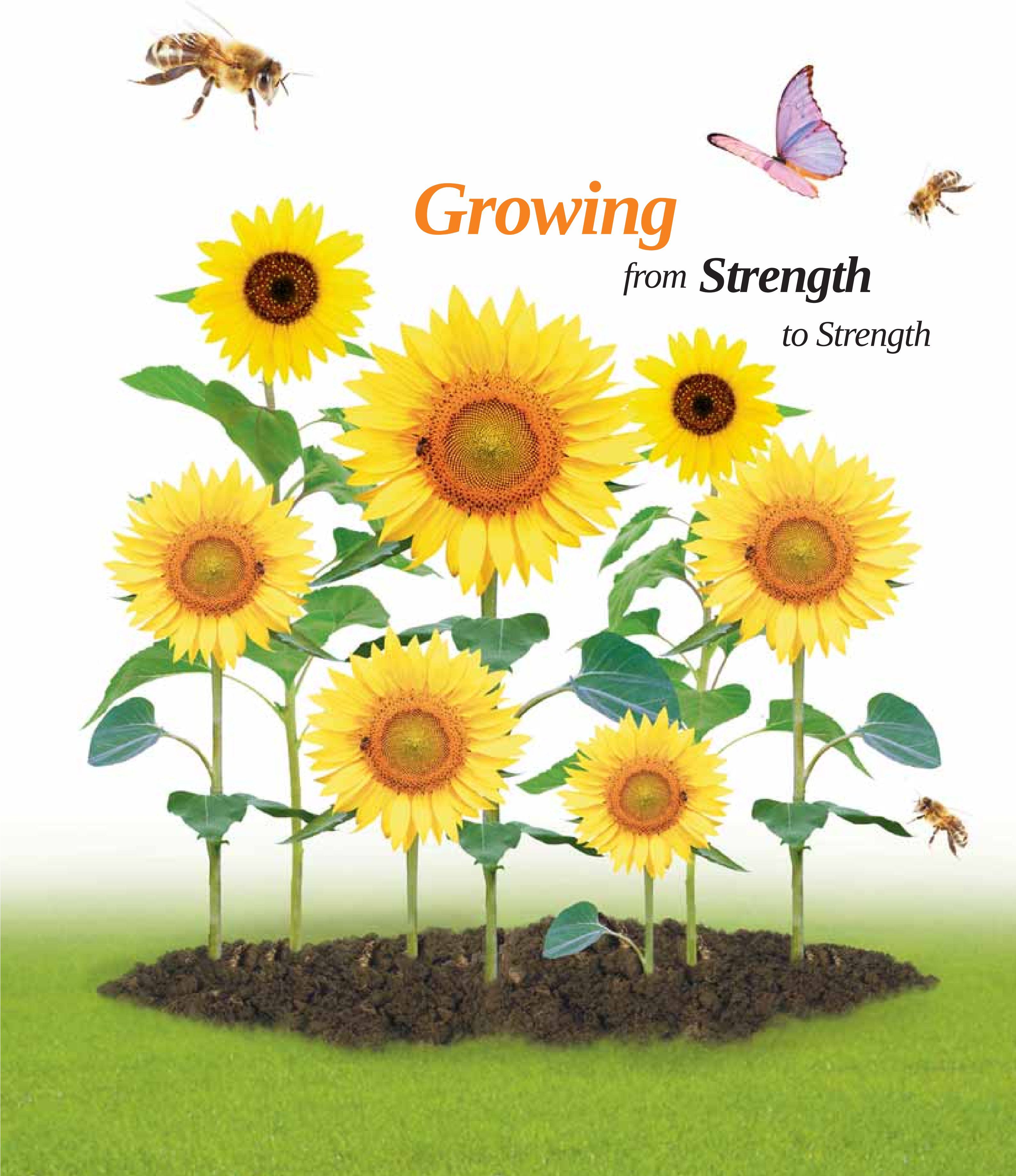
IFS Capital (Thailand) Public Company Limited
IFS Capital Holdings (Thailand) Limited
20 Floor, Lumpini Tower
1168/55 Rama IV Road
Tungmahamek Sathron
Bangkok 10120
Thailand
Tel : (662) 285 6326
Fax : (662) 285 6335

Affiliates

Advance Finance Public Company Limited
40 Floor, CRC Tower
All Seasons Place
87/2 Wireless Road
Lumpini 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

Growing from Strength to Strength



Financial Highlights

Group Financial Highlights

S$'000	**2007**	2006	2005	2004	2003
Profit & Loss Statement					
Gross operating income	**45,469**	41,491	39,964	33,492	22,874
Profit					
- before tax	**12,677**	11,473	14,780	9,194	4,661
- after tax	**12,856**	11,827	11,588	8,107	4,677
Balance Sheet					
Issued share capital	**88,032**	77,675	51,649	51,649	51,491
Shareholders' funds	**123,921**	115,907	107,591	95,788	88,266
Total assets	**481,044**	459,444	554,760	447,177	381,961
Total liabilities	**357,123**	343,537	447,169	351,389	293,695
Dividend Information					
Dividends declared/proposed for the year (net of tax)	**7,097**	14,863	4,140	2,892	1,030
Dividend cover (number of times) *	**0.75**	0.66	2.32	3.07	1.49
Gross dividends declared per share *					
- Ordinary (cents)	**6.25**	5.00	5.00	3.50	1.25
- Bonus (cents)	**-**	12.50	-	-	-
Financial Ratios					
Earnings per share after tax (cents)	**10.80**	9.94	11.22	7.87	4.54
Return on average shareholders' funds (%)	**10.72**	10.58	11.40	8.81	5.42
Cost-income ratios (%)	**42.50**	47.00	37.50	42.60	50.30
Net tangible assets per share ($)	**0.99**	0.93	1.04	0.95	0.90

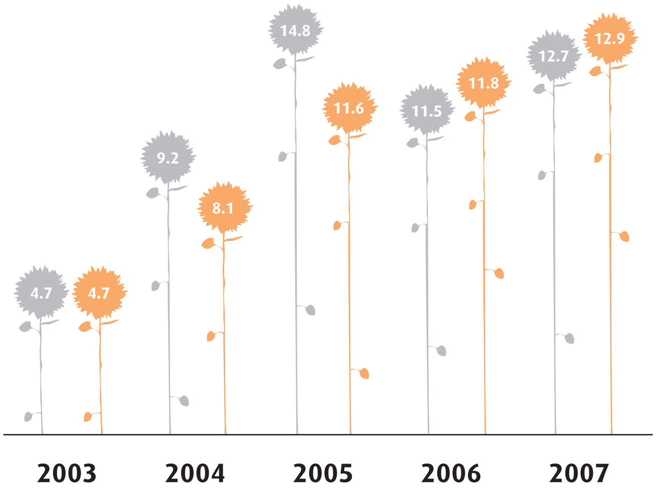
Note: * Gross dividends per share and times covered are stated based on the dividend declared/proposed in respect of the respective financial years. Gross dividend per share for FY2007 relates to interim dividend paid of 3.0 cents and proposed final one-tier tax exempt dividend of 3.25 cents.

Earnings per share and net tangible assets per share for FY2006 have been restated to take into account the rights issue completed in June 2007.

Performance at a Glance

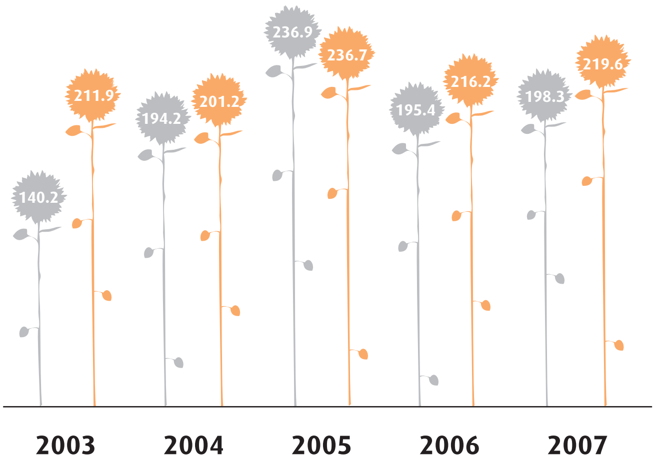
Profit & Loss (S$ million)

● Profit before tax
● Profit after tax



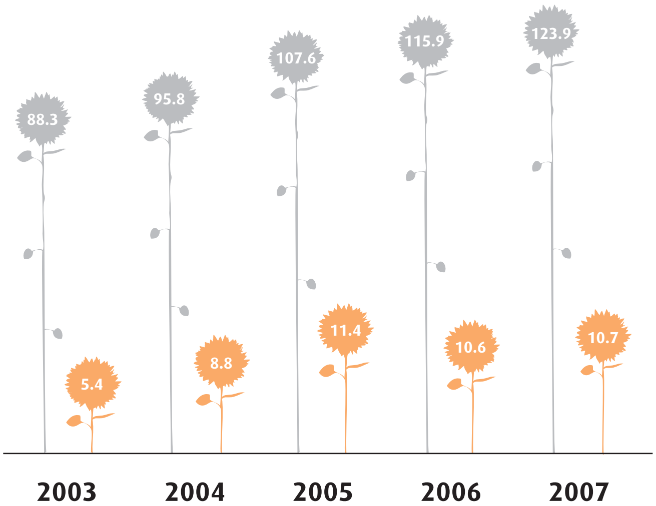
Factoring Receivables and Loans & Advances (S$ million)

● Factoring receivables (gross)
● Loans & advances (gross)

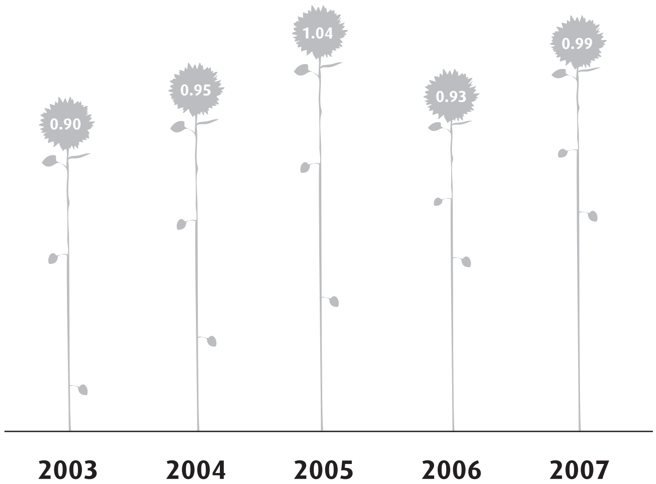


Shareholders' Funds (S$ million) Return on Average Shareholders' Funds (%)

● Shareholders' funds
● Return on average shareholders' funds



Net Tangible Assets per Share (S$)



Note: Net tangible assets per share for FY2006 has been restated to take into account the rights issue completed in June 2007.

Corporate Milestone

1987 Incorporation

IFS Capital Limited ("IFS") was incorporated as International Factors (Singapore) Pte Ltd to undertake factoring and other financing services. It was then a wholly-owned subsidiary of Export Credit Insurance Corporation of Singapore Ltd.

A 51% owned subsidiary, International Factors (Marine) Singapore Pte. Ltd. ("IFM") was incorporated, to specialise in the financing of the marine industry in Singapore.

1988 - 1989 Outreach/Business Expansion

IFS hosted the International Factors Group Chairmen's Meeting held for the first time in Singapore.

Assets and staff were transferred to IFS from Export Credit Insurance Corporation of Singapore Ltd. IFS acquired the Inno-Pacific Building in the CBD area and renamed it International Factors Building. Business activities were broadened to include venture capital financing and investment. IFM undertook its first step into ship leasing of a new generation bunkering tanker.

1990 – 1992 Regional Expansion/ Corporate Restructuring

The Group achieved a record high factoring volume of $752 million and was the leading factoring house in Singapore in 1990.

IFS converted its status to a public company and made its first offer of stock options to all eligible employees under a Stock Option Scheme. Regional joint ventures were established for factoring and financing business in Indonesia, Malaysia, Philippines and Thailand.

Corporate restructuring activities undertaken included IFM becoming a wholly-owned subsidiary of IFS. A scheme of arrangement was undertaken to transfer the International Factors Building to ECICS Property Ltd and certain entities in which IFS had shareholdings were distributed in-specie to its existing shareholders. The restructuring was carried out to transform IFS into a leaner, more focused financial services company in preparation for a listing.

1993 Listing

On 22 July, IFS was listed on the Mainboard of the Singapore Exchange.

IFM was renamed as International Factors Leasing Pte Ltd ("IFL").

1994 – 1996 Changes

IFS hosted the International Factors Group Annual General Meeting in 1994.

IFS divested its shareholding in the Philippines joint venture due to corporate restructuring of its joint venture partner in 1995. IFS established a joint venture in Vietnam to penetrate into the leasing and financing markets.

1997 – 2002 Consolidation

IFS celebrated its 10th anniversary in 1997.

1997 saw the regional economic crisis resulting in the Group's first full year loss in 1998. The speedy recovery of Singapore and some of the Asean economies from the regional financial crisis saw the Group turning in improved results for 1999.

IFS sold its stake in the Vietnam joint venture in July 2000.

2003 Shareholders' Restructuring

Phillip Assets Pte. Ltd. became the largest shareholder of IFS after acquiring 28.94% shares from the substantial shareholder, ECICS Holdings Ltd (formerly known as Export Credit Insurance Corporation of Singapore Ltd).

On 28 April, IFS acquired the credit insurance and guarantee business of ECICS Credit Insurance Ltd and ECICS Credit and Guarantee Company (Singapore) Ltd. This acquisition was completed on 1 December 2003 and undertaken by its wholly-owned subsidiary, ECICS Limited.

In November, Phillip Assets Pte. Ltd. increased its shareholdings from 28.94% to 39.81% after acquiring 10.87% shares from a substantial shareholder, Neptune Orient Lines Limited.

2004 **Reorganisation**

The Business Development department and the Account Relationship department were combined to enhance business efficiency and client relationship management. A new Credit Risk Management department and a Structured Finance unit were set up to focus on mezzanine financing as well as direct equity investments.

IFS sold to its Malaysian partner its interest in PB International Factors Sdn. Bhd. due to regulatory constraints.

IFS reported a historical high profit after tax of S$8.1 million on significantly higher business volumes and a full year's contribution from ECICS for the year.

2005 **Building**

IFS acquired a 10% stake in Advance Finance Public Company Limited, a registered finance company in Thailand in June 2005 as part of its expansion plan in Thailand.

In October, IFS increased its shareholding to 85% in its Indonesian associated company, PT. Niaga International Factors. The company was renamed PT. International Factors Indonesia.

In November, IFL acquired IFS Ventures Private Limited and IFS Ventures 2 Limited resulting in them becoming wholly-owned subsidiaries.

In December, IFL changed its name to IFS Capital Assets Private Limited reflecting its focus on mezzanine and direct private equity investment.

2006 **Rebranding**

A new corporate identity, "IFS Capital" was adopted to reflect the Group's growing business diversity. The company's name was changed to IFS Capital Limited.

In June, the Group re-started its operations in Malaysia by incorporating a subsidiary, IFS Capital (Malaysia) Sdn. Bhd. to provide financial services such as factoring, leasing and hire purchase. In July, IFS Capital Holdings (Thailand) Limited was incorporated as an associated company with 49% shareholding held by IFS.

Phillip Assets Pte. Ltd. increased its shareholding in IFS to about 40%.

2007 **Growth**

IFS celebrated its 20th anniversary.

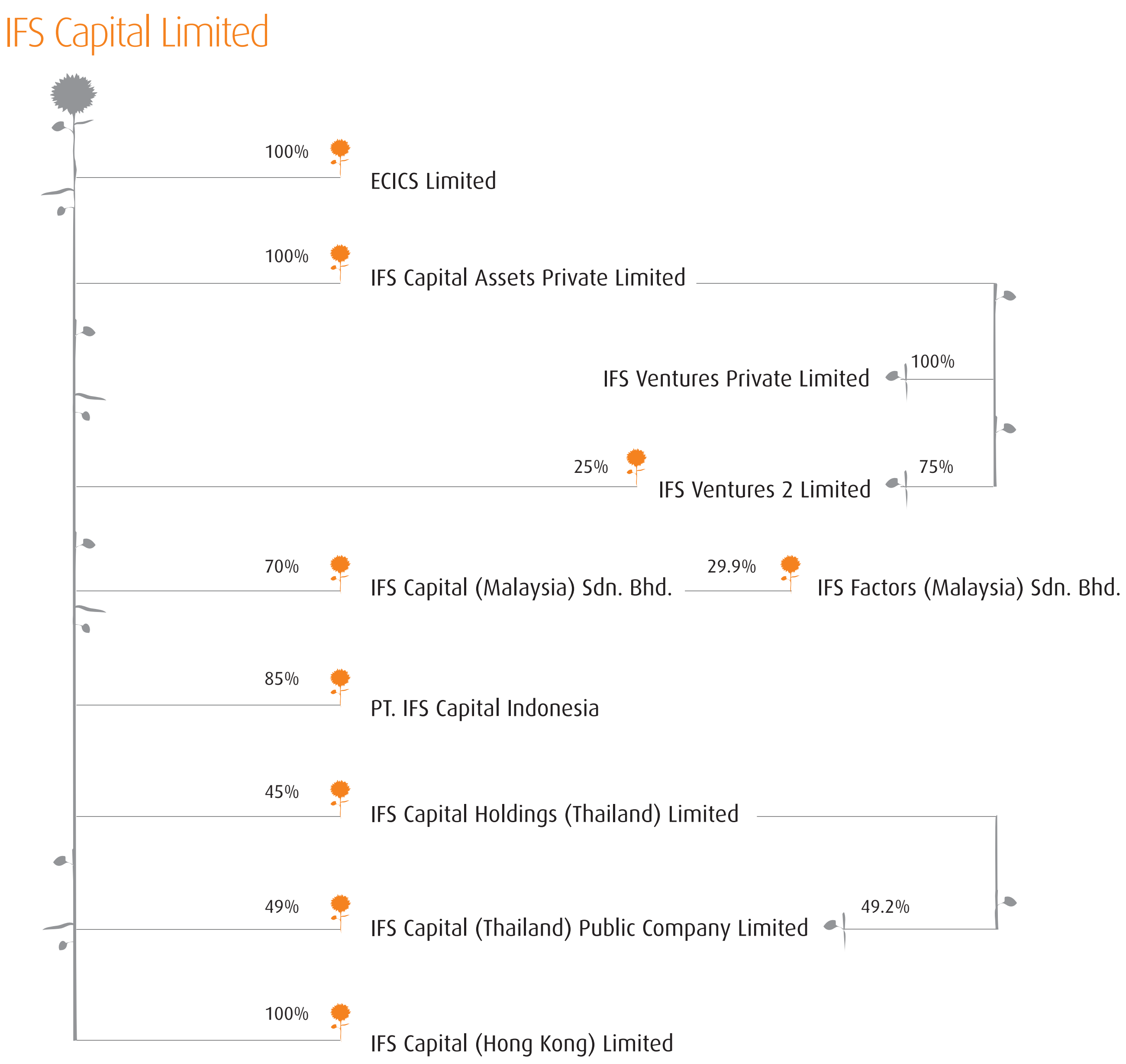
In April, our Thai associate was converted into a public limited company and renamed as IFS Capital (Thailand) Public Company Limited. In May, IFS incorporated a subsidiary in Hong Kong to explore financing business there. In June, IFS' Indonesian subsidiary changed its name to PT. IFS Capital Indonesia.

In June, 20,714,586 Rights Shares were issued by IFS and listed on the Singapore Exchange Securities Trading Limited.

IFS launched a new business unit, Alternative Finance, to look into non-mainstream financing products and services.

IFS reported a historical high profit after tax of S$12.9 million.

Corporate Structure



Note: The above corporate structure excludes dormant and inactive subsidiaries and associated companies.

Economic Assessment of Southeast Asia

Overview – A Major Turning Point

The second half of 2007 marked an important turning point in the global economy. Years of accumulating distortions and imbalances in the financial sectors of the developed countries, especially the United States, reached a point of unsustainability. Consequently, asset markets have corrected sharply, credit conditions have tightened and economic activity has slowed in the United States, Europe and Japan with knock-on effects of varying degrees in the rest of the world.

Looking forward, we see the global environment for Southeast Asian economies in 2008 being characterised by substantial economic headwinds:

- The United States economy will slow drastically in the first half. Japan's economy has also slowed sharply as a result of the impact of the United States as well as because of domestic problems related to the construction industry. Europe's economy is also losing momentum as global credit tightening hurts Europe as well.

- If the monetary easing and fiscal pump priming that have been announced work their way into the United States economy quickly enough, then the second half could see a recovery. However, there is some uncertainty over how effective such policy action will be for several reasons. First, this is not a normal cyclical slowdown but a financial shakeout whose damage being greater, cannot be cured by simple fiscal and monetary action alone. Second, monetary policy operates with lags of up to 12 months or more so the rate cuts by the United States Federal Reserve Bank starting in September 2007 will only really help the economy around the third quarter of 2008.

- There are a number of other factors that are hurting global economic prospects. Oil prices remain high after touching USD100 per barrel earlier in 2007. This is diverting spending power away from oil-consuming countries to the oil exporters, many of whom are saving the bulk of their windfall gains rather than spending them. The prices of food, metals and other commodities have also risen sharply, raising business costs and reducing profitability. This hurts business confidence. At the same time, higher inflation limits central banks' flexibility to cut interest rates to boost economic growth. In addition, the risk remains of more financial shocks as weaker growth exposes more misjudgements by banks and other institutions.

The Southeast Asian region is not immune to this global slowdown because it has not decoupled from the United States. Lead indicators are signalling a slowdown in economic activity in Southeast Asia. Export demand has weakened and regional banks have also been hurt by the unravelling of the credit markets. Economic activity in the first two quarters of 2008 will clearly be hurt by these developments. In addition, the region also has to face a number of other problems:

- The second half of 2007 saw a sharp rise in inflation throughout Southeast Asia, mostly driven my expensive food and energy costs.

- Most regional currencies, except the Indonesian Rupiah, have appreciated against the US Dollar.

While China's Reminbi has also appreciated, China remains a highly competitive exporter as Chinese companies are enjoying strong productivity growth.

- Competition is increasing for Southeast Asia in another sense. China is increasingly able to substitute domestically-produced inputs to replace electronics and other components it used to import from Southeast Asia.

Nevertheless, as discussed below, Southeast Asia is likely to remain relatively resilient in the face of these headwinds, helped by country-specific factors that will help support domestic demand.

SINGAPORE

Although 2007 overall was a good year for Singapore (growth is estimated at 7.6%), the final quarter of the year showed some deceleration. Although Singapore's composite lead indicator continued to rise, we believe that as the global slowdown advances, Singapore's economic growth is bound to slow. In fact, external demand is already losing vigour. Non-oil domestic exports (NODX) have been on a decreasing trend in 2007. Consequently, industrial production has also tapered off in the last two months of 2007.

Despite these headwinds, we still expect Singapore's economy to perform moderately well in 2008. The pipeline of activity in the construction sector remains extraordinarily strong, with many large projects just entering the period of substantial expenditure: the construction of the Integrated Resorts, new mass rail transit lines such as the Downtown Line, substantial new manufacturing plants and private residential and commercial complexes. With wages growing strongly because of the tight labour market and rising property prices boosting the wealth effect, consumer spending is also likely to remain relatively vibrant. Moreover, Singapore will also be helped by the continued strength of its neighbours (see below). This will translate into strength in trade services, transportation and some parts of the regional financial hub.

Another risk that Singapore's economy will face in 2008 is inflation which has surged in recent months, reaching 4.4% in December 2007. This reflects both global factors such as spikes in food and energy prices as well as domestic factors. It is the latter which is a concern: the Singapore economy is reaching full capacity. So, low unemployment and tight resource utilisation are causing domestic costs (wages, rentals and prices of intermediate services) to rise. Rising costs will undermine competitiveness as well as slow growth. In response, the Monetary Authority of Singapore has stepped up the pace of Singapore Dollar appreciation while government has acted to defer non-urgent construction projects while also imposing micro-prudential measures in areas such as residential property so as to cool overheating.

Table 1: Singapore forecasts

	2004	2005	2006	2007	2008	2009
GDP growth % p.a.	9.0	7.3	8.2	7.6	4.8	5.3
Private consumption expenditure/GDP (%)	43.0	41.6	39.8	38.5	39.1	38.5
Gross fixed capital formation/GDP (%)	23.9	22.2	23.3	26.5	30.3	31.4
Current account/GDP (%)	17.0	19.0	22.0	28.2	26.0	25.3
Inflation (% annual change)	1.7	0.5	1.0	2.1	2.5	2.6
3-mth S$SIBOR (% end-year)	1.50	3.25	3.44	2.37	1.63	2.25
SGD/USD (end-year)	1.63	1.66	1.53	1.45	1.36	1.32

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

MALAYSIA

Malaysia has enjoyed firm growth despite slowing external demand which has depressed export growth through most of 2007. GDP growth reached a healthy 6.7% in the third quarter of 2007 compared to 5.7% in the second quarter. As one of the most open economies in the world, Malaysia faces clear risks that continued weakness in external demand might slow economic growth more significantly in 2008. Nevertheless, domestic demand is likely to strengthen in 2008, lending considerable resilience to Malaysia:

- The key to our expectations of resilience in 2008 is the acceleration of spending under the Ninth Malaysia Plan (9MP). Given that there is still RM89bn yet to be awarded to infrastructure projects, we expect infrastructure spending to contribute more substantially to growth in 2008. High value projects like the Pahang-Selangor water transfer project, Bakun undersea cable and overhead transmission project, and Penang Outer Ring Road project are likely to be awarded in 2008.

- In addition, there will be further spending associated with the government's new growth strategy of developing economic corridors which specialise in different activities. The Iskandar Development Region in southern Johor is already taking off with considerable investment from the Middle East already committed. Other significant developments include the Northern corridor, East Coast economic region, economic zones in Sabah and Sarawak.

- Prospects for private consumption are also bright, aided by significant salary increases for civil servants which had a knock-on effect on the salaries of similar occupations. Moreover, rising prices of palm oil and rubber will boost the incomes of roughly 1 million rural households. For example, palm oil prices surged 62.8% over 2007. This boost to domestic demand will help compensate for weakening external demand.

Aside from global economic risks, Malaysia has to address the question of rising fuel subsidies which are hurting fiscal stability. Once the general elections are over, however, we expect policy makers to take action to rationalise the subsidy regime and thereby reduce the fiscal burden.

Table 2: Malaysia forecasts

	2004	2005	2006	2007	2008	2009
GDP growth % p.a.	6.8	5.0	5.9	6.2	5.5	5.9
Private consumption expenditure/GDP (%)	46.5	48.1	48.6	49.0	50.5	51.0
Gross fixed capital formation/GDP (%)	22.2	22.2	22.6	22.4	24.0	23.5
Current account/GDP (%)	13.0	17.0	20.0	16.3	16.4	16.2
Inflation (% annual change)	1.5	3.0	3.6	2.0	2.4	3.0
3-mth KLIBOR (% end-year)	2.83	3.22	3.71	3.61	3.50	3.75
MYR/USD (end-year)	3.80	3.78	3.53	3.31	3.16	3.01

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

THAILAND

The Thai economy performed creditably in 2007, considering the serious problems it confronted. Thailand's GDP grew by a meagre 4.4% in 2007, below its potential rate of growth and lower than the growth of 5.1% in 2006. The September 2006 military coup caused a degree of political uncertainty which eroded business and consumer confidence. Some of the well-intentioned policy measures taken by the interim government such as capital control regulations to cap the strong appreciation of the Thai Baht and the tightening of regulations governing limits on foreign ownership and control in the economy also upset investors and led to reduced inflows of foreign investment. With the interim government stepping down in January 2008, there was a noticeable lack of decisive policy action in 2007, with a reluctance to take major long-term decisions. Thailand also confronted high oil prices and the lagged impact of a stronger Baht on exports.

We are confident that Thailand will enjoy a material rebound in 2008. Elections in December 2007 resulted in the return of democratic rule early in 2008. The new government has a solid majority in parliament and has started well by reviving major spending projects as well as fiscal support for rural areas. We see the Thai economy recovering smartly in 2008 led by:

- Reviving business and consumer confidence that will release pent-up business investment and consumer spending.

- Stepped up fiscal spending including some high-multiplier spending on infrastructure and rural works.

- The new government intends to clarify the uncertainty created by capital controls and the 2007 restrictions on foreign ownership. This should allow a revival of foreign investment.

Thailand continues to face risks including the impact of the global slowdown. As in other parts of the world, food and energy prices have led inflation higher, preventing the Bank of Thailand from loosening monetary policy. However, the central bank has gained considerable credibility in combating inflation. Despite the rise in headline inflation to 4.2% in December 2007, driven by global forces such as high oil prices and rising prices of rice and other foodstuffs, core inflation has remained below 2%. This means that monetary easing can resume as well some time in the later part of 2008.

Table 3: Thailand forecasts

	2004	2005	2006	2007	2008	2009
GDP growth % p.a.	6.3	4.5	5.1	4.4	4.7	6.2
Private consumption expenditure/GDP (%)	54.6	54.6	53.6	52.3	52.5	52.2
Gross fixed capital formation/GDP (%)	22.1	23.4	23.1	22.6	23.2	24.2
Current account/GDP (%)	2.9	-7.9	1.9	1.5	1.4	-0.5
Inflation (% annual change)	2.9	5.8	3.5	3.2	2.6	3.3
3-mth interest rate (% end-year)[1]	4.50	5.25	3.87	3.25	3.00	3.75
THB/USD (end-year)[2]	39.1	41.0	36.1	33.7	30.00	31.50

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

Notes: 1 Interest rate refers to the 3 Month Inter-bank offered rate.

2 Exchange rate refers to the onshore rate, we are assuming that the end of capital controls in 2008 will unify the offshore and onshore Thai Baht rates.

INDONESIA

The Indonesian economy has outperformed expectations in 2007, with GDP growth averaging 6.3% in the first three quarters of the year before slowing modestly in the last quarter. The prospects for economic growth remain good, with Indonesia relatively less exposed to global demand as compared to other Southeast Asian nations.

- The lagged impact of substantial reductions in interest rates is helping to boost interest rate-sensitive spending such as durable goods purchases, real estate and investment.

- Prices have remained high for Indonesia's key commodities – palm oil, rubber, cocoa and coconuts. This has resulted in a rough doubling of smallholder household incomes in the past three years – lending considerable support to domestic demand as a result.

- Bank Indonesia's Consumer Confidence Index has risen once again to optimistic levels. The central bank has smoothly eased tensions within the economy through a swift process of monetary easing which has roughly culminated with the policy interest rate being reduced to 8% in December 2007.

- Despite some well-publicised controversies which have hurt investor confidence, overall trends show that foreign investment is returning to Indonesia. Foreign investment approvals have shown a consistent upward trend.

The key risk in Indonesia remains inflation which has rebounded again to above 7% in January 2008, with core inflation also moving above 7%. It is important to remember that inflationary and exchange rate expectations in Indonesia are unstable because of the country's history of high inflation and sudden currency changes. High inflation could increase the vulnerability of Indonesia to a sudden worsening of exchange rate expectations which could be damaging as we saw in July 2005 when a sharp depreciation of the exchange rate prompted the central bank to sharply raise interest rates, leading to capital outflows, asset markets falling and economic growth taking a hit.

Table 4: Indonesia forecasts

	2004	2005	2006	2007	2008	2009
GDP growth % p.a.	5.0	5.7	5.5	6.3	6.4	7.0
Private consumption expenditure/GDP (%)	60.6	59.6	58.3	57.6	57.3	57.1
Gross fixed capital formation/GDP (%)	21.4	22.4	21.8	22.4	23.3	24.5
Current account/GDP (%)	0.6	0.1	2.7	3.2	2.6	2.1
Inflation (% annual change)	6.4	17.1	6.6	6.6	7.1	6.3
3-mth Interest rate (% end-year)	7.29	12.83	9.50	7.83	7.75	8.75
IDR/USD (end-year)	9290	9830	9020	9419	9400	9500

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

Note: Interest rate refers to the 3 Month SBI rate from Bank Indonesia

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Centennial Group

Corporate Governance Report

The Board of Directors is committed to increasing the level of corporate governance in the Company in order to protect the interests of its shareholders. This report sets out the corporate governance practices of the Company during the financial year ended 31 December 2007, with specific reference to the principles of the Singapore Code of Corporate Governance 2005 (the "Code").

1 The Board's Conduct of Affairs

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with management to achieve this and the management remains accountable to the Board.*

1.1 The Board oversees the businesses 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 Credit Committee, comprising of Chief Executive Officer and senior officers of the Company, assesses, reviews and makes 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 details on the composition and functions of the Audit Committee and the Executive Resource and Compensation Committee can be found in the subsequent sections of this Report.

1.2 The Board has delegated to management the day-to-day operations and the implementation of systems of internal control. The Chief Executive Officer is assisted by a Management Committee chaired by the Chief Executive Officer and comprising senior management staff. In the absence of the Chief Executive Officer, the Management Committee is authorised to make decisions on his behalf. The Company has an internal audit department which monitors the 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.

1.3 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 2007, the Board of Directors held four meetings.

1.4 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 2007 is set out as follows:

Name of Directors	Board		Audit Committee		ERCC	
	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
Manu Bhaskaran	4	4	2	2	NA	NA
Lee Soon Kie	4	4	NA	NA	NA	NA
Kwah Thiam Hock	4	2	NA	NA	NA	NA

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

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

2 Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

2.1 The Board comprises 6 directors of whom 3 are independent directors. The nature of the directors' appointments on the Board is set out as follows:

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

2.2 The Board has examined its size and is satisfied that a size of 6 members is currently appropriate for the Company.

2.3 Details of the directors' academic and professional qualifications, appointment dates on the Board and other appointments are set out on pages 42 to 44.

3 Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

3.1 The Chairman and the Chief Executive Officer of the Company are separate persons and are not related to each other.

3.2 The Chairman 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 the division of responsibilities between them are set out in writing.

The Chairman is primarily responsible for the workings of the Board. The Chairman's responsibilities include approving the schedules of meetings and meeting agenda (with the assistance of the Company Secretary). As Chairman of the Board, he also leads the Board in its discussions and deliberation, facilitates effective contribution by Non-Executive Directors and exercises control over the timeliness of information flow between the Board and management.

The Chief Executive Officer manages the businesses of the Company, implements the Board's decisions and is responsible for the day-to-day operations of the Company.

4 Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

4.1 The Board has established the Executive Resource and Compensation Committee that performs both the roles of nominating committee and remuneration committee.

4.2 The Executive Resource and Compensation Committee currently comprises 3 members, the majority of whom are independent. The Committee is chaired by Mr Lim How Teck who is an independent Non-Executive Director and is not associated with a substantial shareholder.

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

4.3 The Executive Resource and Compensation Committee functions under the terms of reference as approved by the Board. Under the terms of reference, the Executive Resource and Compensation Committee (in respect of its function as a nominating committee):

(i) 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;

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

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

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

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-nomination and 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 meeting dates of the Board and Board committees are scheduled in advance at the beginning of each calendar year.

Any proposed appointment of potential new directors will be reviewed by the Executive Resource and Compensation Committee before the recommendation is put up to the Board for its approval. In accordance with the Company's Articles of Association, all new appointees to the Board, if not elected by the shareholders at the annual general meeting, will only hold office until the next annual general meeting after the date of their appointment whereupon they will seek re-election at the annual general meeting.

5 Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

5.1 In the beginning of each year, the Executive Resource and Compensation Committee assesses the effectiveness of the Board through a self-assessment process that involves the completion of evaluation questionnaires on issues such as board performance, effectiveness and board composition as well as a review of the collated results.

5.2 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.

6 Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

6.1 Management provides all the members of the Board with a progress report on the performance of the Group (including group consolidated accounts) on a monthly basis.

6.2 Where there are Board meetings, the Board members are provided with board papers in advance of the 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.

The Chairman, with the assistance of the Company Secretary, exercises control over the quality and timeliness of information flow between the Board and management.

6.3 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 performing their duties.

7 Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

7.1 The Board committee, the Executive Resource and Compensation Committee, also performs the role of a remuneration committee. The Committee comprises entirely of Non-Executive Directors, the majority of whom, including the Chairman, are independent.

7.2 Pursuant to the terms of reference, the Committee:

(i) reviews and approves the remuneration packages for each director and the 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

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

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

8 Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

8.1 For the Chief Executive Officer/Executive Director(s), their remuneration packages comprise of a fixed component which is benchmarked against the financial services industry and a variable component which is linked to the performance of the Group as well as the individual performance. An annual performance incentive plan implemented by the Group links rewards purely to corporate and individual performance.

8.2 For the Non-Executive Directors, they are remunerated based on a framework of basic director fees and committee fees which is formulated taking into account factors such as responsibilities, level of contribution and time spent. The framework is reviewed by the Executive Resource and Compensation Committee and endorsed by the Board.

8.3 The directors' fees payable to the Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting. The Executive Director(s) do not receive directors' fees.

8.4 The service contracts of the Executive Director(s) do not contain onerous removal clauses.

Deviation - Guideline 8.3: There is no fixed appointment period of the Executive Director(s) in the service contract. However, the service contract contains the usual notice of termination clause of less than 6 months and there are no onerous removal clauses.

8.5 The Group has in place two 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 48 to 50). These schemes are administered by the Executive Resource and Compensation Committee.

9 Disclosures on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

9.1 A breakdown showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2007 is as follows:

	Number of Directors	
Remuneration Band	**2007**	**2006**
$500,000 and above	1	1
$250,000 to below $500,000	0	1
Below $250,000	5	5
Total	**6**	**7***

** includes 1 director who resigned during the course of the financial year ended 31 December 2006.*

	Remuneration Band/ Directors of Company	Directors' Fees %	Fixed Pay %	Annual Wage Supplement and Variable Bonus %	Allowances & Others %	Total %
(i)	$500,000 to below $750,000					
	Lee Soon Kie	-	49	45	6	100
(ii)	$250,000 to below $500,000					
	-	-	-	-	-	-
(iii)	Below $250,000					
	Lim Hua Min	100	-	-	-	100
	Gabriel Teo Chen Thye	100	-	-	-	100
	Lim How Teck	100	-	-	-	100
	Manu Bhaskaran	100	-	-	-	100
	Kwah Thiam Hock	37	-	-	63	100

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

9.3 The breakdown of the five most highly compensated key executives of the Company (who are not also directors of the Company) into remuneration bands of $250,000 is as follows:

	Number of key executives	
Remuneration Band	**2007**	**2006**
$500,000 and above	0	0
$250,000 to below $500,000	1	1
Below $250,000	4	4
Total	**5**	**5**

Deviation – Guideline 9.2: The Code recommends that the report should set out the names of at least the top 5 key executives (who are not also directors) earning remuneration which falls within bands of $250,000. 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 names of the top 5 key executives (who are not directors) and the details of their remuneration are not disclosed.

10 Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

10.1 In 2007, the Board provides shareholders with half-yearly financial reports. Results for the first half are released to the shareholders within 45 days of the reporting period while the full-year results are released to the shareholders within 60 days of the financial year-end. In presenting the financial reports, the Board aims to provide a balanced and understandable assessment of the Group's financial performance and prospects.

From 2008 onwards, the Board will be providing quarterly financial reports to the shareholders.

10.2 Management provides all the members of the Board with management accounts on the performance of the Group on a monthly basis.

11 Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

11.1 The Audit Committee comprises 3 members, all of whom are independent Non-Executive Directors:

Gabriel Teo Chen Thye	Chairman, Independent
Lim How Teck	Member, Independent
Manu Bhaskaran	Member, Independent

The Board is of the view that the members of the Audit Committee have the requisite experience and expertise to discharge the functions of the Audit Committee.

11.2 The Audit Committee functions under the terms of reference approved by the Board which set 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, the scope of audit by the external auditor as well as their independence. The Audit Committee reviews the interim and annual announcements of the Group's financial results 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).

11.3 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.

The Audit Committee also reviews the independence of external auditors annually as well as the re-appointment of external auditors.

11.4 The Audit Committee is authorised to investigate any matters within its terms of reference, with full access to and co-operation by the management. The Audit Committee also has full discretion to invite any director or executive officer to attend its meetings and reasonable resources to carry out its functions.

11.5 The Company has in place a whistle-blowing framework where staff of the Company can access Audit Committee Chairman, Chief Executive Officer, Head of Internal Audit, Head of Human Resource and Head of Compliance to raise concerns, in confidence, of any improprieties. The Audit Committee reviews this framework with an objective to ensure that arrangements are in place for independent investigation of such concerns raised and for appropriate follow-up action.

12 Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

12.1 The Audit Committee reviews the adequacy of the internal control system that includes internal financial, operational and compliance controls, and risk management policies and systems established by management, with the assistance of the internal and external auditors. The internal auditors conduct reviews of the internal control systems and will highlight any significant internal control weaknesses noted to the Audit Committee as well as monitor that necessary actions are taken by management.

12.2 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 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.

12.3 The Board notes that all internal control systems contain its inherent limitations and thus can only provide reasonable, but not absolute, assurance against material financial misstatement or loss.

Based on the information furnished to the Board, the Board is satisfied with the adequacy of the current Company's internal control system maintained by management.

13 Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

13.1 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' activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

13.2 The internal auditors report primarily to the Chairman of the Audit Committee on audit matters and to the Chief Executive Officer on administrative matters.

13.3 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.

14 Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

14.1 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.

15 Greater Shareholder Participation

Principle 15: Companies should encourage greater shareholder participation at annual general meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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

The Articles of Association allow a shareholder to appoint one or two proxies to attend and vote in his place at general meetings.

Deviation – Guideline 15.1: Other methods of voting in absentia (like voting by electronic mail, email or fax) as recommended by the Code are not made available at the moment due to concerns relating to issues of security controls and integrity of information.

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

16 Code on Dealings in Securities

The Company has issued an Internal Compliance Code On Securities Transactions ("Internal Compliance Code") 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 dealings in the Company's shares by these persons. The guidelines under the Internal Compliance Code, inter alia, provide that officers (i) should not deal in the Company's shares on short-term considerations; and (ii) should not deal in the Company's shares during the period commencing one month before the announcement of the Company's half-year and full-year financial results and ending on the date of announcement of the relevant results. From 2008, in view of the quarterly financial results reporting, the Internal Compliance Code is updated to change the prohibition of trading period to two weeks before announcement of the interim financial results and one month before announcement of the full year financial results, and ending on the date of announcement. 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
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) 26.04.2007	(a) Walker CripsGroup 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
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) UMS Holdings Limited Lasseters International Holdings Limited CDL Hospitality Trusts Rickmers Maritime Trust Mermaid Maritime Public Company Limited ARA Asset Management Ltd MacarthurCook Investment Managers (Asia) Limited (b) 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
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) 26.04.2006	(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, One Marina Property Services Pte Ltd (formerly SLF Management Services Pte Ltd) Member, Board of Governors, St Gabriel's Foundation Member, Advisory Committee, School of Business Management, Nanyang Polytechnic
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 to 20.05.2003) (b) 26.04.2006	(a) Cyber Village Holdings Limited (b) Council Member, Singapore Institute of International Affairs Vice President, Economic Society of Singapore Senior Adjunct Fellow, Institute of Policies Studies
Lee Soon Kie	Bachelor of Arts, National University of Singapore (1983) Master of Science, University of Wales, Aberystwyth, UK (2002)	(a) 21.03.2003 (b) 26.04.2006	(a) LifeBrandz Ltd Babcock & Brown Structured Finance Fund Limited (b) -

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
Kwah Thiam Hock	Bachelor of Accountancy, University of Singapore (1973)	(a) 04.05.1987 (b) 26.04.2007	(a) Select Group Limited Wilmar International Limited Excelpoint Technology Limited (b) Member, Management Committee, Singapore Turf Club Member, Audit Committee, Singapore Totalisation Board Fellow, Certified Public Accountant, Institute of Certified Public Accountants of Singapore Fellow, Certified Public Accountant, Australian Society of Accountants Fellow, Association of Chartered Certified Accountants (UK)

Financial Report 2007

Directors' Report

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 2007.

Directors

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

Lim Hua Min
Gabriel Teo Chen Thye
Lim How Teck
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 (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the next page.

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Lim Hua Min		
IFS Capital Limited		
- ordinary shares		
- deemed interests	41,846,872	50,216,246
Lee Soon Kie		
IFS Capital Limited		
- ordinary shares		
- interest held	393,000	680,000
Kwah Thiam Hock		
IFS Capital Limited		
- ordinary shares		
- interest held	352,000	420,000

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 or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2008.

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.

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

The 2000 Scheme was approved on 24 May 2000.

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 IFS Performance Share Plan, as detailed under "Performance Share Plan", 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.

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

  (a) 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

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

(vi) All options are settled by physical delivery of shares to The Central Depository (Pte) Limited.

(vii) The options can be exercised during the following period:

Type of options	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 Scheme is administered by the Executive Resource and Compensation Committee ("Committee") which comprises the following Non-Executive Directors:

• Lim How Teck (Chairman)	Independent
• Lim Hua Min	Non-Independent
• Gabriel Teo Chen Thye	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 IFS 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.

During the financial year under review:

- No options were granted under the 2000 Scheme.
- 78,200 Ordinary Shares were issued at the exercise price of $0.50 per share pursuant to the exercise of options granted under the 2000 Scheme. There were a total of 21,500 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 20 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

IFS 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 Audit Committee comprises the following Non-Executive Directors:

• Gabriel Teo Chen Thye (Chairman)	Independent
• Lim How Teck	Independent
• Manu Bhaskaran	Independent

The Audit Committee performs the functions specified in Section 201B of the Singapore Companies Act, the SGX-ST 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 SGX-ST Listing Manual).

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.

Auditors

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
7 March 2008

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 55 to 146 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 2007 and of the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Lee Soon Kie
Director

Kwah Thiam Hock
Director

Singapore
7 March 2008

Independent Auditors' Report

Members of the Company
IFS Capital Limited

We have audited the accompanying financial statements of IFS Capital Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 55 to 146.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion:

(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 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 2007 and 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
Certified Public Accountants

Singapore
7 March 2008

Balance Sheets

As at 31 December 2007

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Non-current assets					
Property, plant and equipment	3	19,470,977	20,033,914	19,010,900	19,390,231
Intangible assets	4	296,954	271,008	118,240	151,881
Subsidiaries	5	-	-	46,495,251	46,276,587
Associates	6	11,718,200	7,113,114	8,064,034	4,036,803
Other investments	7	34,596,409	21,624,794	4,711,867	7,723,859
Loans, advances, hire purchase and leasing receivables	8	73,891,261	83,089,396	63,834,446	75,505,313
Deferred tax assets	10	978,667	3,290,057	912,171	3,272,304
		140,952,468	135,422,283	**143,146,909**	156,356,978
Current assets					
Reinsurers' share of insurance contract provisions	11	26,909,000	23,750,000	-	-
Insurance receivables	12	5,024,867	3,007,571	-	-
Trade and other receivables	13	234,649,761	235,709,092	229,589,614	232,226,760
Derivative financial instruments	16	2,120	155,283	2,120	155,283
Other investments	7	35,720,315	35,897,215	205,138	252,184
Cash and cash equivalents	17	37,785,206	25,502,650	2,916,365	3,648,681
		340,091,269	324,021,811	**232,713,237**	236,282,908
Total assets		**481,043,737**	459,444,094	**375,860,146**	392,639,886
Equity attributable to equity holders of the Company					
Share capital	19	88,032,241	77,675,397	88,032,241	77,675,397
Other reserves	21	3,281,517	506,662	54,578	-
Accumulated profits	21	32,606,943	37,725,046	9,519,295	22,114,681
Total equity		**123,920,701**	115,907,105	**97,606,114**	99,790,078
Non-current liabilities					
Interest-bearing borrowings	22	80,006,554	112,333,614	80,006,554	112,333,614
Deferred tax liabilities	10	826,564	395,498	-	-
		80,833,118	112,729,112	**80,006,554**	112,333,614
Current liabilities					
Trade and other payables	23	38,573,066	38,742,153	26,335,790	36,129,463
Insurance payables	25	7,303,706	4,681,354	-	-
Interest-bearing borrowings	22	184,235,534	139,736,274	170,670,284	139,736,274
Derivative financial instruments	16	6,618	1,073	6,618	1,073
Insurance contract provisions for					
- gross unexpired risks	11	31,368,000	28,520,000	-	-
- gross insurance claims	11	10,400,000	10,345,000	-	-
Bank overdrafts (unsecured)	17	694,930	-	694,930	-
Current tax payable		3,708,064	8,782,023	539,856	4,649,384
		276,289,918	230,807,877	**198,247,478**	180,516,194
Total liabilities		**357,123,036**	343,536,989	**278,254,032**	292,849,808
Total equity and liabilities		**481,043,737**	459,444,094	**375,860,146**	392,639,886

Consolidated Income Statement

Year ended 31 December 2007

	Note	2007 $	2006 $
Interest income	26	23,948,920	24,533,014
Interest expense	27	(10,714,107)	(12,270,440)
Net interest income		**13,234,813**	12,262,574
Gross written premiums		15,298,470	8,070,790
Change in gross provision for unexpired risks	11	(2,848,000)	6,580,000
Gross earned premium revenue		12,450,470	14,650,790
Written premiums ceded to reinsurers		(9,115,039)	(4,548,706)
Reinsurers' share of change in the provision for unexpired risks	11	3,027,000	(5,333,000)
Reinsured premium expense		(6,088,039)	(9,881,706)
Net earned premium revenue	28	**6,362,431**	4,769,084
Fee and commission income	29	7,652,161	7,170,097
Investment income	30	7,505,112	5,018,695
Other income	31	462,688	375,769
Income before operating expenses		**35,217,205**	29,596,219
Business development expenses		(889,803)	(1,127,348)
Commission expenses		(992,038)	(646,826)
Staff costs		(8,876,520)	(7,420,948)
General and administrative expenses		(4,946,884)	(5,243,500)
		(15,705,245)	(14,438,622)
Change in provision for insurance claims		(55,000)	(1,382,000)
Reinsurers' share of change in provision for insurance claims		132,000	694,000
Gross claims paid	11	(3,896,441)	(1,594,048)
Reinsurers' share of claims paid	11	1,738,423	1,109,609
Net claims incurred		**(2,081,018)**	(1,172,439)
Operating profit before allowances		**17,430,942**	13,985,158
Allowances for loan losses and impairment of investments	32	(6,122,573)	(3,322,022)
Operating profit after allowances		**11,308,369**	10,663,136
Goodwill written off and others		-	(521,356)
Share of after-tax results of associates		1,368,727	1,331,375
Profit before income tax	33	**12,677,096**	11,473,155
Tax credit	34	178,698	354,201
Net profit for the year		**12,855,794**	11,827,356
Earnings per share	35		
Basic earnings per share (cents)		**10.8**	9.9
Diluted earnings per share (cents)		**10.8**	9.9

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Share capital $	Share premium $	Capital reserves $	Fair value reserve $	Currency translation reserve $	Accumulated profits $	Total $
At 1 January 2006	51,648,568	25,928,029	786,973	-	(150,447)	29,378,348	107,591,471
Exchange differences							
- translation of net assets of foreign subsidiaries and associates	-	-	-	-	529,267	-	529,267
Capitalisation of statutory legal reserves of an associate	-	-	48,869	-	-	(48,869)	-
Net gain/(loss) recognised directly in equity	-	-	48,869	-	529,267	(48,869)	529,267
Net profit for the year	-	-	-	-	-	11,827,356	11,827,356
Total recognised income and expense for the year	-	-	48,869	-	529,267	11,778,487	12,356,623
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	25,928,029	(25,928,029)	-	-	-	-	-
Transfer to revenue reserve	-	-	(708,000)	-	-	708,000	-
197,600 ordinary shares issued pursuant to exercise of IFS (2000) Share Option Scheme	98,800	-	-	-	-	-	98,800
First and final dividend paid of 5.0 cents per share less tax of 20% in respect of year 2005	-	-	-	-	-	(4,139,789)	(4,139,789)
At 31 December 2006	77,675,397	-	127,842	-	378,820	37,725,046	115,907,105

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Share capital $	Capital reserves $	Fair value reserve $	Currency translation reserve $	Accumulated profits $	Total $
At 1 January 2007	77,675,397	127,842	-	378,820	37,725,046	115,907,105
Exchange differences - translation of net assets of foreign subsidiaries and associates	-	-	-	186,772	-	186,772
Capitalisation of statutory legal reserves of an associate	-	53,709	-	-	(53,709)	-
Net change in the fair value of available-for-sale financial assets, net of tax	-	-	2,534,374	-	-	2,534,374
Net gain/(loss) recognised directly in equity	-	53,709	2,534,374	186,772	(53,709)	2,721,146
Net profit for the year	-	-	-	-	12,855,794	12,855,794
Total recognised income and expense for the year	-	53,709	2,534,374	186,772	12,802,085	15,576,940
78,200 ordinary shares issued pursuant to exercise of IFS (2000) Share Option Scheme	39,100	-	-	-	-	39,100
Issue of rights shares, net of expenses	10,317,744	-	-	-	-	10,317,744
First and final dividend paid of 17.5 cents per share less tax of 18% in respect of year 2006	-	-	-	-	(14,862,716)	(14,862,716)
Interim dividend of 3.0 cents per share less tax at 18% in respect of year 2007	-	-	-	-	(3,057,472)	(3,057,472)
At 31 December 2007	**88,032,241**	**181,551**	**2,534,374**	**565,592**	**32,606,943**	**123,920,701**

Consolidated Cash Flow Statement

Year ended 31 December 2007

	2007 $	2006 $
Operating activities		
Net profit for the year	12,855,794	11,827,356
Adjustments for:		
Share of after-tax results of associates	(1,368,727)	(1,331,375)
Amortisation of		
- intangible assets	173,856	212,857
- held-to-maturity debt securities and floating rate notes	101,892	147,409
Foreign currency translation	207,242	164,415
Depreciation of property, plant and equipment	864,584	766,563
Gain on disposal of		
- property, plant and equipment	(39)	(41)
- equity securities	(6,306,254)	(1,185,839)
Net change in fair value of financial assets through profit or loss	(143,576)	(2,586,943)
Property, plant and equipment written off	3,456	580
Intangible assets written off	25	438,345
Allowance for impairment of investments	368,903	705,690
(Reversals)/provisions for		
- unexpired risks	(179,000)	(1,247,000)
- insurance claims	(77,000)	688,000
Interest income	(23,948,920)	(24,533,014)
Investment income from bonds and available-for-sale investment	(1,047,308)	(1,095,704)
Interest income from held-to-maturity debt securities and fixed deposits	(109,814)	(455,345)
Financial expense	181,841	208,195
Interest expense	10,714,107	12,270,440
Dividend income	(394,540)	(414,624)
Tax credit	(178,698)	(354,201)
Operating cash flows before changes in working capital	**(8,282,176)**	(5,774,236)
Changes in working capital:		
Factoring receivables	13,862,651	29,573,433
Factoring amounts due to clients	(2,179,772)	(7,122,203)
Amounts due to affiliated corporations, net	-	22
Loans, advances, hire purchase and leasing receivables	(5,380,648)	20,378,120
Trade and other receivables	(101,203)	38,243,214
Trade and other payables	5,265,976	(39,316,898)
Cash generated from operations	3,184,828	35,981,452

Consolidated Cash Flow Statement *(cont'd)*

Year ended 31 December 2007

	2007 $	2006 $
Balance brought forward	3,184,828	35,981,452
Interest received	23,841,986	24,496,773
Interest received from investments	1,157,122	1,551,049
Interest paid	(11,476,941)	(12,294,438)
Income taxes paid	(3,578,448)	(3,872,785)
Income tax refund	827,083	1,032,855
Cash flows from operating activities	**13,955,630**	46,894,906
Investing activities		
Disbursement of loans to associate, net	(143,390)	(16,880)
Investment in associate	(2,672,262)	(4,835)
Purchase of property, plant and equipment	(324,499)	(646,213)
Proceeds from sale of property, plant and equipment	305	166
Purchase of intangible assets	(201,739)	(227,028)
Purchase of investments, net	(61,772,136)	(10,700,500)
Proceeds from disposal of investments	57,727,851	12,218,681
Proceeds from sale/redemption of investments	-	5,303,813
Repayment from/(loan to) minority shareholder	5,479	(5,479)
Dividends received from investments and associates	804,229	86,303
Cash flows (used in)/from investing activities	**(6,576,162)**	6,008,028
Financing activities		
Dividends paid	(17,920,188)	(4,139,789)
Repayments of term loans	-	(50,847,427)
Proceeds from term loans	12,172,200	-
Proceeds from issue of share option scheme	39,100	98,800
Proceeds from rights issue net of incidental expenses	10,317,744	-
Cash flows from/(used in) financing activities	**4,608,856**	(54,888,416)
Net increase/(decrease) in cash and cash equivalents	11,988,324	(1,985,482)
Cash and cash equivalents at beginning of year	25,502,650	27,433,148
Effect of exchange rate fluctuations on cash held	(400,698)	54,984
Cash and cash equivalents at end of year (Note 17)	**37,090,276**	25,502,650

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 March 2008.

1 Domicile and Activities

IFS Capital Limited (the "Company") is incorporated in the Republic of Singapore and has 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 commercial finance such as factoring services and working capital and asset based financing. The principal activities of the subsidiaries are detailed in Note 5 below.

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 have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

The financial statements are presented in Singapore dollars which is the Company's functional currency, unless otherwise stated.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 40.

2 Summary of Significant Accounting Policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

Accounting policies relating to the following types of transaction were adopted during the year:

- Amendment to FRS1 *Presentation of Financial Statements (Capital Distribution)*
- FRS 40 *Investment Property*
- FRS 107 *Financial Instruments – Disclosures*
- INT FRS 107 *Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies*
- INT FRS 108 *Scope of FRS 102 – Share-based Payment*
- INT FRS 109 *Reassessment of Embedded Derivatives*
- INT FRS 110 *Interim Financial Reporting and Impairment*

The Group has assessed the above changes in accounting policies to have no material impact to the comparatives or the opening balance of accumulated profits of the Group.

Except for the above changes, the accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2.2 Consolidation

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable 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.

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant

2 Summary of Significant Accounting Policies *(cont'd)*

2.2 Consolidation *(cont'd)*

influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest 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.

Accounting for subsidiaries and associates by the Company

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

2.3 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.

2.4 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Singapore dollars at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Singapore dollars at the exchange rates at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below), and available-for-sale equity instruments.

2 Summary of Significant Accounting Policies *(cont'd)*

2.4 Foreign currencies *(cont'd)*

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements.

2.5 Classification of Insurance 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.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Credit insurance

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.

2 Summary of Significant Accounting Policies *(cont'd)*

2.5 Classification of Insurance contracts *(cont'd)*

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. The major classes of bonds and guarantees issued include Performance Bond, Advance Payment Bond, Contract Tender Bond/Bid Bond, Qualifying Certificate Bond, Customs Bond, Foreign Worker Bond, Tenancy/Rental Bond and Account Payment Bond.

2.6 Recognition and measurement of insurance contracts

Premiums and provision for unexpired risk

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.

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 the income statement 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.

2 Summary of Significant Accounting Policies *(cont'd)*

2.6 Recognition and measurement of insurance contracts *(cont'd)*

Provision for insurance claims comprises 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 provision for adverse deviation. Provision for insurance claim is 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. Provision for insurance claims is 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 cedes reinsurance in the normal course of business for the purpose of limiting its net 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 income statement 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.

Commission expense

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

2 Summary of Significant Accounting Policies *(cont'd)*

2.6 Recognition and measurement of insurance contracts *(cont'd)*

For short-term comprehensive credit insurance contracts and bonds and guarantees, commission expenses are not 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 income statement.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

2 Summary of Significant Accounting Policies *(cont'd)*

2.7 Property, plant and equipment *(cont'd)*

The estimated useful lives are 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

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

2.8 Intangible assets

Goodwill

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 2.10.

Other intangible asset

Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Computer software is amortised in the income statement on a straight-line basis over the estimated useful lives of 3 to 5 years, from the date on which they are available for use.

2.9 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, insurance, trade and other receivables, cash and cash equivalents, financial liabilities, insurance, trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

2 Summary of Significant Accounting Policies *(cont'd)*

2.9 Financial instruments *(cont'd)*

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, ie, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(a) Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost is recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

(b) Held–to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(c) Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see note 2.4), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

(d) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Group used derivative financial instruments to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. These derivative financial instruments are only used for hedging an underlying risk. The Group does not take any speculative positions. Embedded derivatives

2 Summary of Significant Accounting Policies *(cont'd)*

2.9 Financial instruments *(cont'd)*

are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss. Derivatives that do not qualify for hedging accounting are accounted for as trading investments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

The Group has entered into interest rate swaps, caps and floors that are used to manage the Group's exposures to interest rate risk on its borrowings. The fair value of the derivative instruments is the estimated amount that the Group would receive or pay to terminate the swap or the amount that the Group would receive by buying or selling away the caps or floors, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of the economic and derivative hedging instruments of foreign currency forwards are the quoted market price at the balance sheet date, being the present value of the quoted forward rate. Changes in the fair value are recognised immediately in the income statement as part of foreign currency gains or losses.

Separable embedded derivatives

Changes in the value of separable embedded derivatives are recognised immediately in the income statement.

Financial guarantees

Financial guarantees are classified as financial liabilities.

Financial guarantees are recognised initially at fair value. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the income statement.

Share capital

Ordinary shares are classified as equity.

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

2 Summary of Significant Accounting Policies *(cont'd)*

2.10 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

2 Summary of Significant Accounting Policies *(cont'd)*

2.10 Impairment *(cont'd)*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

2.11 Leases

When entities within the Group are lessees of an operating lease.

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2.12 Employee benefits

Defined contributions plans

Obligations for contributions to statutory defined contribution pension plan are recognised as an expense in the income statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.13 Provisions

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

2 Summary of Significant Accounting Policies *(cont'd)*

2.14 Revenue Recognition

Interest income

Interest income on loans, advances, hire purchase, leasing receivables and factoring accounts is recognised on the accrual basis, taking into account either the effective yield of the assets or the Rule of 78 (sum-of-digits) methods.

Fee and commission income

Fee and commission income are recognised in the income statement on an accrual basis.

Management fees

Management fees are recognised on an accrual basis.

Interest expense

Interest expense is recognised in the income statement at amortised cost using the effective interest rate method.

Interest income from debt securities and bank deposits

Interest income from debt securities and bank deposits are recognised in the income statement at amortised cost using the effective interest rate method.

Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2.15 Dividends

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

2.16 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in income statement 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 reporting date, and any adjustment to tax payable in respect of previous years.

2 Summary of Significant Accounting Policies *(cont'd)*

2.16 Income tax expense *(cont'd)*

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting 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 reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.17 Deposits relating to collaterals of clients

Deposits relating to collaterals of clients are held on a fiduciary capacity on behalf of the Group's clients and are excluded from the financial statements.

2.18 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 2006	12,822,498	10,510,395	494,574	673,214	1,023,708	1,338,873	15,565	26,878,827
Additions	-	-	-	46,993	208,049	201,929	189,242	646,213
Disposals	-	-	-	-	(2,162)	-	-	(2,162)
Write-off	-	-	-	-	(2,915)	(1,861)	-	(4,776)
At 31 December 2006	12,822,498	10,510,395	494,574	720,207	1,226,680	1,538,941	204,807	27,518,102
Translation adjustment	-	-	-	1,235	(12,044)	(5,284)	(15,103)	(31,196)
Additions	-	-	-	4,813	98,967	218,934	1,785	324,499
Disposals	-	-	-	(3,901)	(1,103)	-	-	(5,004)
Write-off	-	-	-	(68,693)	(89,252)	(587,766)	-	(745,711)
At 31 December 2007	**12,822,498**	**10,510,395**	**494,574**	**653,661**	**1,223,248**	**1,164,825**	**191,489**	**27,060,690**
Accumulated depreciation and impairment losses								
At 1 January 2006	1,328,878	2,370,677	385,498	629,853	929,036	1,068,724	11,192	6,723,858
Depreciation for the year	139,882	397,059	3,651	24,134	66,799	116,909	18,129	766,563
Disposals	-	-	-	-	(2,037)	-	-	(2,037)
Write-off	-	-	-	-	(2,697)	(1,499)	-	(4,196)
At 31 December 2006	1,468,760	2,767,736	389,149	653,987	991,101	1,184,134	29,321	7,484,188
Translation adjustment	-	-	-	(70)	(4,650)	(3,738)	(3,608)	(12,066)
Depreciation for the year	139,882	397,059	3,651	33,359	84,840	167,460	38,333	864,584
Disposals	-	-	-	(3,901)	(837)	-	-	(4,738)
Write-off	-	-	-	(68,693)	(87,948)	(585,614)	-	(742,255)
At 31 December 2007	**1,608,642**	**3,164,795**	**392,800**	**614,682**	**982,506**	**762,242**	**64,046**	**7,589,713**
Carrying amount								
At 1 January 2006	11,493,620	8,139,718	109,076	43,361	94,672	270,149	4,373	20,154,969
At 31 December 2006	11,353,738	7,742,659	105,425	66,220	235,579	354,807	175,486	20,033,914
At 31 December 2007	**11,213,856**	**7,345,600**	**101,774**	**38,979**	**240,742**	**402,583**	**127,443**	**19,470,977**

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 2006	12,822,498	10,510,395	494,574	594,465	950,493	745,597	9,655	26,127,677
Additions	-	-	-	-	34,071	41,571	-	75,642
Disposals	-	-	-	-	(2,162)	-	-	(2,162)
At 31 December 2006	12,822,498	10,510,395	494,574	594,465	982,402	787,168	9,655	26,201,157
Additions	-	-	-	-	82,418	184,628	-	267,046
Write-off	-	-	-	(68,693)	(70,258)	(193,901)	-	(332,852)
At 31 December 2007	**12,822,498**	**10,510,395**	**494,574**	**525,772**	**994,562**	**777,895**	**9,655**	**26,135,351**
Accumulated depreciation and impairment losses								
At 1 January 2006	1,328,878	2,370,677	385,498	588,838	885,193	619,380	6,599	6,185,063
Depreciation for the year	139,882	397,059	3,651	2,440	33,078	49,859	1,931	627,900
Disposals	-	-	-	-	(2,037)	-	-	(2,037)
At 31 December 2006	1,468,760	2,767,736	389,149	591,278	916,234	669,239	8,530	6,810,926
Depreciation for the year	139,882	397,059	3,651	1,979	37,652	64,726	1,124	646,073
Write-off	-	-	-	(68,693)	(70,209)	(193,646)	-	(332,548)
At 31 December 2007	**1,608,642**	**3,164,795**	**392,800**	**524,564**	**883,677**	**540,319**	**9,654**	**7,124,451**
Carrying amount								
At 1 January 2006	11,493,620	8,139,718	109,076	5,627	65,300	126,217	3,056	19,942,614
At 31 December 2006	11,353,738	7,742,659	105,425	3,187	66,168	117,929	1,125	19,390,231
At 31 December 2007	**11,213,856**	**7,345,600**	**101,774**	**1,208**	**110,885**	**237,576**	**1**	**19,010,900**

3 Property, Plant and Equipment *(cont'd)*

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	Goodwill $	Computer software $	Total $
Cost			
At 1 January 2006	356,941	4,175,895	4,532,836
Additions	-	227,028	227,028
Impairment loss	(356,941)	-	(356,941)
Write-off	-	(213,810)	(213,810)
At 31 December 2006	-	4,189,113	4,189,113
Translation adjustment	-	(4,047)	(4,047)
Additions	-	201,739	201,739
Write-off	-	(412,412)	(412,412)
At 31 December 2007	**-**	**3,974,393**	**3,974,393**
Accumulated amortisation			
At 1 January 2006	-	3,837,654	3,837,654
Amortisation charge for the year	-	212,857	212,857
Write-off	-	(132,406)	(132,406)
At 31 December 2006	-	3,918,105	3,918,105
Translation adjustment	-	(2,135)	(2,135)
Amortisation charge for the year	-	173,856	173,856
Write-off	-	(412,387)	(412,387)
At 31 December 2007	**-**	**3,677,439**	**3,677,439**
Carrying amount			
At 1 January 2006	356,941	338,241	695,182
At 31 December 2006	-	271,008	271,008
At 31 December 2007	**-**	**296,954**	**296,954**

4 Intangible Assets *(cont'd)*

Company	Computer software $
Cost	
At 1 January 2006	3,769,438
Additions	98,421
At 31 December 2006	3,867,859
Additions	70,478
Disposal	(412,412)
At 31 December 2007	**3,525,925**
Accumulated amortisation	
At 1 January 2006	3,594,836
Amortisation charge for the year	121,142
At 31 December 2006	3,715,978
Amortisation charge for the year	104,094
Disposal	(412,387)
At 31 December 2007	**3,407,685**
Carrying amount	
At 1 January 2006	174,602
At 31 December 2006	151,881
At 31 December 2007	**118,240**

The amortisation and impairment charge are recognised in the following line item of the consolidated income statement:

	Group	
	2007 $	2006 $
General and administrative expenses	**173,856**	212,857

5 Subsidiaries

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
Unquoted ordinary shares, at cost	-	-	48,018,301	46,701,811
Impairment losses	-	-	(1,523,050)	(425,224)
	-	**-**	**46,495,251**	46,276,587

5 Subsidiaries *(cont'd)*

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity held by the Group	
		2007	2006
		%	%
IFS Capital Assets Private Limited	Singapore	100	100
IFS Ventures 2 Limited	Singapore	100	100
IFS Ventures Private Limited	Singapore	100	100
ECIL Ltd.	Singapore	100	100
ECGC Ltd.	Singapore	100	100
ECICS Limited	Singapore	100	100
IFS Capital (Malaysia) Sdn. Bhd.	Malaysia	70+	70+
IFS Factors (Malaysia) Sdn. Bhd.	Malaysia	30+	-
PT. IFS Capital Indonesia (formerly known as PT. International Factors Indonesia)	Indonesia	85+	85+
IFS Capital (Hong Kong) Limited	Hong Kong	100	-

+ Consolidation is prepared based on 100% beneficial interest.

The principal activities of the subsidiaries are as follows:

Name of Subsidiaries	Principal Activities
[1] IFS Capital Assets Private Limited	Working capital, asset-based financing and venture capital investments
[1] IFS Ventures 2 Limited	Venture capital investments
[1] IFS Ventures Private Limited	Venture capital investments
[1] ECIL Ltd.	Investment holding
[1] ECGC Ltd.	Investment holding
[1] ECICS Limited	Direct general insurer, guarantee, bond and underwriting business
[2] IFS Capital (Malaysia) Sdn. Bhd.	Hire purchase financing, business debt factoring and provision of other related services
[2] IFS Factors (Malaysia) Sdn. Bhd	Hire purchase financing, business debt factoring, provision of other related services, focusing on government related projects
[3] PT. IFS Capital Indonesia	Factoring of onshore and offshore short-term trade receivables, direct financing, operating lease and consumer financing
[4] IFS Capital (Hong Kong) Limited	Dormant

[1] Audited by KPMG Singapore
[2] Audited by other member firm of KPMG International
[3] Audited by Ernst and Young, Indonesia
[4] Audited by Peter W.H. Ma & Co, Hong Kong

5 Subsidiaries *(cont'd)*

On 29 May 2007, the Company incorporated a wholly-owned subsidiary in Hong Kong, known as IFS Capital (Hong Kong) Limited.

KPMG Singapore is the auditor of all significant Singapore-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

6 Associates

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Unquoted shares at cost, net of impairment losses written off	-	-	7,903,387	5,231,124
Net tangible assets of associates on acquisition, net of impairment losses written off	7,233,929	4,637,726	-	-
Goodwill on consolidation	87,110	32,973	-	-
Impairment losses	-	-	-	(1,211,578)
	7,321,039	4,670,699	7,903,387	4,019,546
Exchange differences on retranslation of the net assets of foreign associates	1,135,354	237,514	-	-
Share of reserves:				
Retained earnings	2,919,609	2,059,802	-	-
Capital reserves	181,551	127,842	-	-
	3,101,160	2,187,644	-	-
	11,557,553	7,095,857	7,903,387	4,019,546
Loans to associates:				
- Interest bearing	160,647	-	160,647	-
- Non-interest bearing	-	17,257	-	17,257
	160,647	17,257	160,647	17,257
	11,718,200	7,113,114	**8,064,034**	4,036,803

The loans to associates are denominated in Singapore Dollar and form part of the Company's net investment in the associates. The loan is unsecured and is repayable on demand. As the amount is, in substance, a part of the Company's net investment in the entity, it is stated at cost.

The weighted average effective interest rate of interest bearing loan to associates at the end of the financial year is 3.4% per annum (2006: Nil). Interest rate is repriced at monthly intervals.

6 Associates *(cont'd)*

Details of the associates are as follows:

Name of associates	Country of incorporation	Effective equity held by the Group 2007 %	Effective equity held by the Group 2006 %
[1] IFS Capital Holdings (Thailand) Limited	Thailand	45.0	45.0
[2] IFS Capital (Thailand) Public Company Limited (formerly known as IFS Capital (Thailand) Limited)	Thailand	49.0	46.2

[1] Audited by KPMG Thailand
[2] Audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd, Thailand

During the year, the Company acquired additional 1,390,118 ordinary shares in the capital of its associated company, IFS Capital (Thailand) Public Company Limited ("IFST"). Through this acquisition, the Company's interest increased from 46.2% to 49.0%. The Company's associate, IFS Capital Holdings (Thailand) Limited, also acquired 24,600,000 ordinary shares or 49.2% equity interest in IFST.

An associated company is considered significant as defined under the Singapore Exchange Limited Listing Manual if the Group's share of its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits. The Group's share of the consolidated net tangible assets or pre-tax profit of its associate not audited by KPMG is not considered significant.

The summarised financial information relating to the associates which is not adjusted for the percentage of ownership held by the Group is as follows:

	2007 $	2006 $
Assets and liabilities		
Non-current assets	20,682,323	3,970,454
Current assets	121,988,151	97,060,549
Total assets	**142,670,474**	101,031,003
Non-current liabilities	5,762,995	6,848,151
Current liabilities	113,201,473	78,819,930
Total liabilities	**118,964,468**	85,668,081
Results		
Revenue	**11,019,210**	9,332,386
Profit after taxation	**2,833,926**	1,970,753

The Group's share of unused credit facilities of the associates is $4.0 million (2006: $3.9 million).

7 Other Investments

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Non-current investments					
Debt securities held-to-maturity					
At amortised cost					
- Quoted corporate bonds	(a)	5,574,755	4,534,013	-	-
- Unquoted corporate bonds	(a)	1,489,380	-	-	-
- Floating rate notes	(b)	-	3,079,400	-	3,079,400
		7,064,135	7,613,413	-	3,079,400
Available-for-sale					
At fair value					
- Quoted equity		6,490,636	-	-	-
- Unquoted equity		13,369,853	21,395,212	4,711,867	4,644,459
Allowance for impairment loss		(4,766,351)	(7,383,831)	-	-
		15,094,138	14,011,381	4,711,867	4,644,459
At cost, unquoted equity	(c)	6,810,000	-	-	-
		21,904,138	14,011,381	4,711,867	4,644,459
Designated at fair value through profit or loss	(d)	5,628,136	-	-	-
		34,596,409	21,624,794	**4,711,867**	7,723,859
Current investments					
Debt securities held-to-maturity					
At amortised cost					
- Singapore government securities	(a)	-	3,040,786	-	-
- Quoted corporate bonds	(a)	7,505,017	500,000	-	-
- Unquoted corporate bonds		8,002,195	3,537,933	-	-
		15,507,212	7,078,719	-	-
Equity securities available-for-sale					
- Convertible bond, at fair value	(e)	4,690,872	-	-	-
Financial derivatives at fair value through profit or loss	(f)	1,147,472	-	-	-
Equity securities held-for-trading					
At fair value		14,374,759	28,818,496	205,138	252,184
		35,720,315	35,897,215	**205,138**	252,184
Total		**70,316,724**	57,522,009	**4,917,005**	7,976,043

7 Other Investments *(cont'd)*

(a) Held-to-maturity debt securities have interest rates of 2.9% to 3.0% (2006: 3.3% to 4.6%) per annum and mature in 1 to 5 years.

(b) Floating rate notes, which has an interest rate of 6-month LIBOR plus 2.65% per annum was prepaid in April 2007.

(c) During the year, a shareholder's loan amounting to $6,810,000 to an entity in which the Group has a 10% equity interest is reclassified to available-for-sale unquoted equity investment, resulting from its conversion to an equity interest which shall be repayable only upon the dissolution of the company.

(d) During the year, the Group's subsidiary acquired 25% shareholding in Autron Investment Co. Ltd ("AI") which has not been accounted for as an associate as the subsidiary does not exercise significant influence over the financial and operating policies of AI. Accordingly, as the Group's and the subsidiary's interest in AI are managed based on its fair value, the investment is designated as fair value through profit or loss.

(e) The convertible bond bears a coupon rate of 9% per annum. Upon qualifying for initial public offering, the coupon rate will be revised to 7% per annum. The embedded conversion option is separated and accounted for at fair value and included in item (f).

(f) Included in the financial derivatives at fair value through profit or loss is a put option, which has a warrant life of 3 to 5 years and may be exercised if the reverse takeover by the issuer is successful. The option will mature in 2010.

(g) The maximum credit exposure to credit risk of the investments at the reporting date is the carrying amount.

The movements in allowance for impairment of investments during the year are as follows:

		Group	
	Note	2007	2006
		$	$
At January		7,383,831	6,678,141
Allowance made during the year (net)	32	368,903	705,690
Reversal to fair value reserve through equity	21	(499,999)	-
Allowance utilised during the year		(2,486,384)	-
At 31 December		**4,766,351**	7,383,831

7 Other Investments *(cont'd)*

The weighted average effective interest rates per annum of debt securities at the reporting date and the periods in which they mature are as follows:

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Fixed interest rate maturing				
		within 1 year	in 1 to 5 years	after 5 years	Non interest-earning	Total
	%	$	$	$	$	$
Group						
2007						
Debt securities held-to-maturity						
Quoted corporate bonds	2.9	7,505,017	5,574,755	-	-	13,079,772
Unquoted corporate bonds	3.0	8,002,195	1,489,380	-	-	9,491,575
		15,507,212	**7,064,135**	**-**	**-**	**22,571,347**
2006						
Debt securities held-to-maturity						
Singapore government securities	3.1	3,040,786	-	-	-	3,040,786
Quoted corporate bonds	3.5	500,000	4,534,013	-	-	5,034,013
Unquoted corporate bonds	4.1	3,537,933	-	-	-	3,537,933
Floating rate note	8.0	-	3,079,400	-	-	3,079,400
		7,078,719	7,613,413	-	-	14,692,132

8 Loans, Advances, Hire Purchase and Leasing Receivables

	Note	Group 2007	Group 2006	Company 2007	Company 2006
		$	$	$	$
Hire purchase and leasing receivables	9	73,317,494	58,699,866	63,584,881	58,569,905
Loans and advances		146,313,422	157,514,464	133,468,484	140,638,995
		219,630,916	216,214,330	197,053,365	199,208,900
Allowance for impairment of doubtful receivables					
- hire purchase receivables		(1,004,366)	(1,141,571)	(1,004,366)	(1,011,610)
- leasing receivables		(130,477)	-	-	-
- loans and advances		(9,505,066)	(11,462,400)	(9,167,162)	(9,249,713)
		(10,639,909)	(12,603,971)	(10,171,528)	(10,261,323)
	39	**208,991,007**	203,610,359	**186,881,837**	188,947,577
Due within 12 months	13	135,099,746	120,520,963	123,047,391	113,442,264
Due after 12 months		73,891,261	83,089,396	63,834,446	75,505,313
		208,991,007	203,610,359	**186,881,837**	188,947,577

The movements in allowance for impairment of loans, advances, hire purchase and leasing receivables during the year are as follows:

	Note	Group 2007	Group 2006	Company 2007	Company 2006
		$	$	$	$
At January		12,603,971	12,706,876	10,261,323	9,389,399
Translation adjustment		(4,993)	-	-	-
Allowance made during the year (net)	32	(1,163,445)	1,582,411	575,829	1,162,229
Allowance utilised during the year		(795,624)	(1,685,316)	(665,624)	(290,305)
At 31 December		**10,639,909**	12,603,971	**10,171,528**	10,261,323

Group

During the year, a shareholder's loan amounting to $6,810,000 to an entity in which the Group has a 10% equity interest was redesignated from loans and advances to unquoted equity investments, resulting from its conversion to an equity interest as explained in Note 7 (c).

8 Loans, Advances, Hire Purchase and Leasing Receivables *(cont'd)*

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	in 1 to 5 years	after 5 years	Total
Group	%	$	$	$	$	$
2007						
Loans, advances, hire purchase and leasing receivables						
- fixed rate	7.5	-	47,400,323	46,296,063	-	93,696,386
- variable rate	7.2	115,294,621	-	-	-	115,294,621
		115,294,621	**47,400,323**	**46,296,063**	**-**	**208,991,007**
2006						
Loans, advances, hire purchase and leasing receivables						
- fixed rate	6.9	-	37,768,133	43,168,486	-	80,936,619
- variable rate	7.0	122,673,740	-	-	-	122,673,740
		122,673,740	37,768,133	43,168,486	-	203,610,359
Company						
2007						
Loans, advances, hire purchase and leasing receivables						
- fixed rate	6.9	-	40,298,322	40,518,426	-	80,816,748
- variable rate	7.2	106,065,089	-	-	-	106,065,089
		106,065,089	**40,298,322**	**40,518,426**	**-**	**186,881,837**
2006						
Loans, advances, hire purchase and leasing receivables						
- fixed rate	6.8	-	36,908,555	42,926,917	-	79,835,472
- variable rate	7.0	109,112,105	-	-	-	109,112,105
		109,112,105	36,908,555	42,926,917	-	188,947,577

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.

9 Hire Purchase and Leasing Receivables

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Gross receivables		79,418,540	63,573,624	68,430,968	63,443,663
Unearned income		(6,101,046)	(4,873,758)	(4,846,087)	(4,873,758)
	8	**73,317,494**	58,699,866	**63,584,881**	58,569,905
Within 1 year		32,193,310	24,409,702	27,747,538	24,369,702
After 1 year but within 5 years		41,124,184	34,290,164	35,837,343	34,200,203
		73,317,494	58,699,866	**63,584,881**	58,569,905

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

10 Deferred Tax

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

	At 1/1/2007 $	Recognised in income statement (note 34) $	Recognised in equity $	Exchange differences $	At 31/12/2007 $
Group					
Deferred tax liabilities					
Property, plant and equipment	114,546	22,702	-	-	137,248
Trade and other receivables	23,678	33,223	-	-	56,901
Trade and other payables	(10,033)	15,629	-	-	5,596
Dividend not remitted to Singapore	327,338	(206,016)	-	-	121,322
Other investments	-	44,152	601,825	-	645,977
	455,529	(90,310)	601,825	-	**967,044**

10 Deferred Tax *(cont'd)*

	At 1/1/2007 $	Recognised in income statement (note 34) $	Recognised in equity $	Exchange differences $	At 31/12/2007 $
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	(2,419,188)	1,699,223	-	-	(719,965)
Factoring receivables	(913,148)	600,706	-	-	(312,442)
Other investments	-	-	(45,498)	-	(45,498)
Others	(17,752)	(26,549)	-	3,059	(41,242)
	(3,350,088)	2,273,380	(45,498)	3,059	**(1,119,147)**

	At 1/1/2006 $	Recognised in income statement (note 34) $	At 31/12/2006 $
Group			
Deferred tax liabilities			
Property, plant and equipment	138,986	(24,440)	114,546
Trade and other receivables	32,336	(8,658)	23,678
Trade and other payables	(8,799)	(1,234)	(10,033)
Dividend not remitted to Singapore	134,802	192,536	327,338
	297,325	158,204	455,529
Deferred tax assets			
Loans, advances, hire purchase and leasing receivables	(1,623,906)	(795,282)	(2,419,188)
Factoring receivables	(717,250)	(195,898)	(913,148)
Others	-	(17,752)	(17,752)
	(2,341,156)	(1,008,932)	(3,350,088)

10 Deferred Tax *(cont'd)*

Deferred tax assets and liabilities of the Company (prior to offsetting of balances) are attributable to the following:

	At 31/12/2007 $	At 31/12/2006 $
Company		
Deferred tax liabilities		
Property, plant and equipment	72,072	60,031
Other investments	11,981	-
	84,053	60,031
Deferred tax assets		
Loans, advances, hire purchase and leasing receivables	(683,781)	(2,419,188)
Factoring receivables	(312,443)	(913,147)
	(996,224)	(3,332,335)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the balance sheets as follows:

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
Deferred tax assets	**978,667**	3,290,057	**912,171**	3,272,304
Deferred tax liabilities	**826,564**	395,498	-	-

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

	Group	
	2007 $	2006 $
Property, plant and equipment	(25)	(65,490)
Loans, advances, hire purchase and leasing receivables	233,171	2,018,690
Impairment on investments	230,749	-
Unabsorbed capital allowances	-	74,084
Tax losses	2,503,667	3,008,180
	2,967,562	5,035,464
Net deferred tax at 18% (2006: 20%)	**534,161**	1,007,093

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in respective countries in which certain subsidiaries operate. The deductible temporary differences 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 the benefits.

11 Insurance Contract Provisions

	Group 2007 $	Group 2006 $
Reinsurers' share of insurance contract provisions		
- Unexpired risks	24,435,000	21,408,000
- Insurance claims	2,474,000	2,342,000
	26,909,000	23,750,000

	Group 2007 Gross $	Group 2007 Reinsurance $	Group 2007 Net $	Group 2006 Gross $	Group 2006 Reinsurance $	Group 2006 Net $
Unexpired risks						
At 1 January	28,520,000	(21,408,000)	7,112,000	35,100,000	(26,741,000)	8,359,000
Change during the year	2,848,000	(3,027,000)	(179,000)	(6,580,000)	5,333,000	(1,247,000)
At 31 December	**31,368,000**	**(24,435,000)**	**6,933,000**	28,520,000	(21,408,000)	7,112,000
Insurance claims						
At 1 January	10,345,000	(2,342,000)	8,003,000	8,963,000	(1,648,000)	7,315,000
Change in specific reserves for reported claims	(2,331,321)	1,013,597	(1,317,724)	2,532,551	(1,267,041)	1,265,510
Changes in incurred-but-not-reported losses	2,386,321	(1,145,597)	1,240,724	(1,150,551)	573,041	(577,510)
At 31 December	**10,400,000**	**(2,474,000)**	**7,926,000**	10,345,000	(2,342,000)	8,003,000
Claims paid	5,003,175	(2,496,388)	2,506,787	1,995,558	(1,382,954)	612,604
Claims recovered	(1,106,734)	757,965	(348,769)	(401,510)	273,345	(128,165)
Net claims paid/ (recovered)	**3,896,441**	**(1,738,423)**	**2,158,018**	1,594,048	(1,109,609)	484,439

Analysis of the estimated timing of cash outflows relating to provision for insurance claims

	Group 2007 $	Group 2006 $
Less than 1 year	5,156,000	1,513,000
Between 1-2 years	1,108,000	5,192,000
Between 2-3 years	831,000	649,000
Between 3-4 years	554,000	389,400
Between 4-5 years	277,000	259,600
	7,926,000	8,003,000

12 Insurance Receivables

	Group 2007	Group 2006
	$	$
Receivables arising from insurance contracts	1,203,320	1,750,993
Allowance for doubtful receivables	(181,452)	(618,860)
	1,021,868	1,132,133
Reinsurance contract receivables	4,002,999	1,875,438
	5,024,867	3,007,571

Insurance receivables are non interest-earning.

The maximum credit exposure to credit risk of insurance receivable at the reporting date is the carrying amount.

The movements in the allowance for impairment of doubtful receivables during the year are as follows:

	Note	Group 2007	Group 2006
		$	$
At January		618,860	18,019
(Reversal of)/allowances made during the year	32	(419,390)	601,100
Allowance utilised during the year		(18,018)	(259)
At 31 December		**181,452**	618,860

13 Trade and Other Receivables

	Note	Group 2007	Group 2006	Company 2007	Company 2006
		$	$	$	$
Loans, advances, hire purchase and leasing receivables	8	135,099,746	120,520,963	123,047,391	113,442,264
Factoring receivables	14	97,248,862	111,111,513	84,528,081	108,666,264
Amount owing by minority shareholders		95,529	101,008	663,631	974,631
Loan owing by subsidiaries					
- trade		-	-	20,378,327	6,141,281
- non-trade		-	-	27,046	101,975
Other receivables and prepayments	15	2,205,624	3,975,608	945,138	2,900,345
		234,649,761	235,709,092	**229,589,614**	232,226,760

The amount owing by minority shareholders is unsecured, interest-free and is repayable on demand.

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

13 Trade and Other Receivables *(cont'd)*

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	in 1 to 5 years	after 5 years	Non interest-earning	Total
	%	$	$	$	$	$	$
Company							
2007							
Loans owing by subsidiaries							
- fixed rate	4.4	-	1,738,337	-	-	-	1,738,337
- variable rate	5.2	18,639,990	-	-	-	27,046	18,667,036
Other receivables and amounts owing by minority shareholders (excluding prepayments and staff loans)		-	-	-	-	1,429,609	1,429,609
		18,639,990	**1,738,337**	**-**	**-**	**1,456,655**	**21,834,982**
2006							
Loans owing by subsidiaries							
- fixed rate	4.8	-	1,658,578	-	-	-	1,658,578
- variable rate	5.8	4,482,703	-	-	-	101,975	4,584,678
Other receivables and amounts owing by minority shareholders (excluding prepayments and staff loans)	2.2	1,944,509	-	-	-	1,628,754	3,573,263
		6,427,212	1,658,578	-	-	1,730,729	9,816,519

Group

Effective interest rate and repricing analysis for loans, advances, hire purchase and leasing receivables and factoring receivables are as set out in Notes 8 and 14 respectively.

14 Factoring Receivables

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Factoring receivables	39	198,291,462	195,411,778	179,509,851	191,864,591
Less:					
Factoring amounts owing to clients		(89,752,796)	(78,694,035)	(83,804,053)	(77,609,613)
		108,538,666	116,717,743	95,705,798	114,254,978
Allowance for doubtful receivables		(11,289,804)	(5,606,230)	(11,177,717)	(5,588,714)
	13	**97,248,862**	111,111,513	**84,528,081**	108,666,264

The movements in allowance for impairment of receivables during the year are as follows:

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
At January		5,606,230	5,509,217	5,588,714	5,509,217
Translation adjustment		(8,183)	-	-	-
Allowance made during the year (net)	32	7,145,847	414,011	7,007,197	396,495
Allowance utilised during the year		(1,454,090)	(316,998)	(1,418,194)	(316,998)
At 31 December		**11,289,804**	5,606,230	**11,177,717**	5,588,714

Included in the factoring receivables is a factoring facility given by the Group's subsidiary amounting to Rupiah 99.4 million equivalent to S$14,917 (2006: Rupiah 13.6 billion equivalent to S$2,380,000) to an entity in Indonesia, in which a director of the Group has a deemed interest. The interest chargeable on the facility is based on the subsidiary's cost of funds plus 4% per annum (2006: subsidiary's cost of funds plus of 4% per annum).

The weighted average interest rates of factoring receivables net of factoring amounts owing to clients included in Trade and Other Payables of $20,067,771 and $20,067,432 for the Group and Company respectively (2006: The Group and Company $22,247,543) (refer to Note 23) and allowance for doubtful receivables at the balance sheet date and the periods in which they reprice are as follows:

14 Factoring Receivables *(cont'd)*

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing in 1 to 5 years	Fixed interest rate maturing after 5 years	Total
	%	$	$	$	$	$
Group						
2007						
Factoring receivables, net						
- fixed rate	6.2	-	12,774,322	-	-	12,774,322
- variable rate	8.2	64,406,769	-	-	-	64,406,769
		64,406,769	**12,774,322**	-	-	**77,181,091**
2006						
Factoring receivables, net						
- fixed rate	6.3	-	18,936,387	-	-	18,936,387
- variable rate	8.0	69,927,583	-	-	-	69,927,583
		69,927,583	18,936,387	-	-	88,863,970
Company						
2007						
Factoring receivables, net						
- fixed rate	6.2	-	12,774,322	-	-	12,774,322
- variable rate	7.2	51,686,327	-	-	-	51,686,327
		51,686,327	**12,774,322**	-	-	**64,460,649**
2006						
Factoring receivables, net						
- fixed rate	6.3	-	18,936,387	-	-	18,936,387
- variable rate	7.7	67,482,334	-	-	-	67,482,334
		67,482,334	18,936,387	-	-	86,418,721

15 Deposits, Prepayments and Other Receivables

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Deposits					
- own deposits		22,972	16,776	10,420	5,420
- deposits held on behalf of clients		-	1,944,509	-	1,944,509
- deposits lodged with Monetary Authority of Singapore		500,000	500,000	-	-
- retention sum		-	573,818	-	573,818
		522,972	3,035,103	10,420	2,523,747
Prepayments		348,526	535,570	179,160	288,491
Tax recoverable		39,173	-	-	-
Accrued interest receivable		304,952	198,018	-	-
Staff loans		-	13,222	-	13,222
Other receivables:					
Gross receivables		1,407,790	474,049	1,170,367	351,260
Allowance for doubtful receivables		(417,789)	(280,354)	(414,809)	(276,375)
Other receivables, net		990,001	193,695	755,558	74,885
	13	**2,205,624**	3,975,608	**945,138**	2,900,345

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

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.

The staff loans bore an interest of 4% per annum.

The movements in allowance for impairment of other receivables during the year are as follows:

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
At January		280,354	298,363	276,375	275,575
Allowance made during the year (net)	32	190,658	18,810	191,657	19,091
Allowance utilised during the year		(53,223)	(36,819)	(53,223)	(18,291)
At 31 December		**417,789**	280,354	**414,809**	276,375

16 Derivative Financial Instruments

	Group and Company					
	2007			2006		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
	$	$	$	$	$	$
Interest rate caps and floors	**20,000,000**	**2,120**	**-**	20,000,000	155,283	-
Foreign currency swap	**-**	**-**	**-**	2,027,785	-	(1,073)
Non deliverable forward	**723,900**		**(6,618)**	-	-	-

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

The non deliverable forward is a synthetic foreign currency forward contract on a non-convertible or thinly traded currency. The deal is agreed on the basis that the net settlement will be made in USD. This deal was transacted with an overseas subsidiary in and matures on 27 February 2008.

17 Cash and Cash Equivalents

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Cash at banks and in hand	6,574,899	13,580,448	342,113	3,648,681
Fixed deposits	31,210,307	11,922,202	2,574,252	-
Cash and cash equivalents in the balance sheets	37,785,206	25,502,650	2,916,365	3,648,681
Bank overdrafts (unsecured)	694,930	-	694,930	-
Cash and cash equivalents in the consolidated statement of cash flows	**37,090,276**	25,502,650	NA	NA

17 Cash and Cash Equivalents *(cont'd)*

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	in 1 to 5 years	after 5 years	Non interest-earning	Total
	%	$	$	$	$	$	$
Group							
2007							
Cash at banks and in hand	0.8	2,034,645	-	-	-	4,540,254	6,574,899
Fixed deposits	1.5	22,669	31,187,638	-	-	-	31,210,307
		2,057,314	**31,187,638**	**-**	**-**	**4,540,254**	**37,785,206**
2006							
Cash at banks and in hand	0.3	3,635,242	-	-	-	9,945,206	13,580,448
Fixed deposits	4.3	-	11,922,202	-	-	-	11,922,202
		3,635,242	11,922,202	-	-	9,945,206	25,502,650
Company							
2007							
Cash at banks and in hand						342,113	342,113
Fixed deposits	2.6	-	2,574,252	-	-	-	2,574,252
		-	**2,574,252**	**-**	**-**	**342,113**	**2,916,365**
2006							
Cash at banks and in hand	1.3	2,912,479	-	-	-	736,202	3,648,681

18 Deposits Relating to Collaterals of Clients

The Group has fixed deposits of $20,052,324 (2006: $27,809,993) and quoted equity security of $8,875,000 (2006: $7,500,000) held as collaterals for guarantees issued on behalf of policyholders. The fair value of the cash collaterals as at balance sheet date approximate their carrying amounts. These amounts have been excluded from both cash at bank and other payables in the balance sheet.

19 Share Capital

	Group and Company No. of shares	
	2007	**2006**
At 1 January	103,494,736	103,297,136
Issue of rights shares	20,714,586	-
Exercise of share options	78,200	197,600
At 31 December	**124,287,522**	103,494,736

During the year, the Company has allotted and issued 20,714,586 new Rights Shares at an issue price of $0.51 cents per share, on the basis of 1 rights share for every 5 existing Ordinary Shares. The Rights Issue was completed on 7 June 2007.

Pursuant to the Employee Share Option Scheme ("ESOS") (see Note 20), an additional 78,200 (2006: 197,600) Ordinary Shares were issued during the year.

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.

Capital Management

The Group, except for one of its subsidiaries, is not regulated by externally imposed capital requirements. However, the capital of this regulated subsidiary is separately managed to comply with the insurance capital requirements required by the local regulator.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business as well as to ensure that the minimum required capital of its regulated subsidiary is maintained.

The minimum capital required for the insurance business as stipulated by the local regulator is $25 million. With effect from 1 January 2008, the subsidiary has to comply with the Risk Based Capital Adequacy Requirement ("CAR") of a minimum of 100% (subject to the financial resource of the subsidiary not being less than $5 million). Although the prescribed financial warning event for the CAR is 120%, the Group has set two higher internal trigger limits for monitoring the CAR. In the event of any breaches of the internal trigger limits, the Board has prescribed certain courses of action for the management to undertake to bring the CAR level to the prescribed levels.

The Board of Directors monitors the return on equity, which the Group defines as profit after tax divided by total average shareholders' equity, excluding minority interests. The Board of Directors also monitors the leverage ratio as well as the level of dividends to ordinary shareholders. The leverage ratio is defined as total consolidated liabilities divided by the total consolidated tangible net worth.

As part of the annual corporate planning process, the Group projects the capital and funding requirements for the Board's approval.

19 Share Capital *(cont'd)*

The Group's strategy is to maintain a leverage ratio of less than 5.5 times and dividend distribution of at least 30 percent of the earnings each year.

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

20 Employee Share Options

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

Under the 2000 Scheme, the subscription price shall be determined by the Committee administering the Scheme at:

(a) 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

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

All options are settled by physical delivery of shares to The Central Depository (Pte) Limited.

The options can be exercised during the following period:

Type of options	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 Scheme is administered by the Executive Resource and Compensation Committee ("Committee") which comprises the following Non-Executive Directors:

• Lim How Teck (Chairman)	Independent
• Lim Hua Min	Non-Independent
• Gabriel Teo Chen Thye	Independent

20 Employee Share Options *(cont'd)*

At the end of the financial year, unissued shares 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 1/1/2007	Options granted	Options exercised	Options cancelled/ lapsed	Options balance as at 31/12/2007	Options exercisable as at 1/1/2007	Options exercisable as at 31/12/2007	Exercise price for all Options	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												
07/11/2000	57,300	-	(47,600)	-	9,700	57,300	9,700	$0.50	23,800	$1.10 – $1.21	09/04/07 – 19/04/07	08/11/2001 – 06/11/2010
11/05/2001	42,400	-	(30,600)	-	11,800	42,400	11,800	$0.50	15,300	$1.10 – $1.21	09/04/07 – 18/04/07	12/05/2002 – 10/05/2011
	99,700	-	(78,200)	-	21,500	99,700	**21,500**		39,100			

Options exercised in 2007 resulted in 78,200 (2006: 197,600) shares being issued at a weighted average exercise price of $0.50 each. The weighted average share price during the year was $0.60 per share.

Under transitional provision of FRS 102 Share-based Payment, the recognition and measurement principles in FRS 102 have not been applied to all of the above share options as all the share options were granted to eligible employees prior to 22 November 2002.

The weighted average remaining contractual life of the options is 3.1 years (2006: 4.1 years).

21 Reserves

Other reserves comprise:

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Fair value reserve	2,534,374	-	54,578	-
Capital reserves	181,551	127,842	-	-
Currency translation reserve	565,592	378,820	-	-
	3,281,517	506,662	**54,578**	-

Fair value reserves

The fair value reserves relate to the net change in the fair value of available-for-sale investments until the investments are derecognised. Included in the reserve is an amount of $499,999 reversed from allowance for impairment (refer to Note 7).

Capital reserves

The capital reserves comprise statutory legal reserves of an associate.

Currency translation reserve

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

Accumulated profits

The accumulated profits of the Group include an amount of $2,919,609 (2006: $2,059,802) attributable to associates (refer to Note 6).

Dividends

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

	Company 2007 $	Company 2006 $
Proposed final one-tier tax exempt dividend of 3.25 cents per share in respect of year 2007	4,039,344	-
Interim dividend of 3.0 cents per share less tax at 18% paid in respect of year 2007	3,057,472	-
First and final dividend of 5.0 cents per share less tax at 18% paid in respect of year 2006	-	4,246,490
Bonus dividend of 12.5 cents per share less tax at 18% paid in respect of year 2006	-	10,616,226
	7,096,816	14,862,716

22 Interest-Bearing Borrowings

	Group 2007	Group 2006	Company 2007	Company 2006
	$	$	$	$
Payable:				
Within 12 months	184,235,534	139,736,274	170,670,284	139,736,274
After 12 months	80,006,554	112,333,614	80,006,554	112,333,614
	264,242,088	252,069,888	**250,676,838**	252,069,888

The interest-bearing borrowings comprise:

	Note	2007 Face value	2007 Carrying amount	2006 Face value	2006 Carrying amount
Group		$	$	$	$
Unsecured short-term bank loans	(a)	87,373,841	87,373,841	44,675,301	44,675,301
Short term fixed rate notes	(b)	56,000,000	56,000,000	45,000,000	45,000,000
Short term variable rate notes		-	-	15,000,000	15,000,000
Unsecured long-term bank loans	(c)	11,582,400	11,582,400	49,655,325	49,655,325
Unsecured SPRING and IES loans	(d)	64,285,847	64,285,847	52,739,262	52,739,262
Floating rate note	(e)	30,000,000	30,000,000	30,000,000	30,000,000
Fixed rate note	(f)	15,000,000	15,000,000	15,000,000	15,000,000
		264,242,088	**264,242,088**	252,069,888	252,069,888
Company					
Unsecured short-term bank loans	(a)	73,808,591	73,808,591	44,675,301	44,675,301
Short term fixed rate notes	(b)	56,000,000	56,000,000	45,000,000	45,000,000
Short term variable rate notes		-	-	15,000,000	15,000,000
Unsecured long-term bank loan	(c)	11,582,400	11,582,400	49,655,325	49,655,325
Unsecured SPRING and IES loans	(d)	64,285,847	64,285,847	52,739,262	52,739,262
Floating rate note	(e)	30,000,000	30,000,000	30,000,000	30,000,000
Fixed rate note	(f)	15,000,000	15,000,000	15,000,000	15,000,000
		250,676,838	**250,676,838**	252,069,888	252,069,888

(a) Unsecured short-term bank loans bear nominal interest rates ranging from 2.1% to 6.2% (2006: 4.2% to 6.1%) per annum and are repayable in 2008.

(b) Short term fixed rate notes bear nominal interest rates ranging from 3.2% to 3.9% (2006: 3.8% to 4.0%) per annum and are repayable in 2008.

(c) The bank loan bears nominal interest at a rate of 5.9% (2006: 6.1% to 6.3%) per annum and is repayable by bullet repayment in 2011.

22 Interest-Bearing Borrowings *(cont'd)*

(d) These represent unsecured advances from SPRING Singapore and International Enterprise Singapore ("IES") to fund loans and advances extended by the Group and the Company to borrowers under the Local Enterprise Finance Scheme ("LEFS") and Regionalisation Finance Scheme ("RFS") repectively. Credit risk for loans and advances made under these schemes are shared by the providers of these borrowings and the Group.

The interest rates and repayment periods vary in accordance with the type, purpose and security for the facilities granted under the above schemes. Nominal interest on the above loans and advances ranged from 1.8% to 6.9% (2006: 1.8% to 6.9%) per annum and are repayable between 2008 and 2010.

(e) The floating rate note bears nominal interest rate of 3.3% (2006: 4.3%) per annum and is repayable by bullet repayment in 2009.

(f) The fixed rate note bear nominal interest rate of 4.4% (2006: 4.4%) per annum and is repayable by bullet repayment in 2009.

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	in 1 to 5 years	after 5 years	Total
	%	$	$	$	$	$
Group						
2007						
Unsecured short-term bank loans	5.2	87,373,841	-	-	-	87,373,841
Short term fixed rate notes	3.5	-	56,000,000	-	-	56,000,000
Unsecured long-term bank loans	5.9	11,582,400	-	-	-	11,582,400
Unsecured SPRING and IES loans	3.9	-	40,861,693	23,261,441	162,713	64,285,847
Floating rate note	3.3	30,000,000	-	-	-	30,000,000
Fixed rate note	4.4	-	-	15,000,000	-	15,000,000
		128,956,241	**96,861,693**	**38,261,441**	**162,713**	**264,242,088**

22 Interest-Bearing Borrowings *(cont'd)*

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing in 1 to 5 years	Fixed interest rate maturing after 5 years	Total
	%	$	$	$	$	$
Company						
2007						
Unsecured short-term bank loans	5.1	73,808,591	-	-	-	73,808,591
Short term fixed rate notes	3.5	-	56,000,000	-	-	56,000,000
Unsecured long-term bank loan	5.9	11,582,400	-	-	-	11,582,400
Unsecured SPRING and IES loans	3.9	-	40,861,693	23,261,441	162,713	64,285,847
Floating rate note	3.3	30,000,000	-	-	-	30,000,000
Fixed rate note	4.4	-	-	15,000,000	-	15,000,000
		115,390,991	**96,861,693**	**38,261,441**	**162,713**	**250,676,838**
Group & Company						
2006						
Unsecured short-term bank loans	5.2	44,675,301	-	-	-	44,675,301
Short term fixed rate notes	3.9	-	45,000,000	-	-	45,000,000
Short term variable note	4.0	15,000,000	-	-	-	15,000,000
Unsecured long-term bank loans	6.3	34,258,325	-	-	-	34,258,325
Unsecured long-term bank loan	6.1	15,397,000	-	-	-	15,397,000
Unsecured SPRING and IES loans	4.0	-	35,060,973	17,678,289	-	52,739,262
Floating rate note	4.3	30,000,000	-	-	-	30,000,000
Fixed rate note	4.4	-	-	15,000,000	-	15,000,000
		139,330,626	80,060,973	32,678,289	-	252,069,888

23 Trade and Other Payables

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Factoring amounts owing to clients		20,067,771	22,247,543	20,067,432	22,247,543
Trade payables		223,422	242,400	211,490	234,215
Amounts and loans due to subsidiary					
- non-trade		-	-	15,278	126,923
- interest-bearing loans		-	-	-	5,318,449
Rental deposit		800	-	-	-
Deposits relating to investments		7,857,000	-	-	-
Other payables and accruals	24	10,424,073	16,252,210	6,041,590	8,202,333
		38,573,066	38,742,153	**26,335,790**	36,129,463

Group

For factoring amounts owing to clients, please refer to Note 14 to the financial statements. Trade payables, other payables and accruals are non interest-bearing financial liabilities.

Company

The interest-bearing loans and the non-trade amounts owing to subsidiary are unsecured and are repayable on demand and priced on an arm's length basis.

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Floating rate $	Fixed interest rate maturing: within 1 year $	Fixed interest rate maturing: in 1 to 5 years $	Fixed interest rate maturing: after 5 years $	Non interest-earning $	Total $
Company							
2007							
Amounts and loans owing to subsidiary	NA	-	-	-	-	15,278	15,278
Trade payables	NA	-	-	-	-	211,490	211,490
Other payables and accruals	NA	-	-	-	-	6,041,590	6,041,590
		-	-	-	-	**6,268,358**	**6,268,358**
2006							
Amounts and loans owing to subsidiary	4.4	5,318,449	-	-	-	126,923	5,445,372
Trade payables	NA	-	-	-	-	234,215	234,215
Other payables and accruals	NA	-	-	-	-	8,202,333	8,202,333
		5,318,449	-	-	-	8,563,471	13,881,920

24 Other Payables and Accruals

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Accrued operating expenses		6,632,693	12,250,685	2,604,407	4,200,808
Deferred income		114,920	77,762	114,485	77,762
Clients' security deposits		2,278,199	1,944,509	1,981,914	1,944,509
Accrued interest payable		1,398,261	1,979,254	1,340,784	1,979,254
	23	**10,424,073**	16,252,210	**6,041,590**	8,202,333

25 Insurance Payable

	Group 2007 $	Group 2006 $
Payables arising from insurance contracts	3,017,322	2,596,530
Reinsurance contract payables	4,286,384	2,084,824
	7,303,706	4,681,354

26 Interest Income

	Group 2007 $	Group 2006 $
Associates	818	44,454
Third parties	23,948,102	24,488,560
	23,948,920	24,533,014

27 Interest expense

	Group 2007 $	Group 2006 $
Banks	**10,714,107**	12,270,440

28 Income Statement of Subsidiary - ECICS Limited

	Note	Group 2007 $	2006 $
Revenue			
Gross written premiums		15,298,470	8,070,790
Change in gross provision for unexpired risks	11	(2,848,000)	6,580,000
Gross earned premium revenue		12,450,470	14,650,790
Written premiums ceded to reinsurers		(9,115,039)	(4,548,706)
Reinsurers' share of change in the provision for unexpired risks	11	3,027,000	(5,333,000)
Reinsured premium expenses		(6,088,039)	(9,881,706)
Net earned premium revenue		**6,362,431**	4,769,084
Other revenue			
Commission income		2,616,443	1,319,143
Investment income		3,897,495	4,365,934
Other operating income		83,901	87,325
		6,597,839	5,772,402
Net income before claims and expenses		**12,960,270**	10,541,486
Claims and expenses			
Change in provision for insurance claims		(55,000)	(1,382,000)
Reinsurers' share of change in provision for insurance claims		132,000	694,000
Gross claims paid	11	(3,896,441)	(1,594,048)
Reinsurers' share of claims recovered	11	1,738,423	1,109,609
Net claims incurred		(2,081,018)	(1,172,439)
Commission expenses		(992,039)	(646,826)
Investment expenses		(298,084)	(337,135)
Distribution expenses		(220,602)	(424,192)
Administration expenses		(3,565,652)	(3,104,537)
Reversal of/(allowances made) on insurance and other receivables		403,671	(601,100)
Total claims and expenses		**(6,753,724)**	(6,286,229)
Net profit before tax for the year		**6,206,546**	4,255,257

The income statement reflects the credit insurance, bonds and guarantee businesses of the insurance subsidiary, ECICS Limited, that are consolidated in the Group's income statement. All intra-group transactions relating to credit premium income and expenses are eliminated on consolidation.

29 Fee and Commission Income

	Group 2007 $	2006 $
Fee income	5,035,718	5,850,955
Underwriting commission income	2,616,443	1,319,142
	7,652,161	7,170,097

30 Investment Income

	Group 2007 $	2006 $
Exchange loss	(255,112)	(274,668)
Dividend income	394,540	414,624
Gain on disposal of equity securities		
- held-for-trading	6,228,444	1,185,839
- available-for-sale	77,810	-
Net change in fair value of financial assets through profit or loss		
- held-for-trading	(2,038,988)	2,586,943
- designated as fair value through profit or loss	2,341,272	-
Investment income		
- bonds	1,047,308	753,289
- unquoted available-for-sale investment	-	342,415
Interest income		
- fixed deposits	42,528	275,423
- held-to-maturity floating rate notes	67,286	179,922
Amortisation of held-to-maturity debt securities	(101,892)	(107,957)
Fees paid to fund manager	(298,084)	(337,135)
	7,505,112	5,018,695

31 Other Income

	Group 2007 $	2006 $
Management fees received	3,600	29,000
Gain on disposal of property, plant and equipment	39	41
Recoveries – loans and advances & receivables	284,234	118,850
Others	174,815	227,878
	462,688	375,769

32 Allowances for Loan Losses and Impairment of Investments

	Note	Group 2007 $	Group 2006 $
Trade and other receivables			
- loans, advances hire purchase leasing and factoring receivables (net)	8,14	5,982,402	1,996,422
- insurance and other receivables	12	(419,390)	601,100
- non-trade receivables	15	190,658	18,810
Equity securities available-for-sale (unquoted)	7	368,903	705,690
		6,122,573	3,322,022

33 Profit before Income Tax

The following items have been included in arriving at profit before income tax:

	Note	Group 2007 $	Group 2006 $
Amortisation of intangible assets	4	173,856	212,857
Depreciation of property, plant and equipment	3	864,584	766,563
Property, plant and equipment written off	3	3,456	580
Intangible assets written off	4	25	438,345
Exchange (gain)/loss, (net)		(58,503)	195,429
Net change in fair value of derivatives through profit or loss		158,708	52,720
Non-audit fees			
- auditors of the Company		95,452	75,425
Directors' fees		305,989	220,606
Fees paid to corporations in which the directors have interests		500,310	828,112
Contributions to defined contribution plans included in staff costs		711,072	532,006
(Reversals of)/provisions for			
- unexpired risks		(179,000)	(1,247,000)
- insurance claims		(77,000)	688,000
Bad and doubtful debts written off (trade)		15,746	-
Amortisation of discount on floating rate notes		-	39,452
Financial expense		181,841	208,195

34 Tax Credit

	Note	Group 2007 $	2006 $
Current tax (credit)/expense			
Current year		1,634,369	3,718,851
Income tax refund - overprovided in prior years		(827,083)	(1,032,855)
Overprovided in prior years		(3,169,054)	(2,189,469)
		(2,361,768)	496,527
Deferred tax expense			
Movements in temporary differences		308,176	(850,728)
Underprovided in prior years		1,874,894	-
	10	2,183,070	(850,728)
		(178,698)	(354,201)
Reconciliation of effective tax rate			
Profit before income tax		12,677,096	11,473,155
Income tax using Singapore tax rates of 18% (2006:20%)		2,281,877	2,294,631
Income subject to concessionary rate of 10%		(25,658)	(36,093)
Effect of different tax rates in other countries		(21,125)	(54,605)
Effect of change in tax rate		171,847	-
Expenses not deductible for tax purposes		168,318	563,401
Tax exempt revenues		(101,606)	(21,000)
Income not subject to tax		(58,084)	(10,343)
Unrecognised movements in deferred tax		(472,932)	5,314
Income tax refund - overprovided in prior years		(827,083)	(1,032,855)
Overprovided in prior years		(1,294,160)	(2,189,469)
Utilisation of previously unrecognised tax losses		-	128,573
Others		(92)	(1,755)
		(178,698)	(354,201)

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 18%.

35 Earnings Per Share

	Group 2007	2006
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	**12,855,794**	11,827,356
	No. of shares	**No. of shares**
Issued ordinary shares at beginning of the year	103,494,736	103,297,137
Effect of rights issue	15,484,878	15,542,568
Effect of share options exercised	59,137	163,640
Weighted average number of ordinary shares at end of the year	**119,038,751**	119,003,345

Diluted earnings per share

	Group 2007	2006
Diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders	**12,855,794**	11,827,356

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options, with the potential ordinary shares weighted for the period outstanding.

The effect of the exercise of share options on the weighted average number of ordinary shares in issue is as follows:

	Group 2007 No. of shares	2006 No. of shares
Weighted average number of:		
Ordinary shares used in the calculation of		
Basic earnings per share	119,038,751	119,003,345
Potential ordinary shares issuable under share options	18,599	55,356
Weighted average number of ordinary issued and potential shares assuming full conversion	**119,057,350**	119,058,701

36 Contingent Liabilities and Commitments

Contingent liabilities

(a) As at 31 December 2007, the Group and Company has outstanding standby letters of credit issued on behalf of customers as follows:

	Group and Company	
	2007	**2006**
	$	**$**
Letters of credit	**7,449,048**	7,375,166

Commitments

(a) The Group's subsidiaries have an outstanding investment commitment of US$179,296 (approximately S$259,585) [2006: US$179,296 (approximately S$276,062)].

(b) At 31 December 2007, the Group have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2007	**2006**
	$	**$**
Within 1 year	109,441	111,676
After 1 year but within 5 years	119,538	38,567
	228,979	150,243

The Group's subsidiaries lease two office premises under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date. Lease payments are increased annually to reflect market rentals.

37 Significant Related Parties 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.

Key management personnel compensation

Key management personnel refers to Executive Directors and Management Committee members, who have the authority and responsibility in planning, directing and controlling the activities of the Group and the Company.

The key management personnel compensation comprise mainly of short-term employee benefits amounting to $2,144,110 (2006: $2,218,091).

Key management personnel of the Group participate in the IFS (2000) Share Option Scheme as described in Note 20.

37 Significant Related Parties Transactions *(cont'd)*

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	Group	
	2007	**2006**
	$	**$**
Affiliated corporations		
Professional and brokerage fees incurred	97,792	28,370
Software development fees incurred	4,434	4,800
Fund management fees incurred	398,084	791,442
Commission received	(17,672)	(7,928)
Interest received	(170,318)	(50,532)
	312,320	766,152
Director of company		
Professional Fees	**3,500**	3,500
Associates		
Retainer fee income	-	24,000

38 Subsequent Event

Subsequent to the balance sheet date, the Group's subsidiary entered into a conditional sale and purchase agreement with the current 75% shareholder of Autron Investment Co. Ltd ("AI") for the sale of its 25% shareholding of 2,186,552 shares in AI to the Purchaser (Autron Corporation Limited) amounting to RM16 million (approximately S$7 million). The sale and purchase is targeted to be completed in August 2008 or such other date as may be agreed upon between the Seller and Purchaser.

39 Financial and Insurance Risk Management

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. The Group has adopted formal risk management policies and procedures which are approved by the Board. These risks management guidelines set out both procedures as well as quantitative limits to minimise risks arising from the Group's exposures to such factors. The main financial risks that the Group is exposed to and how they are being managed are set out below.

Credit risk

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. Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due. 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 collaterals as security where considered necessary.

Other credit risks represent the loss that would be recognised if counterparties in connection with insurance, reinsurance, investment and banking transactions failed to perform as contracted. Credit evaluations are performed on all new brokers, reinsurers, financial institutions and other counterparties.

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 director and senior management staff assess, review and make decisions on credit risks of the Group within the authority limits imposed by the Board;
- The Credit Risk Management Department independently assess the creditworthiness and risk profile of the obligors and formulate credit policies and procedures for the Group;
- The Client Audit Unit conducts 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 Departments;
- The Internal Audit provides independent assurance to senior management and the Audit Committee concerning compliance with credit processes, policies and the adequacy of internal controls; and
- Established limits and actual levels of exposure are regularly reviewed and reported to the Board of Directors on a periodic basis.

Credit risk arising on loans to customers under the LEFS and RFS are under risk-sharing arrangements with SPRING Singapore and IES respectively, with the risk-sharing ranging from 50% to 80% of the funds disbursed.

39 Financial and Insurance Risk Management *(cont'd)*

The credit risk for loans, advances, hire purchase, leasing, factoring and insurance receivables based on the information provided to management are as follows:

(I) Exposure to credit risk

(a) Loans, advances, hire purchase and leasing receivables

Loans, advances, hire purchase and leasing receivables are summarised as follows:

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Collectively assessed					
Neither past due nor impaired (i)		196,947,201	178,583,386	176,219,876	167,528,980
Past due but not impaired (ii)		9,684,871	7,079,554	8,761,730	7,079,554
Gross amount		206,632,072	185,662,940	184,981,606	174,608,534
Collective impairment		(2,831,272)	(2,689,620)	(2,549,278)	(2,333,384)
Carrying amount		**203,800,800**	182,973,320	**182,432,328**	172,275,150
Individually impaired (iii)		12,998,844	30,551,390	12,071,759	24,600,366
Allowance for impairment		(7,808,637)	(9,914,351)	(7,622,250)	(7,927,939)
Carrying amount		**5,190,207**	20,637,039	**4,449,509**	16,672,427
Total carrying amount	8	**208,991,007**	203,610,359	**186,881,837**	188,947,577

(i) Loans, advances, hire purchase and leasing receivables neither past due nor impaired, analysed by loan grading:

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Grade 1-5 (gross amount)	**196,947,201**	178,583,386	**176,219,876**	167,528,980
includes accounts with renegotiated terms	*11,468,653*	*16,526,825*	*9,519,779*	*12,543,759*
includes accounts that are unsecured	*45,465,664*	*29,125,805*	*37,991,015*	*26,898,359*

39 Financial and Insurance Risk Management *(cont'd)*

(ii) Loans, advances, hire purchase and leasing receivables past due but not impaired, analysed by past due period and loan grading:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Grade 6 – 9 (gross amount)	**9,684,871**	7,079,554	**8,761,730**	7,079,554
Past due comprises:				
1 - 30 days	1,655,705	1,057,212	732,565	1,057,212
31- 60 days	15,789	38,749	15,789	38,749
61 - 90 days	9,723	450,048	9,723	450,048
91 – 180 days	2,212	918,042	2,212	918,042
More than 180 days	8,001,442	4,615,503	8,001,441	4,615,503
Gross amount	**9,684,871**	7,079,554	**8,761,730**	7,079,554

(iii) Loans, advances, hire purchase and leasing receivables individually assessed, analysed by loan grading:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Grade 1-5	-	4,810,000	-	-
Grade 6	35,153	656,150	35,153	-
Grade 7	1,637,270	10,789,752	1,055,835	10,789,752
Grade 8	4,406,961	5,940,600	4,406,961	5,940,600
Grade 9	6,919,460	8,354,888	6,573,810	7,870,014
Gross amount	12,998,844	30,551,390	12,071,759	24,600,366
Allowance for impairment	(7,808,637)	(9,914,351)	(7,622,250)	(7,927,939)
Carrying amount	**5,190,207**	20,637,039	**4,449,509**	16,672,427

(b) Factoring receivables

The Group's credit risk exposures on factoring receivables comprise the following types of risks: recourse and non-recourse factoring. The receivables represent the debts that were factored to the Group by its clients of which the Group may provide funding up to 90% of the eligible debts.

The "recourse" factoring relates to debts for which the Group and the Company do not bear the risk of non-payment. Conversely, in the "non-recourse" factoring, the Group and the Company bear any bad debt risk that may arise. The Group reinsures the debts under non-recourse factoring.

39 Financial and Insurance Risk Management *(cont'd)*

The breakdown by type of factoring risk is as follows:

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Factoring receivables					
Carrying amount	14	**198,291,462**	195,411,778	**179,509,851**	191,864,591
Recourse		158,151,372	102,863,698	139,708,178	99,316,511
Non-recourse		40,140,090	92,548,080	39,801,673	92,548,080
		198,291,462	195,411,778	**179,509,851**	191,864,591

The ageing of past due but not impaired factoring receivables for more than 180 days and above at the reporting date is as follows:

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Past due but not impaired receivables				
More than 180 days	**13,120,029**	6,086,573	**12,591,998**	6,086,573

For non-recourse factoring, the Group will assume the credit risks for debts arising from approved credit sales, and the settlement date in relation to claims arising from such debts is 180 days after the due date of the debts.

(c) Insurance receivables

The ageing of past due but not impaired insurance receivables at the reporting date are as follows:

	Group 2007 $	Group 2006 $
Insurance receivables		
1 - 30 days	-	17,642
More than 180 days	65,239	34,344
	65,239	51,986

For insurance receivables to be classified as past due but not impaired, contractual payments in arrears must be more than the contractual dates.

39 Financial and Insurance Risk Management *(cont'd)*

(II) Impaired loans and investments

Loan classification

The Group classifies its loans in accordance with the regulatory guidelines and internal loan classification policies. Performing loans are categorized as Grades 1 to 6 while non-performing loans are categorised as Grades 7 to 9, based on the following guidelines:

Grades 1 to 5	-	Payment of principal and interests are up-to-date and timely repayment of outstanding credit facilities is in no doubt.
Grade 6	-	Indicate that credit facilities exhibit potential weaknesses that, if not corrected in a timely manner, may adversely affect future repayments.
Grade 7	-	Timely repayment and/or settlement is at risk. Well-defined weakness is evident.
Grade 8	-	Full repayment and/or settlement is improbable.
Grade 9	-	The outstanding debt is regarded as uncollectible and little or nothing can be done to recover the debt.

Loans with renegotiated terms

Loans with renegotiated terms refer to one where the original contractual terms and conditions have been modified upon mutual agreement between the Group and the borrower on commercial grounds due to temporary financial difficulties, corporate restructuring or other events.

Allowances for non-performing financial assets

(a) Allowances for loans and receivables

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan and receivable portfolios. Allowances for loans and factoring receivables comprise specific allowances as well as collective allowances. Specific allowance is established when the present value of future recoverable cash flows of the impaired loans and receivables are lower than the carrying value of the loans and receivables. Assessment for impairment of loans and receivables is conducted on a case-by-case basis. For collective loss allowance, this is provided on the remaining loans and receivables which are grouped according to their risk characteristics and collectively assessed taking into account the historical default experience on such loans and receivables.

(b) Allowances for investments

The Group establishes an allowance for impairment losses of investment that represents its estimate of incurred impairment in its investment portfolios. At each balance sheet date, the Fund Manager and management would assess whether there is objective evidence that an investment is impaired. In the case of an equity investment classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as indicator that the investment is impaired. If such evidence exists, the cumulative loss - measured as the difference between the acquisition cost net of any principal repayments and current fair value, less any impairment loss on that investment

39 Financial and Insurance Risk Management *(cont'd)*

(b) Allowances for investments *(cont'd)*

previously recognised in the income statement - is removed from the fair value reserve within the equity and recognised in the income statement. Impairment losses recognised in the income statement on available-for-sale equity investments are not reversed through income statement. Any subsequent increase in the fair value is recognised in the reserve within equity and the accumulated balance is included in income statement when such equity investments are disposed off.

Write-off policy

The Group writes off a loan or a receivable balance (and any related allowances for impairment losses) when the Group determines that the loans/receivables/investments are uncollectible. This determination is reached when there is no realisable tangible collateral securing the account, and all feasible avenues of recovery have been exhausted.

Upgrading of non-performing loan

The loan can only be upgraded after a reasonable period (typically six months) of regular payments under the restructured terms.

Impairment losses

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired loans, advances, hire purchase and leasing by risk grade.

	Gross 2007 $	Net 2007 $	Gross 2006 $	Net 2006 $
Group				
Loans, advances, hire purchase and leasing receivables				
Grade 1-5	-	-	4,810,000	3,201,379
Grade 6	35,153	17,528	656,150	490,081
Grade 7	1,637,270	1,188,793	10,789,752	5,781,933
Grade 8	4,406,961	2,677,250	5,940,600	5,048,331
Grade 9	6,919,460	1,306,636	8,354,888	6,115,315
Total	**12,998,844**	**5,190,207**	30,551,390	20,637,039
Company				
Loans, advances, hire purchase and leasing receivables				
Grade 1-5	-	-	-	-
Grade 6	35,153	17,528	-	-
Grade 7	1,055,835	773,427	10,789,752	5,781,933
Grade 8	4,406,961	2,677,250	5,940,600	5,048,331
Grade 9	6,573,810	981,304	7,870,014	5,842,163
Total	**12,071,759**	**4,449,509**	24,600,366	16,672,427

39 Financial and Insurance Risk Management *(cont'd)*

(III) Collateral

The Group holds collateral against loans and advances to clients in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral at the time of lending, and generally are not updated except when the loan is individually assessed as impaired. Collateral is not held against the Group's investment securities, and no such collateral was held at 31 December 2007 or 2006.

An estimate fair value of collateral and other security enhancements held against financial assets is shown below.

	Group Loans, advances, hire purchase and leasing receivables		Company Loans, advances, hire purchase and leasing receivables	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Against individually impaired				
Accounts Receivable	912,950	-	912,950	-
Property	1,571,435	13,914,760	650,000	12,919,752
Shares	-	47,450	-	47,450
Motor Vehicles	533,308	1,426,290	533,308	1,426,290
Subtotal	**3,017,693**	15,388,500	**2,096,258**	14,393,492
Against past due but not impaired				
Property	8,000,000	4,345,100	8,000,000	4,345,100
Equipment	1,743,164	2,877,658	671,993	2,877,658
Subtotal	**9,743,164**	7,222,758	**8,671,993**	7,222,758
Against neither past due nor impaired				
Fixed/Cash deposits	2,433,000	1,450,000	2,433,000	1,450,000
Property	9,813,523	37,714,351	7,615,441	31,287,391
Equipment	153,350,672	106,215,794	143,108,489	106,215,794
Shares	118,440,485	118,074,400	113,310,485	112,134,400
Vessels	648,749	699,280	648,749	699,280
Subtotal	**284,686,429**	264,153,825	**267,116,164**	251,786,865
Total	**297,447,286**	286,765,083	**277,884,415**	273,403,115

39 Financial and Insurance Risk Management *(cont'd)*

(IV) Concentration of credit risk

The Group monitors concentration of credit risk by sectors. An analysis of concentrations of credit risk of loans and investments at the reporting date is shown below:

	Loans, advances, hire purchase and leasing receivables		Investments	
	2007	2006	2007	2006
	$	$	$	$
Group				
Concentration by sector				
Manufacturing	84,918,901	90,265,478	17,552,651	3,673,877
Services	56,938,264	36,856,798	10,433,281	25,770,321
Holding and investment companies	42,623,514	34,090,629	11,981,508	4,619,100
Property	16,640,830	30,634,025	24,193,658	7,242,660
Shipping	5,228,668	-	-	-
Others	2,640,830	11,763,429	6,155,626	16,216,051
Total	**208,991,007**	203,610,359	**70,316,724**	57,522,009
Company				
Carrying amount	**186,881,837**	188,947,577	**4,917,005**	7,976,043
Concentration by sector				
Manufacturing	78,206,445	89,166,375	-	-
Services	51,219,358	36,568,186	4,917,005	7,976,043
Holding and investment companies	34,727,630	30,015,666	-	-
Property	14,858,906	21,433,921	-	-
Shipping	5,228,668	-	-	-
Others	2,640,830	11,763,429	-	-
Total	**186,881,837**	188,947,577	**4,917,005**	7,976,043

39 Financial and Insurance Risk Management *(cont'd)*

The concentration of credit risk of factoring receivables at the reporting is shown below:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Factoring Receivables				
Carrying amount	**198,291,462**	195,411,778	**179,509,851**	191,864,591
Concentration by sector				
Manufacturing	101,124,627	125,616,472	96,065,726	125,391,340
Services	76,689,910	51,094,701	62,967,200	48,206,701
Holding and investment companies	1,869,706	2,276,159	1,869,706	2,276,159
Property	386,647	579,093	386,647	579,093
Shipping	4,501,075	2,858,832	4,501,075	2,858,832
Others	13,719,497	12,986,521	13,719,497	12,552,466
Total	**198,291,462**	195,411,778	**179,509,851**	191,864,591

The maximum exposure to credit risk of financial assets at the reporting date by geographical segments is disclosed in Note 41 (b).

Interest rate risk

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 economically feasible, of the same tenor and amount. However, gaps may arise due to prepayments or delays in drawdown by clients.

On a minimum quarterly basis, the Group calculates its interest rate sensitivity gaps by time bands based on the earlier of contractual repricing date and maturity date. Where there is a gap arising out of a mismatch, the Group will use interest rate derivative instruments such as interest rate swaps, caps and floors to hedge its position.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, and the Group does not designate derivatives (interest rate cap and floor) as hedging instruments under the fair value accounting model. Therefore a change in interest rate at the reporting date would not affect the profit or loss.

39 Financial and Insurance Risk Management *(cont'd)*

Sensitivity analysis for variable rate instruments

As at 31 December 2007, it is estimated that a general increase of 100 basis point in interest rates would increase the Group's profit before tax by approximately $521,000 and the Company's profit before tax by approximately $603,000 (2006: Group: $569,000; Company: $413,000). A decrease of 100 basis point in interest rates would have an equal opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Liquidity risk

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.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Group	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities	**$**	**$**	**$**	**$**	**$**	**$**
2007						
Trade and other payables	38,573,066	38,573,066	38,573,066	-	-	-
Insurance payables	7,303,706	7,303,706	7,303,706	-	-	-
Interest-bearing borrowings	264,937,018	282,517,204	98,637,612	96,808,421	64,868,683	22,202,488
Letters of credit	7,449,048	7,449,048	7,449,048	-	-	-
	318,262,838	**335,843,024**	**151,963,432**	**96,808,421**	**64,868,683**	**22,202,488**
2006						
Trade and other payables	38,742,153	38,742,153	38,742,153	-	-	-
Insurance payables	4,681,354	4,681,354	4,681,354	-	-	-
Interest-bearing borrowings	252,069,888	273,020,788	71,026,988	78,493,542	50,144,614	73,355,644
Letters of credit	7,375,166	7,375,166	7,375,166	-	-	-
	302,868,561	323,819,461	121,825,661	78,493,542	50,144,614	73,355,644
Company						
Non-derivative financial liabilities						
2007						
Trade and other payables	26,335,790	26,335,790	26,335,790	-	-	-
Interest-bearing borrowings	251,371,768	268,812,090	84,932,498	96,808,421	64,868,683	22,202,488
Letters of credit	7,449,048	7,449,048	7,449,048	-	-	-
	285,156,606	**302,596,928**	**118,717,336**	**96,808,421**	**64,868,683**	**22,202,488**
2006						
Trade and other payables	36,129,463	36,129,463	36,129,463	-	-	-
Interest-bearing borrowings	252,069,888	273,020,788	71,026,988	78,493,542	50,144,614	73,355,644
Letters of credit	7,375,166	7,375,166	7,375,166	-	-	-
	295,574,517	316,525,417	114,531,617	78,493,542	50,144,614	73,355,644

39 Financial and Insurance Risk Management *(cont'd)*

Currency risk

The Group operates in South East Asia with dominant operations in Singapore, Malaysia, Indonesia and Thailand. Entities in the Group also transact in currencies other than their respective functional currencies ("foreign currencies") such as Singapore Dollar ("SGD"), United States Dollar ("USD"), Malaysian Ringgit ("RM"), Indonesia Rupiah ("IDR") and Thai Baht ("THB").

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk on investments, loans, advances and factoring receivables and borrowings that are denominated in a currency other than Singapore dollars. The currencies giving rise to this risk are primarily USD, EURO, THB, RM, IDR and GBP. If necessary, the Group may use derivative financial instruments to hedge its foreign currency risk.

Interest bearing borrowings is denominated in currencies that match cashflows generated by the underlying operations of the Group, primarily USD, RM and IDR. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when necessary to address short term imbalances.

The Group's investments in foreign subsidiaries and associates are not hedged as these currency positions are considered to be non-monetary and long-term in nature.

The Group's and Company's exposures to major foreign currency risks are as follows:

	USD	EURO	THB	RM	GBP
	$	$	$	$	$
Group					
2007					
Loans & advances, trade and other receivables	74,859,845	88,860	-	166	5,814
Other investments	5,596,538	21,043	14,427,304	6,391,338	6,695,774
Cash and cash equivalents	4,191,277	3,289	4,795	592,338	189,584
Other financial assets	395,131	24,908	-	-	-
Trade and other payables	(11,816,461)	(82,798)	-	(592,338)	(56,108)
Interest bearing borrowings	(68,977,780)	-	-	-	-
Other financial liabilities	(172,376)	-	-	-	-
Currency exposure	**4,076,174**	**55,302**	**14,432,099**	**6,391,504**	**6,835,064**

39 Financial and Insurance Risk Management *(cont'd)*

Currency risk *(cont'd)*

	USD $	EURO $	THB $	IDR $	RM $	GBP $
Group						
2006						
Loans & advances, trade and other receivables	96,283,431	16,213,451	6,715	-	708,018	153,579
Other investments	10,566,673	24,195	11,167,159	196,314	1,651,876	345,614
Cash and cash equivalents	5,040,440	593,681	4,346	-	-	5,730
Other financial assets	362,794	-	37,457	-	-	-
Trade and other payables	(24,584,950)	(144,914)	-	-	(573,818)	(206,698)
Interest bearing borrowings	(73,839,162)	(14,091,464)	-	-	-	-
Other financial liabilities	(62,241)	-	-	-	-	-
Currency exposure	13,766,985	2,594,949	11,215,677	196,314	1,786,076	298,225
Company						
2007						
Loans & advances, trade and other receivables	80,374,923	88,860	-	631,402	32,228	5,814
Other investments	-	851	11,764,748	3,577,953	2,154,298	205,138
Cash and cash equivalents	55,373	3,289	4,795	-	592,338	189,584
Trade and other payables	(11,776,774)	(82,798)	-	-	(592,338)	(56,108)
Interest bearing borrowings	(68,977,780)	-	-	-	-	-
Currency exposure	**(324,258)**	**10,202**	**11,769,543**	**4,209,355**	**2,186,526**	**344,428**
2006						
Loans & advances, trade and other receivables	95,996,970	16,213,451	5,479	936,924	708,018	153,579
Other investments	3,079,400	-	7,875,968	4,675,779	837,808	-
Cash and cash equivalents	1,224,061	593,681	4,346	-	-	5,730
Trade and other payables	(24,584,950)	(144,914)	-	-	(573,818)	(206,698)
Interest bearing borrowings	(73,839,162)	(14,091,464)	-	-	-	-
Currency exposure	1,876,319	2,570,754	7,885,793	5,612,703	972,008	(47,389)

39 Financial and Insurance Risk Management *(cont'd)*

Sensitivity analysis

A 10 percent strengthening of Singapore dollar against the following currencies at the reporting date would increase (decrease) profit or loss after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Equity	Profit or loss	Equity	Profit or loss
	$	$	$	$
31 December 2007				
USD	(524,907)	96,177	-	26,589
EURO	(85)	(4,465)	(85)	(767)
THB	(1,442,730)	(393)	(1,176,475)	(393)
IDR	-	-	(357,795)	(51,775)
RM	(32,364)	(497,565)	(225,607)	(2,643)
GBP	(649,064)	(28,243)	-	(28,243)
31 December 2006				
USD	(383,285)	(814,599)	(307,904)	98,653
EURO	-	(212,786)	-	(210,802)
THB	(1,072,006)	(40,641)	(787,597)	(806)
IDR	-	(16,098)	(467,578)	(76,827)
RM	(80,118)	(80,762)	(94,323)	(11,005)
GBP	-	(24,454)	-	3,886

A 10 percent weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Equity risk

The Group has equity interests in private companies as well as quoted equity shares which are subject to market risks such as market prices, economic risks, credit default risks and investment risks inherently arising from the nature of the venture capital business activities. The Group's investments are both externally and internally managed.

For venture capital investments, 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.

For investments under the Insurance Fund, the Group has asset allocation guidelines which are reviewed periodically by the management and the Board. Under the asset allocation guidelines, limits are set in place for various asset classes such as equities, bonds and fixed/cash deposits.

39 Financial and Insurance Risk Management *(cont'd)*

Equity risk *(cont'd)*

Internally managed equity securities arose mainly from structured finance activities and they relate to those financial instruments in which embedded derivatives either in the form of options or warrants are attached. Upon the maturity of the derivatives, the options or warrants are exercised and converted into equity with moratorium period attached. As such, the Group has to hold these equities until the expiry of the moratorium before divesting. The Group has established policies and procedures to monitor and control its divestments.

Sensitivity analysis - equity price risk

The Group's equity securities held-for-trading and quoted available-for-sale investments are listed equity instruments. A 5 percent increase in the underlying equity prices at the reporting date would increase equity and profit or loss before tax by the following amount:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Equity	**324,532**	-	**-**	-
Profit or loss	**322,249**	1,303,752	**10,257**	12,609

A 5 percent decrease in the underlying equity prices at the reporting date would decrease equity and profit or loss before tax by the amounts shown above, on the basis that all other variables remain constant.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost of effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Compliance with Group standards is supported by risk based plan approved by the Audit Committee on an annual basis and carried out by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, and reported to the Audit committee on a periodic basis.

39 Financial and Insurance Risk Management *(cont'd)*

Insurance contract risk

Underwriting risk
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 risk
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 risk
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.

Reinsurance outwards
The Group participates in reinsurance treaties to cede risks to its reinsurers, which are internationally established firms with established credit ratings and reviewed by the Board. Under the treaties, the Group undertakes to cede to its reinsurers between 50% to 70% of its total written premium as well as the same proportion of corresponding losses for 2007. Risks undertaken which do not fall within the treaty scope of cover are ceded to reinsurers on a facultative basis.

Counterparty and concentration risk

For investments in fixed income securities, the Group invests primarily in securities issued by the Singapore Government, Statutory Boards and high grade corporate bonds. These corporate bonds are approved by two directors. The Group has put in place investment, counter party and foreign currency limits in relation to its investment activities to ensure that there is no over-concentration to any one class of investment.

39 Financial and Insurance Risk Management *(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 2007 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
- 2006 - 12 months ended 31 December 2006
- 2007 - 12 months ended 31 December 2007

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 Group effective from 1 December 2003.

39 Financial and Insurance Risk Management *(cont'd)*

(i) Analysis of claims development – gross basis

Credit insurance business
Gross loss development tables as at 31 December 2007
Unit: $'000

Estimate of cumulative claims **Underwriting year**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
At end of underwriting year			1,411	1,515	1,904	1,886	1,658	
One year later		3,971	2,191	1,581	2,199	2,949		
Two years later	1,004	6,153	1,966	1,250	2,278			
Three years later	848	5,957	1,877	1,375				
Four years later	788	5,962	1,763					
Five years later	788	5,437						
Six years later	788							
Current estimate of ultimate claims	788	5,437	1,763	1,375	2,278	2,949	1,658	16,248
Cumulative payments	732	1,548	1,674	1,054	736	1,725	-	7,469
Gross outstanding claim liability	56	3,889	89	321	1,542	1,224	1,658	8,779
Unallocated loss adjustment expenses	4	580	6	38	102	80	114	924
Effect of discount	1	38	1	3	15	12	16	86
Best estimate of outstanding claim liability	59	4,431	94	356	1,629	1,292	1,756	9,617
Provision for prior underwriting years								-
Provision for adverse deviation								783
Outstanding claim liability in accounts								10,400

39 Financial and Insurance Risk Management *(cont'd)*

(i) Analysis of claims development – gross basis *(cont'd)*

Bond and guarantee insurance business
Gross loss development tables as at 31 December 2007
Unit: $'000

Estimate of cumulative claims **Underwriting year**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
At end of underwriting year			-	-	-	28	10	
One year later		4,506	199	110	313	605		
Two years later	3,726	5,956	199	110	2,488			
Three years later	4,108	5,956	199	110				
Four years later	4,138	7,120	199					
Five years later	4,138	7,120						
Six years later	4,138							
Current estimate of ultimate claims	4,138	7,120	199	110	2,488	605	10	14,670
Cumulative payments	4,138	7,120	199	110	2,488	605	10	14,670
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								-
Total								**10,400**

39 Financial and Insurance Risk Management *(cont'd)*

(ii) Analysis of claims development – net basis

Credit insurance business
Net loss development tables as at 31 December 2007
Unit: $'000

Estimate of cumulative claims **Underwriting year**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**Total**
At end of underwriting year			635	665	918	943	906	
One year later		1,771	997	860	1,100	1,591		
Two years later	447	5,127	892	683	1,186			
Three years later	376	4,983	1,060	885				
Four years later	349	4,966	949					
Five years later	349	4,438						
Six years later	349							
Current estimate of ultimate claims	349	4,438	949	885	1,186	1,591	906	10,304
Cumulative payments	324	566	909	575	370	954	-	3,698
Net estimate of outstanding claim liability	25	3,872	40	310	816	637	906	6,606
Unallocated loss adjustment expenses	3	581	5	39	102	80	115	925
Effect of discount	-	38	-	3	8	6	9	64
Best estimate of outstanding claim liability	28	4,415	45	346	910	711	1,012	7,467
Provision for prior years								-
Provision for adverse deviation								459
Outstanding claim liability in accounts								7,926

39 Financial and Insurance Risk Management *(cont'd)*

(ii) Analysis of claims development – net basis *(cont'd)*

Bond and guarantee insurance business
Net loss development tables as at 31 December 2007
Unit: $'000

Estimate of cumulative claims Underwriting year	2001	2002	2003	2004	2005	2006	2007	Total
At end of underwriting year			-	-	-	-	3	
One year later		751	2	-	-	173		
Two years later	375	2,101	2	-	1,137			
Three years later	466	2,101	2	-				
Four years later	473	2,334	2					
Five years later	473	2,334						
Six years later	473							
Current estimate of ultimate claims	473	2,334	2	-	1,137	173	3	4,122
Cumulative payments	473	2,334	2	-	1,137	173	3	4,122
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								-
Total								**7,926**

39 Financial and Insurance Risk Management *(cont'd)*

Estimation of fair value

Investments in equity and debt securities

The fair value of quoted equity securities is their last bid price at the reporting date. The fair values of unquoted corporate bonds, unquoted unit trusts and money market funds are their indicative prices at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Available-for-sale equities

The fair value of quoted available-for-sale equities is their last bid price at the reporting date. The fair values of unquoted available-for-sale equities are based on the discounted cash flows and net asset of the investee companies.

Loans, advances, hire purchase, leasing and receivables

The fair values of loans, advances, hire purchase, leasing 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, leasing 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 leasing and factoring receivables if these assets were performing at reporting date.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period of maturity.

The fair value of quoted equity securities is their last bid price at the balance sheet date. The fair values of the unquoted corporate bonds, unquoted unit trusts and money market funds are their indicative prices at the balance sheet date.

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, at 31 December, are as follows:

	2007	**2006**
	%	**%**
Loans, advances, hire purchase, leasing and receivables	**5.8 - 10.9**	5.0 - 10.8
Short-term loans (unsecured)	**3.5 - 4.2**	3.8 - 4.6

39 Financial and Insurance Risk Management *(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 are represented in the following table:

	2007		2006	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Group				
Financial assets				
Loans, advances, hire purchase and leasing receivables	208,991,007	208,136,525	203,610,359	202,813,294
Loans to staff	-	-	13,222	12,635
Held-to-maturity investments	22,571,347	22,603,900	14,692,132	14,625,261
	231,562,354	**230,740,425**	218,315,713	217,451,190
Financial liabilities				
Short-term loans (unsecured)	184,235,534	184,235,534	139,736,274	139,736,274
Long-term loans (unsecured)	80,006,554	80,064,361	112,333,614	112,249,306
	264,242,088	**264,299,895**	252,069,888	251,985,580
Net	**(32,679,734)**	**(33,559,470)**	(33,754,175)	(34,534,390)
Unrecognised loss		**879,736**		780,215
Company				
Financial assets				
Loans, advances, hire purchase and leasing receivables	186,881,837	186,639,563	188,947,577	188,383,350
Loans to staff	-	-	13,222	12,635
Held-to-maturity investments	-	-	3,079,400	3,079,400
	186,881,837	**186,639,563**	192,040,199	191,475,385
Financial liabilities				
Short-term loans (unsecured)	170,670,284	170,670,284	139,736,274	139,736,274
Long-term loans (unsecured)	80,006,554	80,064,361	112,333,614	112,249,306
	250,676,838	**250,734,645**	252,069,888	251,985,580
Net	**(63,795,001)**	**(64,095,082)**	(60,029,689)	(60,510,195)
Unrecognised loss		**300,081**		480,506

40 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, hire purchase, leasing 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 $32,553, 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 2007 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.

40 Accounting Judgements and Estimates *(cont'd)*

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

(a) 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 2007. The sensitivity analysis is subject to the reliance that the approved actuary has placed on management and limitations described in the report;

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

(c) 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:

(a) The aggregate of the total best estimates of unexpired risk and the provision for adverse deviation ("PAD"); and

(b) Unearned premium reserves.

For short-term credit insurance policies, the provision for unexpired risks is based on the ultimate loss ratio for 2007 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% (2006: 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 2007	**Net ($'000)**	**Gross ($'000)**
Estimated provision for unexpired risks under the base scenario	6,933	31,368

40 Accounting Judgements and Estimates *(cont'd)*

Probability of default for bonds and guarantees

Probability of default of bonds and guarantees is 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	8,823	5,086	40,437	21,906

Recovery rate for bonds and guarantees

Recovery rates 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	7,387	6,524	N/A	N/A

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

Claim handling expenses ("CHE")

Allowance for CHE relates to the costs of administering outstanding claims until all claims are fully settled. 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. 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	7,147	6,718	31,583	31,154

40 Accounting Judgements and Estimates *(cont'd)*

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	7,173	6,692	32,527	30,209

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.

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 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, (Watson Wyatt Insurance Consulting Pte Ltd), 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.

40 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. 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 2007	**Net ($'000)**	**Gross ($'000)**
Estimated provision for insurance claims under the base scenario	7,926	10,400

Ultimate number of claims per million earned premiums 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 12 claims per million of earned premiums in underwriting years 2006 and 2007. If the ultimate number of claims per million of earned premiums is assumed to be 11 or 13 claims, the corresponding gross and net provisions for insurance claims are set out as follows:

	Net ($'000)		**Gross $'000)**	
	High 13 claims	**Low 11 claims**	**High 13 claims**	**Low 11 claims**
Provision for insurance claims	8,224	7,628	10,917	9,883

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.

40 Accounting Judgements and Estimates *(cont'd)*

The Group has assumed an average claim size of $31,500 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	8,228	7,365	10,925	9,425

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	8,171	7,682	10,644	10,156

Provision for adverse deviation

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

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	8,080	7,773	10,661	10,139

41 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.

Business segments

The Group's main business segments comprise the following:

Commercial finance	:	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 by Spring and IE under LEFS and RFS respectively.
Insurance	:	The provision of credit insurance facilities to Singapore exporters and the issue of performance bonds and guarantees including holding of equity securities and bonds under the Insurance Fund.
Private equity, venture capital and other investments	:	The provision of mezzanine financing, acquisition, holding and disposal of equity interests in private companies and long term investments in equity.

Geographical segments

Commercial finance, insurance, private equity, venture capital and other investments segments are managed and operated in four principal geographical areas (2006: five). Singapore, South East Asia and Europe are the major markets for financing and insurance activities. The rest of Asia, US and others are the major markets for private equity, venture capital and other investments activities.

41 Segment Reporting *(cont'd)*

(a) Business segments

	Financing	Insurance	Private equity, venture capital investments & others	Total
	$	$	$	$
2007				
Operating income and expenses				
Total operating income	28,984,394	12,578,284	3,905,946	**45,468,624**
Segment results	2,292,688	5,751,931	3,263,750	**11,308,369**
Share of after-tax results of associates	1,368,727	-	-	**1,368,727**
Profit before taxation				**12,677,096**
Taxation				**178,698**
Net profit for the year				**12,855,794**
Assets and liabilities				
Segment assets	332,360,111	92,284,041	43,013,264	**467,657,416**
Associates	11,718,200	-	-	**11,718,200**
Unallocated assets				**1,668,121**
Total assets				**481,043,737**
Segment liabilities	292,428,402	51,476,471	8,105,500	**352,010,373**
Unallocated liabilities				**5,112,663**
Total liabilities				**357,123,036**
Other information				
Capital expenditure	423,763	102,475	-	**526,238**
Depreciation and amortisation	875,426	163,014	-	**1,038,440**
Property, plant and equipment and intangible assets written off	1,595	1,886	-	**3,481**

41 Segment Reporting *(cont'd)*

(a) Business segments *(cont'd)*

	Financing $	Insurance $	Private equity, venture capital investments & others $	Total $
2006				
Operating income and expenses				
Total operating income	30,307,719	10,117,026	1,066,145	41,490,890
Segment results	7,183,731	4,046,342	(731,352)	10,498,721
Share of after-tax results of associates	1,331,375	-	-	1,331,375
Goodwill written off				(356,941)
Profit before taxation				11,473,155
Taxation				354,201
Net profit for the year				11,827,356
Assets and liabilities				
Segment assets	344,459,613	86,328,670	17,557,938	448,346,221
Associates	7,113,114	-	-	7,113,114
Unallocated assets				3,984,759
Total assets				459,444,094
Segment liabilities	275,629,029	49,800,201	8,306,784	333,736,014
Unallocated liabilities				9,800,975
Total liabilities				343,536,989
Other information				
Capital expenditure	684,316	188,925	-	873,241
Depreciation and amortisation	812,864	166,556	-	979,420
Property, plant and equipment and intangible assets written off	356,941	81,984	-	438,925

41 Segment Reporting *(cont'd)*

(b) Geographical segments

	Singapore $	South East Asia $	Rest of Asia $	US, Europe & Others $	Total $
2007					
Total operating income	36,850,824	2,196,926	4,133,173	2,287,701	**45,468,624**
Segment assets	399,562,745	40,848,856	27,095,501	1,818,435	**469,325,537**
Associates	-	11,718,200	-	-	**11,718,200**
Total assets	399,562,745	52,567,056	27,095,501	1,818,435	**481,043,737**
Capital expenditure	439,999	86,239	-	-	**526,238**
Depreciation and amortisation	913,218	125,222	-	-	**1,038,440**
Property, plant and equipment and intangibles assets written off	2,330	1,151	-	-	**3,481**
2006					
Total operating income	36,743,043	879,834	1,599,443	2,268,570	41,490,890
Segment assets	393,232,543	8,980,555	27,782,149	22,335,733	452,330,980
Associates	-	7,113,114	-	-	7,113,114
Total assets	393,232,543	16,093,669	27,782,149	22,335,733	459,444,094
Capital expenditure	332,519	540,722	-	-	873,241
Depreciation and amortisation	915,671	63,749	-	-	979,420
Property, plant and equipment and intangibles assets written off	81,984	356,941	-	-	438,925

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 premium 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.

42 New Accounting Standards and Interpretations Not Yet Adopted

The Group has not applied the following accounting standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 23 *Borrowings Costs*
- FRS 108 *Operating Segments*
- INT FRS 111 *FRS 102 Group and Treasury Share Transactions*
- INT FRS 112 *Service Concession Arrangements*

FRS 23 will become effective for financial statements for the year ending 31 December 2009. FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowings costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that asset.

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess the performance.

Currently, the Group presents segment information in respect of business and geographical segments (see Note 41).

Other than the change in disclosures relating to FRS 108, the initial application of these standards and interpretations is not expected to have any material impact on the Group's financial statements. The entity has not considered the impact of accounting standards issued after the balance sheet date.

Additional Information

31 December 2007

1 Interested Person Transactions

Name of interested person	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) 2007 $	2006 $
Fund Manager Fees Paid		
Phillip Private Equity Pte Ltd	**100,000**	454,307
Credit Facility Granted		
PT Phillip Securities, Indonesia	**185,235**	1,730,800

2 Material 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 interest of the directors.

Shareholdings Statistics

as at 6 March 2008

Share Capital

Issued and Paid-Up Share Capital	:	$88,278,936
Number of Shares	:	124,287,522
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	21	0.52	6,168	0.01
1,000 – 10,000	3,142	77.58	11,325,108	9.11
10,001 – 1,000,000	882	21.78	32,903,748	26.47
1,000,001 and above	5	0.12	80,052,498	64.41
	4,050	100.00	124,287,522	100.00

Top Twenty Shareholders

No.	Name of Shareholders	No. of Shares Held	%
1	Phillip Securities Pte Ltd	56,544,852	45.50
2	SMRT Road Holdings Ltd	8,520,093	6.86
3	United Overseas Bank Nominees Pte Ltd	6,491,773	5.22
4	DBS Nominees Pte Ltd	5,671,480	4.56
5	OCBC Nominees Singapore Pte Ltd	2,824,300	2.27
6	Lee Soon Kie	720,000	0.58
7	Tan Soon Lin	718,000	0.58
8	Citibank Nominees Singapore Pte Ltd	501,400	0.40
9	Lua Cheng Eng	492,000	0.40
10	Lai Weng Kay	470,000	0.38
11	Kwah Thiam Hock	420,000	0.34
12	Tan Li Cheng nee Lee	408,000	0.33
13	Raffles Nominees Pte Ltd	404,000	0.32
14	Wee Joo Guan Robert	333,400	0.27
15	Boon Kok Hup	328,000	0.26
16	Teo Yew Hock	306,000	0.25
17	Goh Chai Lam or Teng Siew Yeok	305,000	0.24
18	Merrill Lynch (Singapore) Pte Ltd	256,000	0.21
19	Kwok Meng Sun or Wong Poh Yook	240,000	0.19
20	Lim Mui Ling	218,000	0.17
		86,172,298	69.33

Shareholdings Statistics *(cont'd)*

Shareholding held in Hands of Public

Based on information available to the Company as at 6 March 2008, approximately 51.01% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Substantial Shareholders

Substantial Shareholders

Substantial shareholders as recorded in the Register of Substantial Shareholders as at 6 March 2008

	No. of Shares			
Substantial Shareholder	**Direct Interest**	**Deemed Interest**	**Total Interest**	**%**
Phillip Assets Pte. Ltd.	50,216,246[1]	-	50,216,246	40.40
Lim Hua Min	-	50,216,246[2]	50,216,246	40.40
SMRT Road Holdings Ltd	8,520,093	-	8,520,093	6.86
Temasek Holdings (Private) Limited	-	8,520,093[3]	8,520,093	6.86

Notes:

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

2 Mr Lim Hua Min is deemed to have an interest in the 50,216,246 shares held by Phillip Assets Pte. Ltd.

3 Temasek Holdings (Private) Limited is deemed to have an interest in the 8,520,093 shares held by SMRT Road Holdings Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-First (21st) Annual General Meeting of IFS Capital Limited will be held in the IFS Boardroom at 7 Temasek Boulevard #10-01 Suntec Tower One Singapore 038987 on Friday 25 April 2008 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 2007 together with the Auditors' Report thereon. (Resolution 1)

2. To approve the payment of a final one-tier tax exempt ordinary cash dividend of 3.25 cents per share for the financial year ended 31 December 2007. (Resolution 2)

3. To approve the Directors' fees of S$234,000 (2006: S$209,160) for the financial year ended 31 December 2007. (Resolution 3)

4. To re-elect the following Directors retiring in accordance with Article 91 of the Company's Articles of Association:
   (i) Mr Lim How Teck (Resolution 4)
   (ii) Mr Gabriel Teo Chen Thye (Resolution 5)

5. To re-appoint Messrs KPMG as Auditors and authorise the Directors to fix their remuneration. (Resolution 6)

Special Business

To consider, and if thought fit, to pass the following Resolutions 7 and 8 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 7)

7. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the "IFS (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 "IFS 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 8)

Other Business

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

Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and the Register of Members of the Company will be closed on 6 May 2008, for the purpose of determining shareholders' entitlements to the proposed final one-tier tax exempt ordinary cash dividend for the year ended 31 December 2007.

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 5 May 2008 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 5 May 2008 will be entitled to the proposed dividend.

The proposed dividend, if approved at the Annual General Meeting, will be paid on 15 May 2008.

By Order of the Board

Chionh Yi Chian
Company Secretary
IFS Capital Limited

Singapore
2 April 2008

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 Lim How Teck will, upon re-election as a Director of the Company, continue to serve as the Chairman of the Executive Resource and Compensation Committee and a Member of the Audit Committee. Mr Lim How Teck 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 5:

   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.

3. Notes to Resolution 7:

   Resolution No. 7 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 cent (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 cent (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. 7 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. 7 is passed; and (b) any subsequent consolidation or subdivision of shares.

4. Notes to Resolution 8:

   The effect of this Resolution is to empower the Directors of the Company to offer and grant options and/or awards under the "IFS (2000) Share Option Scheme" (the "2000 Scheme") and the "IFS 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 cent (15%) of the total number of issued shares in the capital of the Company for the time being.

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Proxy Form

IFS CAPITAL LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 198700827C

Twenty-First (21st) Annual General Meeting

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of IFS Capital Limited, 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 IFS Capital Limited (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 Twenty-First (21st) 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 Friday 25 April 2008 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 Final One-Tier Tax Exempt Ordinary Cash Dividend of 3.25 cents per share		
3	Approval of Directors' Fees amounting to S$234,000		
4	Re-election of Director: Mr Lim How Teck		
5	Re-election of Director: Mr Gabriel Teo Chen Thye		
6	Re-appointment of KPMG as Auditors		
Special Business			
7	Ordinary Resolution: Authorise Directors to Issue Shares and Instruments Convertible into Shares		
8	Ordinary Resolution: Authorise Directors to Grant Options and Awards and to Issue Shares Pursuant to the IFS (2000) Share Option Scheme and the IFS 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 ________________ 2008

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
IFS CAPITAL LIMITED

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

2nd fold here

Fold along this line and glue overleaf

IFS Capital Limited

7 Temasek Boulevard #10-01
Suntec Tower One
Singapore 038987
Tel: 6270 7711
Fax: 6339 9527
Website: www.ifscapital.com.sg

Reg No. 198700827C