IFS CAPITAL LIMITED

A SUSTAINED STRATEGY

Annual Report 2010

CONTENTS

IFS Capital Limited ("IFS") 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 and Thailand.

Mission Statement

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

CHAIRMAN'S STATEMENT

I am pleased to report that the Group achieved a net profit after tax of $7.9 million, an increase of 20% over 2009. Excluding the one-off negative goodwill in 2009, net profit of 2010 rose a commendable 38%.

After taking into account the non-controlling interests, the Group's profit attributable to shareholders of $7.1 million was 9% higher than 2009.

We are proposing a first and final dividend of 1.5 cents per share to reward shareholders for their loyalty to and continuing support for the Company.

REVIEW OF 2010 PERFORMANCE

The better performance of the Group for 2010 was attributable to higher net interest income and tax credit as compared to a tax expense in the previous year. This was partly offset by lower net earned premium revenue, increase in operating expenses and higher allowances for loan losses.

IFS Capital Thailand PCL ("IFS Thailand") was listed in August last year. The successful issue was oversubscribed by six times. The enlarged capital base post listing will enable IFS Thailand to further expand its operations. The Board of IFS Thailand has adopted a dividend policy of 50% of the Company's net profit after legal reserve, and for the year 2010 the Board is proposing a dividend of Baht 0.085 per share.

Our Malaysian operations turned around and reported its first organic profits since we started operations in 2006. The company benefited significantly from the government's prime pumping and infrastructure spending and business volumes have increased particularly in the second half of the year.

Indonesia reported a loss due to the small scale of business there. Towards the second half of last year we recruited some senior hires to increase our operations.

ECICS maintained its profitability performance showing an increase in gross written premium from $6.9 million to $9.1 million driven by higher business volumes. However, due to a lower write back of provision for unexpired risks and higher provision ceded to re-insurers, net earned premium declined to $3.5 million as compared to $5.8 million the previous year. Overall, ECICS reported a lower net profit of $4.4 million, a decrease of 4% over 2009.

PERFORMANCE BENCHMARKING

The Group's earnings per share was 4.7 cents versus 4.3 cents on an adjusted basis for bonus issue the previous year.

Net asset value per share for the Group stood at 88.2 cents as compared to 84.5 cents after adjustment.

Our cost-to-income ratio on a consolidated group basis went up to 56.0% as compared to 52.4% in 2009. This was mainly attributable to the consolidation effects of our Thai subsidiary, higher staff costs and business development expenses as well as higher depreciation and amortization costs.

Our net interest margins rose to 6.5% as compared to 5.4% the previous year. I should caution that net interest margins are likely to fall this year as business volumes have increased and we come under further price pressures. However, our high margin affords some comfort for price pressures.

Our leverage on a group basis, fell to 1.3 times as compared to 1.7 times the previous year.

Overall I am pleased to report that we remain well capitalized with high liquidity levels. This puts us in a good position to consolidate and further expand business operations.

NEW BUSINESS AND GROWTH

Towards the end of 2010, our pipeline of potential transactions increased which bodes well for the future.

We will be increasing our operations in Malaysia and Indonesia to take advantage of the business opportunities there. We expect further expansion in terms of staff, operations and client acquisitions.

The Board is continually looking at new business opportunities and markets given our capital base and liquidity levels. We started our new media financing business and I am pleased to report that the business has continued to expand. We will be looking to further invest in this sector.

There are opportunities for expansion in the countries we are in and we are actively looking at procuring new licenses in the region to increase our footprint in these countries.

APPRECIATION

Mr Lim How Teck will be retiring from the Board at the conclusion of this Annual General Meeting. How Teck has served IFS for more than ten years and has been an invaluable member of the Board. On behalf of the Company and my fellow Board members, I would like to thank him for his invaluable contributions to IFS.

I would also like to thank all staff, clients and associates who have helped contributed IFS growth.

LIM HUA MIN
Chairman
12 March 2011

BOARD OF DIRECTORS

LIM HUA MIN
CHAIRMAN
Mr 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. Mr Lim had also served as a Board Member in the Inland Revenue Authority of Singapore from September 2004 to August 2010.

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

GABRIEL TEO CHEN THYE
DIRECTOR
Mr 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 had also attended the Executive Program in Management at Columbia Business School.

LIM HOW TECK
DIRECTOR
Mr Lim How Teck was appointed a Director of IFS in June 2000. Mr Lim had been with the NOL Group of

GABRIEL TEO CHEN THYE MANU BHASKARAN LIM HOW TECK LIM HUA MIN LAW SONG KENG KWAH THIAM HOCK LEE SOON KIE

Companies since 1979, retiring as Executive Director and Group Chief Financial Officer of NOL in June 2005. He is currently Chairman of Certis CISCO Security Pte Ltd and Redwood International Pte Ltd, a consultancy and investment company. He is also Deputy Chairman of Tuas Power Ltd 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.

MANU BHASKARAN
DIRECTOR
Mr 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. Mr Manu Bhaskaran was also a Director of IFS' wholly-owned subsidiary, ECICS Limited from May 2007 to January 2011. Mr Manu Bhaskaran currently serves on the boards of the Centennial Group and CIMB-GK Pte Ltd. 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.

LEE SOON KIE
EXECUTIVE DIRECTOR
Mr 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.

KWAH THIAM HOCK
DIRECTOR
Mr 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 remains as Non-Executive Director of both IFS and ECICS. In July 2007, Mr Kwah was appointed an Advisor and Principal Officer of ECICS. He stepped down as Principal Officer on 14 September 2009. He is currently an Independent Director of Wilmar International Limited, Select Group Limited, Excelpoint Technology Limited and Teho International Inc Ltd.

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).

LAW SONG KENG
DIRECTOR
Mr Law Song Keng was appointed as a Director of IFS in January 2011. He was concurrently appointed as a Director of IFS' wholly-owned subsidiary, ECICS Limited. Mr Law currently also serves on the boards of the Central Provident Fund Board, the Singapore Deposit Insurance Corporation and Manulife (Singapore) Pte Ltd. Mr Law was previously Managing Director and Chief Executive Officer of Overseas Assurance Corporation, a life and general insurer. A Public Service Commission Scholar, Mr Law had also served as Deputy Managing Director (Administration & Insurance) and as Insurance Commissioner at the Monetary Authority of Singapore, President of the Life Insurance Association, President of the General Insurance Association, President of the Singapore Actuarial Society and Chairman of the Singapore Insurance Institute. Mr Law had also served as a Board Member in the Inland Revenue Authority of Singapore from September 2004 to August 2010.

Mr Law holds a Master of Science (Actuarial Science) from Northeastern University and a Bachelor of Science (Maths, First Class Honours) from the University of Singapore. He is also a Fellow Member of the Society of Actuaries, USA.

MANAGEMENT TEAM

LEE SOON KIE
Group Chief Executive Officer

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 was appointed a Director of IFS Capital (Thailand) Public Company Limited in August 2009. She has been with the Group since 1988 and was overseeing the Finance/Accounting Department. 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
Group Chief Risk Officer,
Risk Management, Legal, Compliance & Secretariat
Ms Chionh was appointed Group Chief Risk Officer in May 2009 and is responsible for risk management, legal, compliance, and secretariat functions. She was appointed a Director of ECICS Limited in February 2009. 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. In addition, she holds a Graduate Diploma in Compliance awarded by the International Compliance Association and is also a CFA charterholder.

TEOH CHUN MOOI
General Manager, Operations
Ms Teoh was appointed General Manager in August 2005 overseeing the factoring and loan operations, client relationship and information technology. Prior to this, she was heading one of the Business Development teams. She was appointed a Director of IFS Capital (Malaysia) Sdn. Bhd. in July 2009. She has been with the Group since 1989. Ms Teoh holds a Bachelor of Commerce (Honours) degree from the University of Windsor (Canada).

CHUA CHYE SENG
General Manager, Business Development
Mr Chua was appointed General Manager in January 2009 and is responsible for business development comprising commercial finance, alternative finance and structured finance. He was appointed a Director of IFS Capital (Malaysia) Sdn. Bhd. in August 2008. He joined IFS in 2006 and prior to this, he has more than 20 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 a Member of the Certified Practising Accountants of Australia.

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. She has more than 20 years of working experience in the banking and financial industry. Ms Lim holds a Bachelor of Commerce from the Nanyang University.

DESMOND HENG BOON KUAN
Assistant General Manager,
Business Development – Alternative Finance
Mr Heng joined IFS in April 2010 overseeing the business development functions for Alternative Finance. He was appointed a member of the Board of Commissioner of PT. IFS Capital Indonesia in October

2010. Mr Heng has more than 15 years of working experience in the banking and financial industry. Mr Heng holds a Bachelor of Arts (Economics) degree from the Indiana University, Bloomington USA.

PHYLLIS CHIU YIN WAH

Assistant General Manager, Credit Risk Management

Ms Chiu was appointed Assistant General Manager 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.

LUA TOO SWEE

Chief Executive Officer and Principal Officer,
ECICS Limited

Mr Lua joined ECICS Limited as General Manager, Risk Management in July 2008. He was appointed Chief Executive Officer and Principal Officer in September 2009. He was appointed a member of the Board of Commissioner of PT. IFS Capital Indonesia in April 2009. Mr Lua has more than 20 years of international banking experience in the areas of credit risk evaluation and credit risk management. His extensive credit experience includes 10 years as Head of Credit in Singapore for Germany's WestLB Ag covering the Asia Pacific countries. Prior to joining the Group, he was Chief Credit Officer for the Bank of Maldives. Mr Lua holds a Master of Accountancy from the Charles Sturt University, Australia and a Bachelor of Arts from the University of Singapore.

JEAN PHOON YOOK SEEN

General Manager, Operations,
ECICS Limited

Ms Phoon was appointed General Manager in July 2008 and is responsible for the subsidiary's insurance operations and claims matters. Ms Phoon has been with the predecessor companies in ECICS Group for close to 30 years and she was involved in business development, underwriting, claims and operations. Ms Phoon holds a Diploma in Business Administration as well as a Diploma in Marketing.

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

KATRINA BINTI AB RAHMAN

General Manager,
IFS Capital (Malaysia) Sdn. Bhd.

Ms Katrina joined IFS Capital (Malaysia) Sdn. Bhd. in August 2006 as General Manager to set up the Group's new operations in Kuala Lumpur, and is responsible for the running and overall management of the Malaysia's subsidiary. Prior to this, she was working in the banking and financial industry, and had vast experience in areas 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.

OTHER KEY EXECUTIVES

IFS

JEANETTE CHEONG BEE LIAN
Vice President (Team Head), Structured Finance
BSc

KEN HAN YEH KWONG
Manager, Credit Risk Management
BComm

JANE ANG LEE KEOW
Manager, Client Relationship
BBC

CHAN YEE SUN
Senior Manager, Operations
BBA

EE SIN SOO
Senior Manager, Legal, Secretariat & Compliance
LLB (Hons), Associate ACIS

ANGELINE NG CHING LOO
Manager, Legal, Secretariat & Compliance
LLB (Hons)

TANG MEI LING
Manager, Internal Audit
CPA, CIA, BComm

ONG PECK LI
Senior Manager, Finance
CPA, FCCA

FELICIA LIM SOK PENG
Manager, HR & Admin
GDipPM, BSc (Hons)

ECICS LIMITED

CHEE TENG JOO
Senior Manager, Business Development
LLB (Hons)

KEVIN WONG VUI KHONG
Head, Risk Management
BSc

RICHARD ONG BOON CHEOW
Head, Finance
MBA, CPA, FCCA

CORPORATE INFORMATION

BOARD OF DIRECTORS
Lim Hua Min
Chairman
Gabriel Teo Chen Thye
Lim How Teck
Manu Bhaskaran
Kwah Thiam Hock
Law Song Keng *(appointed on 31 January 2011)*
Lee Soon Kie
Executive Director and Group Chief Executive Officer

AUDIT COMMITTEE
Gabriel Teo Chen Thye
Chairman
Lim How Teck
Manu Bhaskaran
Law Song Keng *(appointed on 31 January 2011)*

EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE
Lim How Teck
Chairman
Lim Hua Min
Gabriel Teo Chen Thye
Manu Bhaskaran *(appointed on 31 January 2011)*

MANAGEMENT COMMITTEE
Lee Soon Kie
Chairman
Lim Mui Ling
Chionh Yi Chian
Teoh Chun Mooi
Chua Chye Seng
Lua Too Swee

CREDIT COMMITTEE
Lee Soon Kie
Chairman
Teoh Chun Mooi
Chionh Yi Chian
(Alternate: Ee Sin Soo)
Chua Chye Seng
Phyllis Chiu

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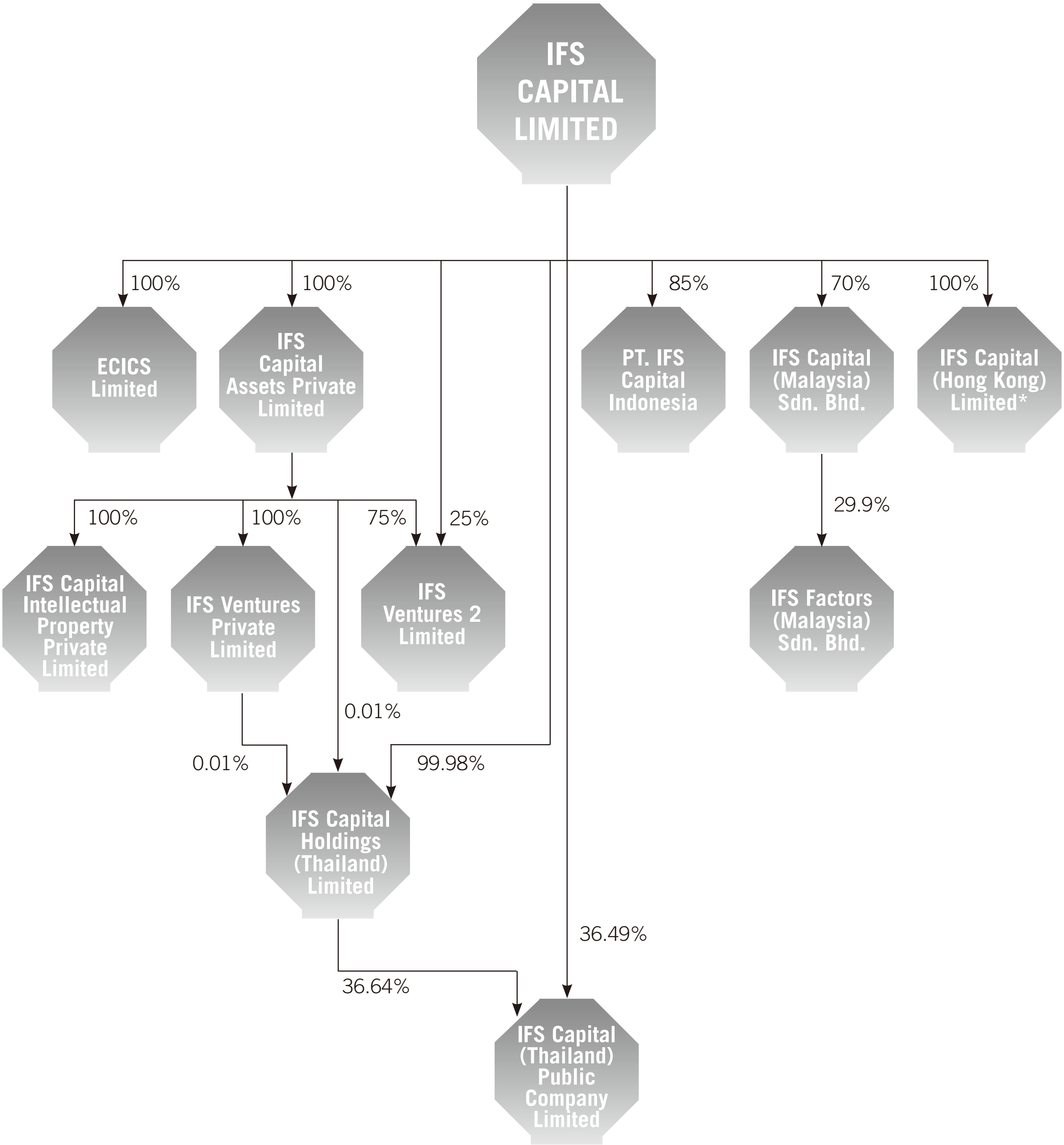
REGISTRAR
M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

COMPANY SECRETARY
Chionh Yi Chian

AUDITORS
KPMG LLP
Certified Public Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-In-Charge
Lau Kam Yuen
(since FY2010)

CORPORATE STRUCTURE



* Dormant/Inactive

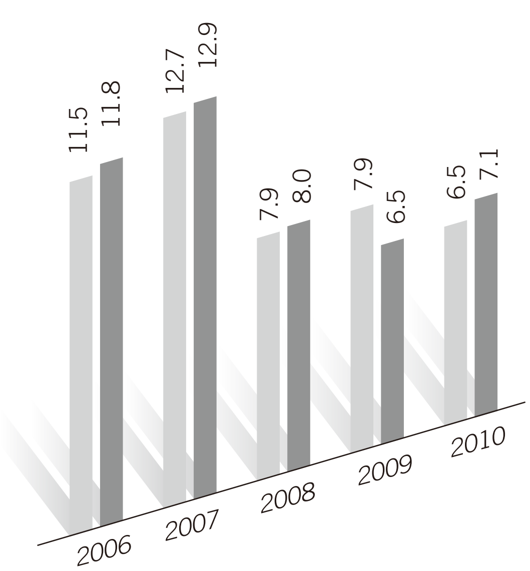
PERFORMANCE AT A GLANCE

PROFIT & LOSS

(S$ million)

Profit before tax

Attributable profit after tax

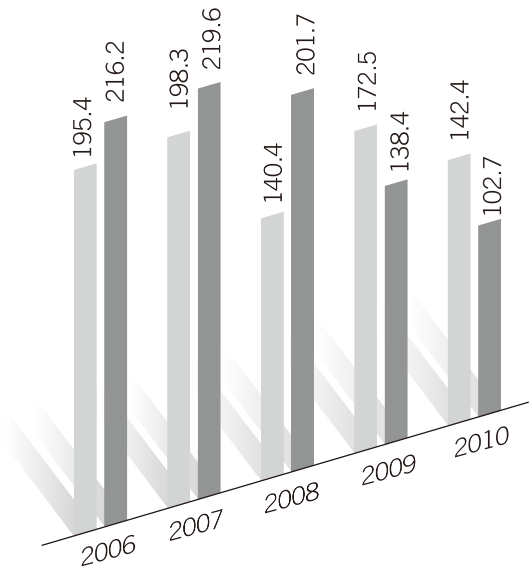


FACTORING RECEIVABLES AND LOANS & ADVANCES

(S$ million)

Factoring receivables (gross)

Loans & advances (gross)

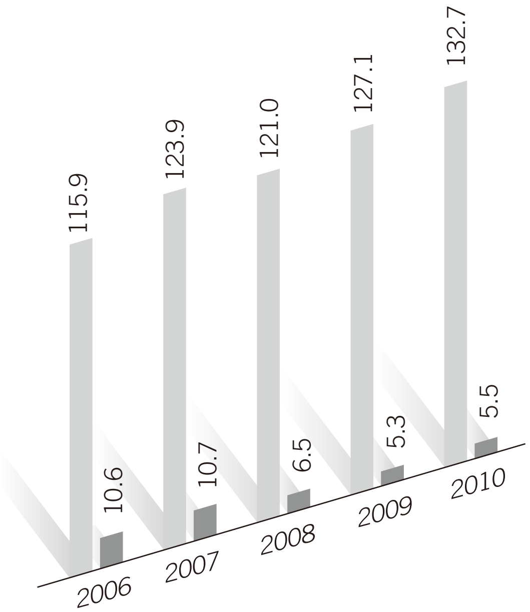


SHAREHOLDERS' FUNDS (S$ million)

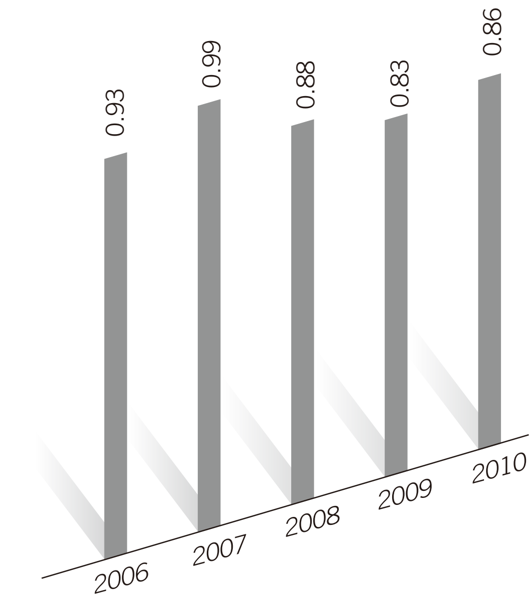
RETURN ON AVERAGE SHAREHOLDERS' FUNDS (%)

Shareholders' funds

Return on average shareholders' funds



NET TANGIBLE ASSETS PER SHARE (S$)



Notes : (1) Net tangible assets per share for FY2006 has been restated to take into account the rights issue completed in June 2007.
(2) Net tangible assets per share for FY2008 and FY2009 have been restated to adjust for the effects of one Bonus Share for every ten existing ordinary shares issued on 6 May 2009 and 5 May 2010 respectively.

GROUP FINANCIAL HIGHLIGHTS

S$'000	2010	2009	2008	2007	2006
INCOME STATEMENT					
Gross operating income	35,506	34,612	34,270	45,468	41,491
Profit					
– before tax	6,536	7,948	7,857	12,677	11,473
– after tax	7,872	6,571	8,015	12,856	11,827
– after tax attributable to owners of the Company	7,104	6,531	8,015	12,856	11,827
BALANCE SHEET					
Number of shares	150,388	136,716	124,288	124,288	103,495
Issued share capital	88,032	88,032	88,032	88,032	77,675
Shareholders' funds	132,676	127,090	120,972	123,921	115,907
Non-controlling interests	9,194	432	–	–	–
Total assets	325,737	357,070	393,437	481,044	459,444
Total liabilities	183,867	229,548	272,465	357,123	343,537
DIVIDEND INFORMATION					
Dividends declared/proposed for the year (net of tax)	2,256	2,051	2,486	7,096	14,863
Dividend cover (number of times)*	3.43	1.62	3.63	0.75	0.66
Gross dividends declared per share*					
– Ordinary (cents)	1.50	1.50	2.00	6.25	5.00
– Bonus (cents)	–	–	–	–	12.50
FINANCIAL RATIOS					
Earnings per share after tax (cents)	4.72	4.34	5.86	10.80	9.94
Net tangible assets per share ($)	0.86	0.83	0.88	0.99	0.93
Return on average shareholders' funds (%)	5.5	5.3	6.5	10.7	10.6
Cost-income ratios (%)	56.0	52.4	55.6	42.5	47.0

Notes: * 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 FY2010 relates to the proposed one-tier tax exempt first and final dividend of 1.50 cents (FY2009: First and final dividend of 1.50 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.

Earnings per share and net tangible assets per share for FY2008 and FY2009 have been restated to adjust for the effects of one Bonus Share for every ten existing ordinary shares issued on 6 May 2009 and 5 May 2010 respectively.

MAIN SUBSIDIARIES 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 CAPITAL INTELLECTUAL PROPERTY 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.
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Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Tel : (603) 2161 7080
Fax : (603) 2161 9090

PT. IFS CAPITAL INDONESIA
ANZ Tower
10th Floor
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Jakarta 10220
Indonesia
Tel : (6221) 5790 1090
Fax : (6221) 5790 1080

IFS CAPITAL (HONG KONG) LIMITED
11 – 12/F United Centre
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IFS CAPITAL (THAILAND) PUBLIC COMPANY LIMITED
IFS CAPITAL HOLDINGS (THAILAND) LIMITED
20th Floor, Lumpini Tower
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Bangkok 10120
Thailand
Tel : (662) 285 6326
Fax : (662) 285 6335

AFFILIATES

ADVANCE FINANCE PUBLIC COMPANY LIMITED
40th Floor, CRC Tower
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87/2 Wireless Road
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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

ECONOMIC ASSESSMENT OF SOUTHEAST ASIA

Overview – uncertainty over key global drivers of regional growth

Southeast Asian economies remain substantially export-oriented and therefore highly influenced by developments in global demand, especially the large developed economies of the United States (“US”), European Union (“EU”) and Japan – the G-3 – where risks remain to the downside. These economies are gradually recovering from the global financial crisis, aided by ultra-low interest rates, aggressive quantitative easing by the US and Japan and the recent fiscal boost in the US. While all these positive factors combine to provide support to global demand for Southeast Asian exports in the early part of 2011, there remain considerable headwinds that could hurt regional growth later in the year:

- **G-3 demand drivers at risk:** In the US and EU, the boost to growth from inventory accumulation is ebbing. Sustainable recovery requires an enduring rebound in private consumption expenditure. Unfortunately, too much of the recent recovery in consumption depended on large government transfers – which will not last as fiscal austerity eventually kicks in. With weak labour markets continuing to limit wage and employment growth and rising oil and food prices hurting consumer sentiments, we are not likely to see a consumer recovery that is strong enough for a durable recovery.

- **More fiscal austerity:** The EU has already embarked on reducing fiscal support as a result of the sovereign debt crisis there. While the recent budget deal in the US will help prolong fiscal support in the US economy for some months, worsening budgetary problems at the state and local government level mean that the net impact of government spending will not be strongly positive. There will be increasing pressure from the newly ascendant Republican majority in the US House of Representatives for a more conservative fiscal strategy.

- **Eurozone debt crisis:** With fiscal austerity now hurting the average man across Europe, political stresses will increase and raise risks anew in the Eurozone: political pressure on governments to default or dilute agreed terms of bailout packages could well increase financial market tensions.

China is also an increasingly important factor for the region. Excessive monetary and credit growth in 2009-2010 is now producing a surge in inflation and speculation there, forcing the Chinese authorities to step up the pace of policy tightening. While Chinese economic growth will continue to be high, we are likely to see some deceleration towards the end of 2011.

In short, we expect the G-3 economies to continue growing but at a sluggish pace which will limit the room for strong export growth in Southeast Asia. China will continue to provide support to Southeast Asia’s external demand but its policy responses to the inflation challenge, and the economic and financial stresses that result, will limit this support.

Despite these concerning factors, we expect moderately good growth in Southeast Asia although there will be some deceleration from 2010:

- First, one-off developments will support growth: Mega construction projects proposed by the Malaysian government will boost both private and public investment figures there. Similarly, the Thai government is also continuing to boost public spending in advance of general elections due by year-end. In Singapore, large new capacity is coming on stream in the chemicals and tourism-related sectors which will help keep economic activity vibrant.

- Second, farm incomes are being bolstered by rising prices of commodities such as palm oil and rubber and this will also lend support to consumer spending in much of the region.

- Third, consumer and business confidence in Southeast Asia has recovered to pre-crisis levels which could release a wave of pent-up investment and consumer demand in the near future to support growth. This could be reinforced in Malaysia and Thailand if general elections produce a stable government which boosts investor confidence.

Major risks for the region are (a) rising inflation; (b) large and volatile capital flows; (c) political stresses in some countries; and (d) uncertain global demand which could be exacerbated by protectionism in advanced countries. But the key challenge is high and rising inflation stemming from rising global food and energy prices as well as strong domestic demand straining productive capacity within the regional economies. Policy is being tightened as a result – with central banks likely to continue raising rates and imposing macro-prudential measures to prevent asset bubbles.

SINGAPORE

While economic growth will probably decelerate to a more normal pace, the key risk will be inflation rather than growth. Supply constraints are likely to push wages and other production costs up more sharply than expected.

Singapore's economic growth performance will face challenges as the year progresses but is likely to be resilient as it will benefit from several growth drivers.

- First, the continued relocation of high-value activities to Singapore will mean that several large manufacturing plants – petrochemical, specialty chemicals, alternative fuels – will be starting operations in the coming two years. This will provide crucial support to the manufacturing sector's growth in a period of uncertainty. High-value financial services are also continuing to relocate to Singapore to take advantage of its competitive tax regime and its location at the heart of booming Asia – helping private wealth management activities to thrive as well as a host of other financial activities such as treasury operations.

- Second, the integrated resorts will continue to ramp up their capacity and product range, and thereby stimulating continued expansion of tourism and related sectors.

- Third, the regional economies are likely to continue growing: this will boost demand for regional hub services such as the port, airport, import-export trade and financial services.

- Fourth, an expansionary budget should help boost consumption growth, especially at the poorer end of society.

The longer term challenge for Singapore is to strengthen the foundations of the economy through boosting productivity growth. The government is likely to implement the key thrusts of last year's Economic Strategies Committee ("ESC") report – including the ESC's advice to reduce dependence on foreign workers. As the speed of inflow of foreign workers slows in the context of an economy running at full employment, wage pressures will grow and local businesses may experience difficulties in filling vacancies.

The authorities are also likely to continue to clamp down on speculative behaviour in the overheated property sector to prevent bubbles that could increase financial vulnerabilities. While rigorous tightening measures were announced in 2010, low interest rates and abundant global liquidity mean that a further round of tightening may become necessary.

We expect the following features to mark economic performance in 2010:

- External demand will continue to play the prominent role over the next two years, contributing around 2%-3% to domestic output growth, although this will be down from the significant 6% seen in 2010.

- With global food and energy prices rising, inflation will rise in early 2011 before the policy measures taken cool prices.

- The Monetary Authority of Singapore ("MAS")'s policy of gradual Singapore Dollar ("SGD") appreciation in trade-weighted terms will probably be modestly reinforced.

Table 1: Singapore Forecasts

	2008	2009	2010	2011	2012
GDP growth	1.2	-1.9	14.5	5.5	4.5
Inflation	6.5	0.2	2.8	4.2	2.8
Current Account/ GDP %	14.8	12.0	19.0	20.4	21.3
Currency/USD (end period)	1.44	1.40	1.31	1.22	1.17

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

MALAYSIA

Expectations for Malaysia's real GDP to grow 7% in 2010 will represent a solid recovery from 2009. The coming years will see a moderation to a slower pace of growth. The latest official economic leading indicators have started to slow, suggesting a moderation in growth rate heading into 2011. These are consistent with the fact that the gains from inventory restocking, a major driver of growth in Malaysia's manufactured exports in 2010, will fade.

Public policy will be a major factor affecting economic growth in 2011-2012.

- Investment is an important growth driver for 2011 which public policy is likely to stimulate for a number of reasons. First, the government is committed to launching several mega projects which would encourage the domestic private sector to boost investment as well. The government is aggressively stepping up the pace of its investment spending while its Economic Transformation Programme is beginning to galvanise the private sector to increase investment as well. Second, the lagged effects of some of the liberalisation announced by the government last year will be felt in investment this year.

- Malaysia is also benefitting from rising prices for its key commodities such as oil, natural gas, crude palm oil and rubber. This will help raise rural spending and so provide support to domestic demand.

- Business confidence has improved and is likely to improve further. It is likely that an early general election will be called. The opinion polls appear to point to an improved performance by the ruling Barisan Nasional ("BN") coalition which might even regain its 2/3 majority in parliament. Improving political stability will help stimulate both foreign and domestic business confidence and investment.

Once the general elections are over, the government is likely to make clear the actual trajectory of reforms that it has outlined in recent months. Some of these will have a major effect on Malaysia's economy – the introduction of a goods and services tax, the removal of fuel and food subsidies and further liberalisation of affirmative action regulations.

There are some risks but these seem to have been well managed.

- Inflation is likely to rise, reflecting higher global prices for energy and food. However, Bank Negara had anticipated this rise in inflation and had pro-actively tightened monetary policy through three 25bps rate increases. It had also allowed its exchange rate to appreciate in 2010 and has continued to do so in early 2011. Thus, the central bank has been ahead of the curve and while it will probably raise rates, it will not need to sharply tighten monetary policy this year.

- Another risk is the declining competitiveness of Malaysia's manufactured exports which is a combination of rising labour costs, an appreciating exchange rate and the Ringgit strength not being offset by sufficiently quick move up the value chain. Malaysian export growth has generally under-performed its regional peers in 2010 as a result. It is hoped that the government's ambitious Economic Transformation Programme will help arrest this deterioration.

Table 2: Malaysia Forecasts

	2008	2009	2010	2011	2012
GDP growth	4.6	-1.8	7.2	5.5	4.2
Inflation	5.4	0.6	1.7	3.0	3.2
Current Account/ GDP %	17.5	14.0	12.0	12.3	12.8
Currency/USD	3.46	3.42	3.13	3.00	2.91

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

THAILAND

Thailand's economy has been remarkably resilient in the face of a series of challenges including domestic political turbulence and the global crisis. This is a testament to its diverse economic base and the flexibility of its corporate sector which has been quick to adjust and adapt to unfavourable circumstances. The Thai economy had also been helped by a strong policy response by the government.

Political issues will continue to be a major factor in determining Thailand's growth prospects in 2011. Continued street protests and the approaching general elections combined with tensions along the Thai-Cambodian border have affected business confidence. Nevertheless, recent indicators show that both consumer confidence and business sentiments have rebounded from the nadir reached in May last year when there was violence in Bangkok. If the general election produces a stable coalition government that is able to make progress in reconciling the various political factions, Thailand could see a release of pent-up consumer and investment demand which would boost the economy in late 2011 or early 2012.

As the economy heads into 2011, it is enjoying some support for growth from a number of factors:

Public investment is being stepped up under the Stimulus Plan 2. With a large portion (almost half) being allocated to high-multiplier infrastructure projects such as mass transit, roads, aviation and railways, we expect a significant stimulus to domestic demand, which will boost employment and consumer spending.

Thailand is a key exporter of agricultural products and will benefit from higher prices for commodities such as rice and rubber. Farm incomes have continued to be boosted by higher crop prices, helping to explain the strength of domestic demand.

Being externally dependent, sound domestic politics will have positive impacts on FDI, exports and the tourism sector. That said, renewed shocks in the global environment will have considerable impacts on the Thai economy.

In common with many other developing economies, inflation risks do exist in Thailand. However, Thailand's actual level of output remains markedly below its potential GDP in 2010. This comfortable level of slack in resource utilisation mitigates inflationary risks. The Bank of Thailand has built considerable credibility in limiting inflation and has succeeded in keeping inflationary expectations at bay. Thus, with regards to monetary policy, the Bank of Thailand will continue to normalise interest rates rather than be forced to substantially tighten monetary conditions. We expect rate rises totalling 75bps in 2011.

Thai policy makers are also worried about a surge in foreign capital inflows which will drive both inflation and the currency upwards. The central bank is likely to respond with further rate increases to manage prices and use capital controls and other macro-prudential measures to protect the Thai economy from being overly exposed to speculative inflows.

Table 3: Thailand Forecasts

	2008	2009	2010	2011	2012
GDP growth	2.5	-2.7	7.8	4.8	7.0
Inflation	5.5	-0.8	3.3	3.4	4.4
Current Account/ GDP %	0.6	6.0	3.9	4.1	4.2
Currency/USD	34.9	33.3	30.07	29.50	28.00

Source: Historical data collated from CEIC Database and forecasts by Centennial Group
Notes: Interest rate refers to the 3 Month Inter-bank offered rate

INDONESIA

The Indonesian economy has performed strongly in recent years, powered by rising commodity prices that have boosted household and corporate incomes, improving political and economic stability which supported rising consumer and business confidence and its attractive long term fundamentals such as a youthful work force and low costs which also helped to stimulate investments. The challenge for Indonesia in the near term is to consolidate these gains through strengthened macro-economic management, a substantial push to improve infrastructure and reforms in key areas such as labour laws and the business climate.

The following factors shape our expectations:

- First, Indonesia's strong demographic advantages will help growth over the medium term. Over the last 30 years, Indonesia's working population expanded from 55% to 65%. These trends are expected to continue for another 30 years. Apart from the long-term benefits of favourable demographics, the International Monetary Fund estimates that it will result in the percentage of Indonesia's total consumption relative to ASEAN 5 grow from 28% in 2009 to 32% by 2012.

- Second, rankings of competitiveness and FDI confidence are at the highest they have been in at least 10 years. A.T. Kearney's FDI Confidence Index corroborates this more optimistic view of investment flows into Indonesia with the latest 2010 ranking placing Indonesia at 20, edging out competition from countries like Philippines, Singapore and Malaysia.

- Third, lead indicators for investment are strong – the import of capital goods has averaged an impressive 36% between January 2010 and September 2010.

- Fourth, consumer spending is likely to remain a powerful driving force: in 3Q10, the consumer tendency index rose to its highest level (110.7) in almost six years.

The following risks need to be watched closely:

- First, signs of overheating have begun to show up more clearly in Indonesia in 2H10 with a sharp rise in inflation towards the end of 2010 and early 2011: as resource utilisation becomes more strained, inflationary pressures will continue to mount. The combination of huge capital inflows and the perception of an under-valued currency has also increased the challenge of ensuring that excess liquidity does not drive inflation up.

- Second, the lack of reform momentum over the past year risks spilling into the economic sphere as corruption perceptions worsen and progress in improving the business climate stall.

- Third, potentially destabilizing capital inflows will need to be watched closely as Bank Indonesia begins its rate normalization in 2011. More specific measures to reduce the speculative nature of flows need to be undertaken.

In the face of forward looking indicators warning of higher inflation, Bank Indonesia ("BI") has started to tighten monetary conditions, initially with a cautious raising of reserve requirements and more recently with its first rate increase since 2008. BI is likely to further raise interest rates this year and may also have to supplement this with further administrative measures such as reserve requirement increases.

Table 4: Indonesia Forecasts

	2008	2009	2010	2011	2012
GDP growth	6.1	4.6	6.1	6.2	6.5
Inflation	10.3	4.9	5.1	7.4	6.6
Current Account/ GDP %	0.0	0.0	1.1	1.6	2.2
Currency/USD	10,950	9,400	8,978	8,800	9,000

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

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 2010, 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 Executive Resource and Compensation Committee and the Credit 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 in 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 five 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 2010, the Board of Directors held six 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 held in the financial year ended 31 December 2010 is set out as follows:

	Board		**Audit Committee**		**ERCC**	
Name of Directors	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Lim Hua Min	6	6	NA	NA	3	3
Lim How Teck	6	6	4	4	3	3
Gabriel Teo Chen Thye	6	6	4	4	3	3
Manu Bhaskaran	6	5	4	4	NA	NA
Lee Soon Kie	6	6	NA	NA	NA	NA
Kwah Thiam Hock	6	6	NA	NA	NA	NA

Notes:
(1) ERCC Executive Resource and Compensation Committee
(2) NA Not applicable
(3) Mr Law Song Keng was appointed as a Non-Executive Independent Director on 31 January 2011.

1.5 The Company conducts orientation programs to familiarise 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 As at 31 December 2010, the Board comprises 6 directors of whom 3 are independent directors. The nature of these 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, Group Chief Executive Officer
Kwah Thiam Hock	Non-Executive, Non-Independent

Note: Mr Law Song Keng was appointed as a Non-Executive Independent Director on 31 January 2011.

Subsequent to 31 December 2010, Mr Law Song Keng was appointed as a Non-Executive Independent Director on 31 January 2011. With Mr Law's appointment, the Board comprises 7 members of whom 4 are independent directors.

2.2 Details of the directors' academic and professional qualifications, appointment dates on the Board and other appointments are set out on pages 33 to 35.

2.3 The Board has examined its size and is satisfied that a size of 6 to 7 members is currently appropriate for the Company.

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 As at 31 December 2010, the Executive Resource and Compensation Committee comprises 3 members, the majority of whom are independent:

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

Note: Mr Manu Bhaskaran was appointed as a member of the Executive Resource and Compensation Committee on 31 January 2011.

The Executive Resource and Compensation Committee is chaired by Mr Lim How Teck who is an independent Non-Executive Director and is not associated with a substantial shareholder. On 31 January 2011, Mr Manu Bhaskaran was appointed as an independent member of the Executive Resource and Compensation Committee. Following this, the Executive Resource and Compensation Committee currently comprises 4 members, 3 of whom are 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 Board appointments and reappointments.

The directors submit themselves for re-nomination and re-election at regular intervals in accordance with the Company's Articles of Association which require one-third of the directors for the time being to retire from office by rotation at each Annual General Meeting (or, if the number is not a multiple of three, the number nearest to but not less than one-third).

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 fulfill 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 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), the 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. Executive Director does not receive director's fees.

8.4 The service contract of the Chief Executive Officer/Executive Director does not contain onerous removal clauses.

Deviation – Guideline 8.3: There is no fixed appointment period of the Chief Executive Officer/Executive Director 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 38 to 40) which are administered by the Executive Resource and Compensation Committee.

These two schemes have expired on 24 May 2010 with respect to the grant of further options or awards. However, options or awards granted and outstanding prior to the expiry date will continue to be valid and subject to the terms and conditions of the schemes.

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 2010 is as follows:

	Number of Directors	
Remuneration Band	**2010**	**2009**
$500,000 and above	1	1
$250,000 to below $500,000	0	0
Below $250,000	5	5
Total	**6**	**6**

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**					
	Mr Lee Soon Kie	–	56	37	7	100
(ii)	**$250,000 to below $500,000**					
	–	–	–	–	–	–
(iii)	**Below $250,000**					
	Mr Lim Hua Min	100	–	–	–	100
	Mr Gabriel Teo Chen Thye	100	–	–	–	100
	Mr Lim How Teck	100	–	–	–	100
	Mr Manu Bhaskaran	100	–	–	–	100
	Mr Kwah Thiam Hock	100	–	–	–	100

Note: Mr Law Song Keng was appointed as a Non-Executive Independent Director on 31 January 2011.

9.2 Shareholders' approval will be sought at the 24th Annual General Meeting of the Company on 27 April 2011, for the payment of Directors' fees proposed for the financial year ended 31 December 2010 amounting to $256,000. This represents a total increase of $22,000 as compared to the Directors' fees of $234,000 approved by the Shareholders for the financial year ended 31 December 2009.

The increase in the Directors' fees for the financial year ended 31 December 2010 is proposed following a review of the bases for Directors' fees undertaken by the Executive Resource and Compensation Committee, taking into account, amongst others, the increasing scope and responsibilities of a director, fees payable by other comparable companies as well as the market trends.

9.3 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.

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

	Number of Key Executives	
Remuneration Band	**2010**	**2009**
$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 The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters 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.

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 As at 31 December 2010, 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

Note: Mr Law Song Keng was appointed as an independent member of the Audit Committee on 31 January 2011.

Subsequent to 31 December 2010, Mr Law Song Keng was appointed as an independent member of the Audit Committee on 31 January 2011. Following this, the Audit Committee currently comprises 4 members, all of whom are 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 sets out its duties and responsibilities. The role of the Audit Committee is mainly to oversee the adequacy of the overall internal control functions, the internal audit functions within the Group, the relationship of those functions to external audit, the scope of audit by the external auditor as well as their independence. The Audit Committee reviews the quarterly 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 whereby staff of the Group can have access to the Audit Committee Chairman, Chief Executive Officer, Head of Internal Audit, Head of Human Resource and Head of Compliance to raise any concerns of any improprieties in confidence. 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 Company's internal control system currently 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:

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

(ii) the quality of their reports;

(iii) the reporting lines of the internal auditors within the Group;

(iv) their relationship with the external auditors; and

(v) 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. Voting in absentia may only be possible after careful study to ensure that the integrity of the information and authentication of identity of shareholders through the web are not compromised.

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 a Code on Dealings in IFS Securities (the "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 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 two week before the release of the Company's results for the first three quarters and one month before the announcement of the Company's full-year financial results, and ending on the date of announcement.

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) 27.04.2010	(a) Walker Crips Group plc. (UK) Walker Crips Stockbrokers Limited (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
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) 25.04.2008	(a) Rickmers Trust Management Pte Ltd (Rickmers Maritime Trust) ARA Asset Management Limited ARA-CWT Trust Management (Cache) Limited Swissco Holdings Limited (formerly known as C20 Holdings Limited) Mewah International Inc. (b) Fellow, Certified Public Accountants of Australia Fellow, Institute of Certified Public Accountants of Singapore Fellow, Singapore Institute of Directors

CORPORATE GOVERNANCE REPORT

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, Cranfied School of Management (UK) (1980)	(a) 02.11.1999 (b) 25.04.2008	(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 Member, Board of Governors, St Gabriel's Foundation Chairman, School Management Committee, Assumption Pathway School
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) 28.04.2009	(a) – (b) Council Member, Singapore Institute of International Affairs Vice President, Economic Society of Singapore Senior Adjunct Fellow, Institute of Policies Studies

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
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) 28.04.2009	(a) IFS Capital (Thailand) Public Company Limited (b) –
Kwah Thiam Hock	– Bachelor of Accountancy, University of Singapore (1973) – 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)	(a) 04.05.1987 (b) 27.04.2010	(a) Select Group Limited Wilmar International Limited Excelpoint Technology Limited Teho International Inc Ltd (b) –
Law Song Keng	– Bachelor of Science, (Maths, First Class Honours), University of Singapore (1968) – Master of Science (Actuarial Science), Northeastern University, USA (1970) – Fellowship of Society of Actuaries, USA (1978)	(a) 31.01.2011 (b) –	(a) – (b) Member, Central Provident Fund Board Member/Director, Singapore Deposit Insurance Corporation Director, Manulife (Singapore) Pte Ltd Senior Adviser, Asia Capital Reinsurance Group Pte Ltd

FINANCIAL CONTENT

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 2010.

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
Law Song Keng *(appointed on 31 January 2011)*

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 as follows:

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	55,237,870	60,761,657
Lee Soon Kie		
IFS Capital Limited		
– ordinary shares		
– interest held	869,000	955,900
IFS Capital (Thailand) Public Company Limited	–	400,000
IFS Factors (Malaysia) Sdn. Bhd.	1	1
Kwah Thiam Hock		
IFS Capital Limited		
– ordinary shares		
– interest held	462,000	508,200

DIRECTORS' INTERESTS (cont'd)

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 2011.

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for the salaries, bonuses and fees and those benefits that are disclosed in this report and in Notes 34 and 39 to the financial statements, since the end of the 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. On 24 May 2010, the 2000 Scheme expired with regards to grant of further options. However, options granted and outstanding prior to 24 May 2010 will continue to be valid and be subject to the terms and conditions of the 2000 Scheme.

Under the 2000 Scheme:

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

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

(iii) The aggregate number of ordinary shares to be issued pursuant to the 2000 Scheme and those to be awarded under the 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.

SHARE OPTIONS (cont'd)

(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 option 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 2000 Scheme is administered by the Executive Resource and Compensation Committee ("Committee").

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.

SHARE OPTIONS (cont'd)

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.
- No options were exercised under the 2000 Scheme. There were a total of 11,800 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")

PSP was approved on 24 May 2000.

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.

On 24 May 2010, the PSP expired. 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
Law Song Keng	Independent *(appointed on 31 January 2011)*

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.

AUDIT COMMITTEE (cont'd)

The Audit Committee has held four 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;
- quarterly financial information and annual 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 LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

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

On behalf of the Board of Directors

Lee Soon Kie
Director

Kwah Thiam Hock
Director

Singapore
12 March 2011

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 45 to 158 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 2010 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
12 March 2011

INDEPENDENT AUDITORS' REPORT

Members of the Company
IFS Capital Limited

Report on the financial statements

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 2010, the income statement, statement of comprehensive income, 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 information, as set out on pages 45 to 158.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
IFS Capital Limited

Opinion

In our opinion, 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 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company 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 LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
12 March 2011

BALANCE SHEETS
As at 31 December 2010

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Non-current assets					
Property, plant and equipment	4	**20,167**	20,579	**17,274**	17,915
Intangible assets	5	**2,943**	1,998	**463**	114
Subsidiaries	6	**–**	–	**60,928**	55,927
Other investments	7	**37,874**	40,250	**7,226**	5,973
Loans, advances, hire purchase and leasing receivables	8	**31,596**	43,788	**24,439**	30,822
Deferred tax assets	10	**3,135**	2,416	**–**	1,254
		95,715	109,031	**110,330**	112,005
Current assets					
Derivative financial instruments	11	**938**	–	**938**	–
Reinsurers' share of insurance contract provisions	12	**10,690**	10,985	**–**	–
Insurance receivables	13	**663**	323	**–**	–
Trade and other receivables	14	**168,378**	197,907	**87,918**	114,993
Other investments	7	**15,662**	12,172	**1,243**	980
Cash and cash equivalents	17	**33,691**	26,652	**8,825**	5,848
		230,022	248,039	**98,924**	121,821
Total assets		**325,737**	357,070	**209,254**	233,826
Equity					
Share capital	19	**88,032**	88,032	**88,032**	88,032
Other reserves	21	**(539)**	(1,223)	**231**	101
Accumulated profits		**45,183**	40,281	**21,012**	15,332
Equity attributable to owners of the Company		**132,676**	127,090	**109,275**	103,465
Non-controlling interests		**9,194**	432	**–**	–
Total equity		**141,870**	127,522	**109,275**	103,465
Non-current liabilities					
Interest-bearing borrowings	22	**16,938**	45,361	**11,588**	45,361
Deposit on leasing receivables		**–**	3,327	**–**	–
Employee benefits	23	**666**	–	**–**	–
Deferred tax liabilities	10	**126**	369	**10**	–
		17,730	49,057	**11,598**	45,361
Current liabilities					
Trade and other payables	24	**15,007**	20,009	**21,782**	20,679
Insurance payables	26	**2,067**	3,285	**–**	–
Interest-bearing borrowings	22	**129,007**	136,455	**66,265**	64,321
Insurance contract provisions for					
- gross unexpired risks	12	**12,814**	13,307	**–**	–
- gross insurance claims	12	**5,110**	5,132	**–**	–
Bank overdraft	17	**34**	–	**34**	–
Current tax payable		**2,098**	2,303	**300**	–
		166,137	180,491	**88,381**	85,000
Total liabilities		**183,867**	229,548	**99,979**	130,361
Total equity and liabilities		**325,737**	357,070	**209,254**	233,826

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

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Interest income	27	**23,568**	19,482
Interest expense	28	**(4,443)**	(6,353)
Net interest income		**19,125**	13,129
Gross written premiums		**9,108**	6,941
Change in gross provision for unexpired risks	12	**493**	21,644
Gross earned premium revenue		**9,601**	28,585
Written premiums ceded to reinsurers		**(5,566)**	(4,340)
Reinsurers' share of change in the provision for unexpired risks	12	**(537)**	(18,415)
Reinsured premium expense		**(6,103)**	(22,755)
Net earned premium revenue	29	**3,498**	5,830
Fee and commission income	30	**7,463**	6,371
Investment income	31	**977**	2,929
Other income	32	**820**	763
Non-interest income		**9,260**	10,063
Income before operating expenses		**31,883**	29,022
Business development expenses		**(808)**	(681)
Commission expenses		**(247)**	(418)
Staff costs		**(10,630)**	(9,257)
General and administrative expenses		**(6,433)**	(5,253)
Operating expenses		**(18,118)**	(15,609)
Change in provision for insurance claims		**22**	1,537
Reinsurers' share of change in provision for insurance claims		**242**	(633)
Gross claims paid	12	**(27)**	(4,325)
Reinsurers' share of claims paid	12	**1**	3,371
Net claims – reversal/(incurred)		**238**	(50)
Operating profit before allowances		**14,003**	13,363
Allowances for loan losses and impairment of investments	33	**(7,467)**	(6,739)
Operating profit after allowances		**6,536**	6,624
Share of after-tax results of associates		**–**	474
Negative goodwill on acquisition of a subsidiary		**–**	850
Profit before income tax	34	**6,536**	7,948
Income tax credit/(expense)	35	**1,336**	(1,377)
Profit for the year		**7,872**	6,571
Profit attributable to:			
Owners of the Company		**7,104**	6,531
Non-controlling interests		**768**	40
Profit for the year		**7,872**	6,571
Earnings per share	36		
Basic earnings per share (cents)		**4.7**	4.3
Diluted earnings per share (cents)		**4.7**	4.3

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Profit for the year		**7,872**	6,571
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		**2,240**	288
Foreign currency translation differences of foreign operations		**295**	595
Income tax on other comprehensive income	35	**(381)**	(59)
Other comprehensive income for the year, net of income tax		**2,154**	824
Total comprehensive income for the year		**10,026**	7,395
Attributable to:			
Owners of the Company		**9,133**	7,361
Non-controlling interests		**893**	34
Total comprehensive income for the year		**10,026**	7,395

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to owners of the Company							
	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total $'000
At 1 January 2009	88,032	233	(858)	(1,724)	35,289	120,972	–	120,972
Total comprehensive income for the year								
Profit for the year	–	–	–	–	6,531	6,531	40	6,571
Other comprehensive income								
Foreign currency translation differences	–	–	–	601	–	601	(6)	595
Net change in fair value of available-for-sale financial assets	–	–	288	–	–	288	–	288
Income tax on other comprehensive income	–	–	(59)	–	–	(59)	–	(59)
Total other comprehensive income	–	–	229	601	–	830	(6)	824
Total comprehensive income for the year	–	–	229	601	6,531	7,361	34	7,395
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Capitalisation of statutory legal reserves of a subsidiary	–	296	–	–	(296)	–	–	–
Dividends to owners of the Company	–	–	–	–	(1,243)	(1,243)	–	(1,243)
Total contributions by and distributions to owners of the Company	–	296	–	–	(1,539)	(1,243)	–	(1,243)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	421	421
Dividends paid by a subsidiary company to non-controlling interests	–	–	–	–	–	–	(23)	(23)
Total changes in ownership interests in subsidiaries	–	–	–	–	–	–	398	398
Total transactions with owners of the Company	–	296	–	–	(1,539)	(1,243)	398	(845)
At 31 December 2009	88,032	529	(629)	(1,123)	40,281	127,090	432	127,522

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to owners of the Company							
	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total $'000
At 1 January 2010	88,032	529	(629)	(1,123)	40,281	127,090	432	127,522
Total comprehensive income for the year								
Profit for the year	–	–	–	–	7,104	7,104	768	7,872
Other comprehensive income								
Foreign currency translation differences	–	–	–	170	–	170	125	295
Net change in fair value of available-for-sale financial assets	–	–	2,240	–	–	2,240	–	2,240
Income tax on other comprehensive income	–	–	(381)	–	–	(381)	–	(381)
Total other comprehensive income	–	–	1,859	170	–	2,029	125	2,154
Total comprehensive income for the year	–	–	1,859	170	7,104	9,133	893	10,026
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Capitalisation of statutory legal reserves of a subsidiary	–	151	–	–	(151)	–	–	–
Dividends to owners of the Company	–	–	–	–	(2,051)	(2,051)	–	(2,051)
Total contributions by and distributions to owners of the Company	–	151	–	–	(2,202)	(2,051)	–	(2,051)
Changes in ownership interests in subsidiaries								
Capital contribution from listing and offering of a subsidiary	–	–	–	–	–	–	7,894	7,894
Effect of dilution arising from listing and offering of a subsidiary with no loss of control	–	(1,496)	–	–	–	(1,496)	–	(1,496)
Dividends paid by a subsidiary company to non-controlling interests	–	–	–	–	–	–	(25)	(25)
Total changes in ownership interests in subsidiaries	–	(1,496)	–	–	–	(1,496)	7,869	6,373
Total transactions with owners of the Company	–	(1,345)	–	–	(2,202)	(3,547)	7,869	4,322
At 31 December 2010	88,032	(816)	1,230	(953)	45,183	132,676	9,194	141,870

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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2010

	2010 $'000	2009 $'000
Cash flows from operating activities		
Profit for the year	**7,872**	6,571
Adjustments for:		
Share of after-tax results of associates	**–**	(474)
Amortisation of		
- intangible assets	**960**	400
- held-to-maturity debt securities	**(210)**	(121)
Negative goodwill	**–**	(850)
Net foreign exchange loss/(gain)	**284**	(15)
Depreciation of property, plant and equipment	**1,181**	1,004
Employee benefits	**666**	–
Gain on disposal of equity securities	**(231)**	(439)
Gain on disposal of property, plant and equipment	**–**	(99)
Net change in fair value of financial assets through profit or loss	**1,038**	(717)
Net change in fair value of derivatives	**(938)**	117
Property, plant and equipment written off	**3**	2
Allowance for impairment of investments	**2,501**	2,982
Provisions for/(reversals of), net of reinsurers' share		
- unexpired risks	**44**	(3,229)
- insurance claims	**(264)**	(904)
Interest income	**(23,568)**	(19,482)
Interest income from investments and fixed deposits	**(1,560)**	(1,591)
Dividend income from investment	**(14)**	(62)
Financial expense	**–**	115
Interest expense	**4,443**	6,353
Bad debts written off	**141**	63
Income tax (credit)/expense	**(1,336)**	1,377
Operating cashflows before changes in working capital	**(8,988)**	(8,999)
Changes in working capital:		
Factoring receivables	**4,719**	14,466
Factoring amounts due to clients	**(2,594)**	(4,095)
Loans, advances, hire purchase and leasing receivables	**34,815**	76,745
Insurance and other receivables	**2,303**	2,255
Trade, other and insurance payables	**(4,853)**	4,158
Cash generated from operations	**25,402**	84,530
Interest received	**25,104**	21,177
Interest paid	**(4,365)**	(7,445)
Income taxes paid, net	**(2,763)**	(3,054)
Income tax refund	**1,401**	–
Net cash from operating activities	**44,779**	95,208

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2010

	2010 $'000	2009 $'000
Cash flows from investing activities		
Net cash outflow on acquisition of subsidiaries **(Note 37)**	**–**	(5,645)
Proceeds from sale of property, plant and equipment	**2**	146
Purchase of property, plant and equipment	**(751)**	(232)
Purchase of intangible assets	**(1,768)**	(739)
Purchase of investments	**(24,439)**	(21,953)
Proceeds from disposal of investments	**21,719**	16,172
Dividends received from investments and associate	**14**	62
Net cash used in investing activities	**(5,223)**	(12,189)
Cash flows from financing activities		
Dividends paid	**(2,076)**	(1,266)
Proceeds from listing and offering of a subsidiary	**6,495**	–
Repayments of interest-bearing borrowings	**(37,046)**	(80,182)
Net cash used in financing activities	**(32,627)**	(81,448)
Net increase in cash and cash equivalents	**6,929**	1,571
Cash and cash equivalents at beginning of year	**26,652**	25,072
Effect of exchange rate fluctuations on cash held	**76**	9
Cash and cash equivalents at end of year (Note 17)	**33,657**	26,652

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 12 March 2011.

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 financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates.

The principal activities of the Company are those relating to the provision of commercial, alternative and structured finance businesses such as factoring services, working capital, asset based financing and the provision of alternative and structured financial solutions offered to clients to address either equity or debt capital requirements. The principal activities of the subsidiaries are detailed in Note 6 below.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

2 BASIS OF PREPARATION (cont'd)

2.4 Use of estimates and judgements (cont'd)

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

Information about critical judgements, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and may have a significant risk of resulting in a material adjustment are described in note 41.

2.5 Changes in accounting policies

(i) Accounting for business combinations

From 1 January 2010, the Group has applied FRS 103 *Business Combinations (2009)* in accounting for business combinations. Business combinations are now accounted for using the acquisition method as at the acquisition date (see note 3.1).

Previously, business combinations were accounted for under the purchase method. The cost of an acquisition was 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 was credited to profit or loss in the period of acquisition. For business acquisitions that were achieved in stages, any existing equity interests in the acquiree were not re-measured to their fair value. Contingent consideration was recognised as an adjustment to the cost of acquisition only when it was probable and can be measured reliably.

The change in the accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on earnings per share.

(ii) Accounting for acquisitions of non-controlling interests

From 1 January 2010, the Group has applied FRS 27 *Consolidated and Separate Financial Statements (2009)* in accounting for acquisitions of non-controlling interests (see note 3.1).

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of transaction.

The change in the accounting policy has been applied prospectively and has no impact on earnings per share.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements, and have been applied consistently by the Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Where share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Investments in Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, 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.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Consolidation (cont'd)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and 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 investee. 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

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

3.2 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.

3.3 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 end of the reporting period are retranslated to Singapore dollars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Singapore dollars at the exchange rates at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit of loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of a net investment in a foreign operation that is effective or qualifying cash flow hedges, which are recognised in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Foreign currencies (cont'd)

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Singapore dollars at exchange rates 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 other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.4 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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Classification of insurance contracts (cont'd)

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.

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.

Maid Insurance

The Group provides coverage for domestic maids against personal accidents, hospitalization and surgical expenses and issuance of security bond to Ministry of Manpower of Singapore.

3.5 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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Recognition and measurement of insurance contracts (cont'd)

Premiums and provision for unexpired risk (cont'd)

For bonds and guarantees and maid 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 maid insurance 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 comprise claims paid during the financial year, net of subrogation recoveries, and changes in the provision for outstanding claims.

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 claims 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 provision 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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Recognition and measurement of insurance contracts (cont'd)

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.

For short-term comprehensive credit insurance contracts, maid insurance 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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Recognition and measurement of insurance contracts (cont'd)

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 profit or loss.

3.6 Financial instruments

Non-derivative financial assets

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

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

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

Financial assets at fair value through profit or loss

A financial asset 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 assets 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 in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, insurance, trade and other receivables.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and 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 cash flow statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3.9) and foreign currency differences on available-for-sale debt instruments (see note 3.3) are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

Non-derivative financial liabilities

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

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

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Non-derivative financial liabilities (cont'd)

Other financial liabilities comprise interest-bearing borrowings, bank overdrafts, insurance, trade and other payables.

Bank overdrafts that are repayable on demand and 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.

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.

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 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 or loss.

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

Separable embedded derivatives

Changes in the value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

Derivative financial instruments **(cont'd)**

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. 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 guarantee is transferred to profit or loss.

3.7 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated 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 capitalised 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 gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a component 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 component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Property, plant and equipment (cont'd)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if the component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives are as follows:

■ Leasehold land	99 years
■ Leasehold building	30 years
■ Freehold residential properties	50 years
■ Freehold building	40 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 at the end of each reporting period and adjusted if appropriate.

3.8 Intangible assets

Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Intangible assets (cont'd)

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets with infinite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

■ computer software	3-5 years
■ customer lists	5 years
■ copyrights	5 years

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

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Impairment

Non-derivative financial assets

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

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity investments securities

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Impairment (cont'd)

Available-for-sale financial assets

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

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 asset's recoverable amounts are estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost 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 CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Impairment (cont'd)

Non-financial assets (cont'd)

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

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

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.10 Lease payments

Payments made under operating 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 expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Lease payments (cont'd)

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.11 Employee benefits

Defined contributions plans

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

Defined benefit plans

The liability in respect of employee benefits is calculated using the actuarial technique. The present value of the defined benefits obligation is determined by discounting estimated future cash flows using yields on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, length of service and others. Actuarial gains or losses will be recognised in profit or loss in the period to which they are related. The costs associated with providing these benefits are charged to the income statement so as to spread the cost over the employment period during which the entitlement is earned.

Short-term benefits

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

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 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. The unwinding of the discount is recognised as finance cost.

3.13 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 the effective yield of the assets.

Fee and commission income

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

Management fees

Management fees are recognised on an accrual basis.

Insurance contracts

Revenue recognition from insurance contracts is explained in note 3.5.

Interest expense

Interest expense is recognised in profit or loss 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 profit or loss at amortised cost using the effective interest rate method.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Revenue recognition (cont'd)

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.

Jobs Credit Scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

3.14 Dividends

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

3.15 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly to equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: 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 related to investments in subsidiaries to the extent it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Income tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable 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.

3.16 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.

3.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, which comprise share options granted to employees.

3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax assets and liabilities and other assets.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and other intangible assets other than goodwill.

3.19 New standards and interpretations not adopted

A number of new standards, amendments to the standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land $'000	Leasehold building $'000	Freehold residential properties $'000	Freehold land & building $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Group									
Cost									
At 1 January 2009	12,822	10,510	495	–	745	1,320	1,067	201	27,160
Acquisitions through business combinations	–	–	–	2,554	–	531	867	231	4,183
Other additions	–	–	–	–	–	26	60	146	232
Disposals	–	–	(312)	–	–	(8)	(10)	(101)	(431)
Write-off	–	–	–	–	–	(33)	(209)	–	(242)
Effect of movements in exchange rates	–	–	–	(32)	(1)	7	(11)	7	(30)
At 31 December 2009	12,822	10,510	183	2,522	744	1,843	1,764	484	30,872
At 1 January 2010	**12,822**	**10,510**	**183**	**2,522**	**744**	**1,843**	**1,764**	**484**	**30,872**
Additions	**–**	**–**	**–**	**–**	**72**	**512**	**97**	**70**	**751**
Disposals	**–**	**–**	**–**	**–**	**–**	**(19)**	**(43)**	**(6)**	**(68)**
Write-off	**–**	**–**	**–**	**–**	**(51)**	**(51)**	**(25)**	**–**	**(127)**
Effect of movements in exchange rates	**–**	**–**	**–**	**29**	**1**	**4**	**11**	**–**	**45**
At 31 December 2010	**12,822**	**10,510**	**183**	**2,551**	**766**	**2,289**	**1,804**	**548**	**31,473**
Accumulated depreciation									
At 1 January 2009	1,748	3,562	397	–	651	995	645	96	8,094
Acquisitions through business combinations	–	–	–	607	–	500	611	115	1,833
Depreciation for the year	140	397	4	29	36	125	197	76	1,004
Disposals	–	–	(312)	–	–	(8)	(10)	(56)	(386)
Write-off	–	–	–	–	–	(33)	(207)	–	(240)
Effect of movements in exchange rates	–	–	–	(11)	–	(1)	(5)	5	(12)
At 31 December 2009	1,888	3,959	89	625	687	1,578	1,231	236	10,293

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold land $'000	Leasehold building $'000	Freehold residential properties $'000	Freehold land & building $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Group									
Accumulated depreciation									
At 1 January 2010	**1,888**	**3,959**	**89**	**625**	**687**	**1,578**	**1,231**	**236**	**10,293**
Depreciation for the year	**140**	**397**	**4**	**96**	**37**	**193**	**214**	**100**	**1,181**
Disposals	**–**	**–**	**–**	**–**	**–**	**(17)**	**(43)**	**(6)**	**(66)**
Write-off	**–**	**–**	**–**	**–**	**(49)**	**(50)**	**(25)**	**–**	**(124)**
Effect of movements in exchange rates	**–**	**–**	**–**	**10**	**1**	**4**	**6**	**1**	**22**
At 31 December 2010	**2,028**	**4,356**	**93**	**731**	**676**	**1,708**	**1,383**	**331**	**11,306**
Carrying amount									
At 1 January 2009	11,074	6,948	98	–	94	325	422	105	19,066
At 31 December 2009	10,934	6,551	94	1,897	57	265	533	248	20,579
At 31 December 2010	**10,794**	**6,154**	**90**	**1,820**	**90**	**581**	**421**	**217**	**20,167**

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold land $'000	Leasehold building $'000	Freehold residential properties $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Company								
Cost								
At 1 January 2009	12,822	10,510	495	611	1,044	544	10	26,036
Additions	–	–	–	–	–	35	–	35
Disposals	–	–	(312)	–	–	–	–	(312)
Write-off	–	–	–	–	(4)	(36)	–	(40)
At 31 December 2009	12,822	10,510	183	611	1,040	543	10	25,719
At 1 January 2010	**12,822**	**10,510**	**183**	**611**	**1,040**	**543**	**10**	**25,719**
Additions	**–**	**–**	**–**	**–**	**3**	**42**	**–**	**45**
Disposal	**–**	**–**	**–**	**–**	**(2)**	**(13)**	**–**	**(15)**
Write-off	**–**	**–**	**–**	**–**	**–**	**(7)**	**–**	**(7)**
At 31 December 2010	**12,822**	**10,510**	**183**	**611**	**1,041**	**565**	**10**	**25,742**
Accumulated depreciation								
At 1 January 2009	1,748	3,562	397	546	857	345	10	7,465
Depreciation for the year	140	397	4	22	57	69	–	689
Disposals	–	–	(312)	–	–	–	–	(312)
Write-off	–	–	–	–	(4)	(34)	–	(38)
At 31 December 2009	1,888	3,959	89	568	910	380	10	7,804
At 1 January 2010	**1,888**	**3,959**	**89**	**568**	**910**	**380**	**10**	**7,804**
Depreciation for the year	**140**	**397**	**4**	**21**	**56**	**68**	**–**	**686**
Disposals	**–**	**–**	**–**	**–**	**(2)**	**(13)**	**–**	**(15)**
Write-off	**–**	**–**	**–**	**–**	**–**	**(7)**	**–**	**(7)**
At 31 December 2010	**2,028**	**4,356**	**93**	**589**	**964**	**428**	**10**	**8,468**
Carrying amount								
At 1 January 2009	11,074	6,948	98	65	187	199	–	18,571
At 31 December 2009	10,934	6,551	94	43	130	163	–	17,915
At 31 December 2010	**10,794**	**6,154**	**90**	**22**	**77**	**137**	**–**	**17,274**

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group and 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
#14-06 Seaview Tower, Ocean Palms Klebang Besar, Malacca, Malaysia	Freehold	Residential apartment
#20-00 Lumpini Tower, 1168/55 Rama IV Road, Thungmahamek, Sathorn, Bangkok, Thailand	Freehold	Offices

5 INTANGIBLE ASSETS

	Computer software $'000	Customer lists $'000	Membership rights $'000	Copyrights $'000	Total $'000
Group					
Cost					
At 1 January 2009	4,273	–	–	–	4,273
Acquisitions through business combinations	123	1,131	23	–	1,277
Other additions	739	–	–	–	739
Disposals	(2)	–	–	–	(2)
Effect of movements in exchange rates	5	–	–	–	5
At 31 December 2009	5,138	1,131	23	–	6,292
At 1 January 2010	**5,138**	**1,131**	**23**	**–**	**6,292**
Additions	**588**	**–**	**–**	**1,180**	**1,768**
Disposals	**–**	**–**	**–**	**–**	**–**
Effect of movements in exchange rates	**6**	**–**	**–**	**130**	**136**
At 31 December 2010	**5,732**	**1,131**	**23**	**1,310**	**8,196**

5 INTANGIBLE ASSETS (cont'd)

	Computer software $'000	Customer lists $'000	Membership rights $'000	Copyrights $'000	Total $'000
Group					
Accumulated amortisation					
At 1 January 2009	3,867	–	–	–	3,867
Acquisition through business combinations	25	–	–	–	25
Amortisation charge for the year	400	–	–	–	400
Disposals	(2)	–	–	–	(2)
Effect of movements in exchange rates	4	–	–	–	4
At 31 December 2009	4,294	–	–	–	4,294
At 1 January 2010	**4,294**	**–**	**–**	**–**	**4,294**
Amortisation charge for the year	**564**	**396**	**–**	**–**	**960**
Disposals	**–**	**–**	**–**	**–**	**–**
Effect of movements in exchange rates	**(1)**	**–**	**–**	**–**	**(1)**
At 31 December 2010	**4,857**	**396**	**–**	**–**	**5,253**
Carrying amount					
At 1 January 2009	406	–	–	–	406
At 31 December 2009	844	1,131	23	–	1,998
At 31 December 2010	**875**	**735**	**23**	**1,310**	**2,943**
Company					
Cost					
At 1 January 2009	3,606	–	–	–	3,606
Additions	75	–	–	–	75
At 31 December 2009	3,681	–	–	–	3,681
At 1 January 2010	**3,681**	**–**	**–**	**–**	**3,681**
Additions	**545**	**–**	**–**	**–**	**545**
At 31 December 2010	**4,226**	**–**	**–**	**–**	**4,226**
Accumulated amortisation					
At 1 January 2009	3,489	–	–	–	3,489
Amortisation charge for the year	78	–	–	–	78
At 31 December 2009	3,567	–	–	–	3,567
At 1 January 2010	**3,567**	**–**	**–**	**–**	**3,567**
Amortisation charge for the year	**196**	**–**	**–**	**–**	**196**
At 31 December 2010	**3,763**	**–**	**–**	**–**	**3,763**
Carrying amount					
At 1 January 2009	117	–	–	–	117
At 31 December 2009	114	–	–	–	114
At 31 December 2010	**463**	**–**	**–**	**–**	**463**

5 INTANGIBLE ASSETS (cont'd)

During the year, the Group acquired 31.3% in the copyright relating to a film production, the amortisation charge will commence from the date on which it is available for use.

The amortisation charge for the year is included in the "General and administrative expenses" in the consolidated income statement. For customer lists acquired through business combinations, please refer to Note 37.

6 SUBSIDIARIES

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Quoted ordinary shares, at cost	**–**	–	**7,898**	–
Unquoted ordinary shares, at cost	**–**	–	**53,030**	55,927
	–	–	**60,928**	55,927

Details of the subsidiaries are as follows:

Company Name		Country of Incorporation	Proportion of Ownership Interest		
Principal direct and indirect subsidiaries			**Group's effective interest %**	**Held by Company %**	**Held by Subsidiary %**
(a)	IFS Capital Assets Private Limited	Singapore	100	100	–
	IFS Ventures Private Limited	Singapore	100	–	100
	IFS Ventures 2 Limited	Singapore	100	25	75
	ECIL Ltd.	Singapore	100	–	100
	IFS Capital Intellectual Property Private Limited	Singapore	100	–	100
(b)	ECICS Limited	Singapore	100	100	–
(c)	IFS Capital (Malaysia) Sdn. Bhd.	Malaysia	70+	70+	–
	IFS Factors (Malaysia) Sdn. Bhd.	Malaysia	30+	–	30+*
(d)	PT. IFS Capital Indonesia	Indonesia	85	85	–
(e)	IFS Capital (Hong Kong) Limited	Hong Kong	100	100	–
(f)	IFS Capital Holdings (Thailand) Limited	Thailand	100	100	–
(g)	IFS Capital (Thailand) Public Company Limited	Thailand	73.1	36.5	36.6

\+ Consolidation is prepared based on 100% beneficial interest.

* Although the Group owns less than half of the voting power of IFS Factors (Malaysia) Sdn. Bhd. ("IFS Factors"), it is able to govern the financial and operating policies of the Company by virtue of an agreement with the other investors of IFS Factors. Consequently, the Group consolidates the results of IFS Factors.

6 SUBSIDIARIES (cont'd)

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, venture capital investments and private equity investments
1	IFS Ventures 2 Limited	Venture capital investments
1	IFS Ventures Private Limited	Venture capital investments
1	IFS Capital Intellectual Property Private Limited	Investment holding
	ECIL Ltd.	In members' voluntary liquidation (completed on 15 June 2010)
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
2	PT. IFS Capital Indonesia	Factoring of onshore and offshore short-term trade receivables, direct financing, operating leases and consumer financing
3	IFS Capital (Hong Kong) Limited	Dormant
4	IFS Capital Holdings (Thailand) Limited	Investment holding
4	IFS Capital (Thailand) Public Company Limited	Factoring, hire purchase and leasing businesses

[1] Audited by KPMG LLP Singapore
[2] Audited by other member firms of KPMG International
[3] Audited by Peter W.H. Ma & Co., Hong Kong
[4] Audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd, Thailand

6 SUBSIDIARIES (cont'd)

On 31 May 2010, IFS Capital Assets Private Limited incorporated a 100% owned subsidiary, IFS Capital Intellectual Property Private Limited.

On 5 August 2010, IFS Capital (Thailand) Public Company Limited ("IFS Thailand") made its public offering of 120 million shares at Baht 1.35 per share. On 10 August 2010, IFS Thailand was listed on the Stock Exchange of Thailand and the Group's percentage shareholding was reduced from 98.2% to 73.13%. Consequently, the Group's share of results was diluted by 25.07%.

On 23 August 2010, the Company subscribed for additional 5 million ordinary shares in the capital of its subsidiary, ECICS Limited. The Company's percentage shareholdings remained unchanged.

KPMG LLP Singapore is the auditor of all Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries except for IFS Capital (Thailand) Public Company Limited which is audited by Deloitte Touche Tohmatsu Jaiyos Co., Ltd., Thailand. 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.

7 OTHER INVESTMENTS

		Group		Company	
	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Non-current investments					
Held-to-maturity debt securities	(a)	**25,644**	30,992	**1,495**	1,207
Available-for-sale equity securities					
– Quoted and unquoted equity		**19,320**	13,543	**8,582**	4,766
		44,964	44,535	**10,077**	5,973
Allowance for impairment loss		**(7,090)**	(4,285)	**(2,851)**	–
		37,874	40,250	**7,226**	5,973

7 OTHER INVESTMENTS (cont'd)

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Current investments					
Held-to-maturity debt securities	(a)	**15,476**	9,958	**1,243**	980
Available-for-sale debt securities					
– Unquoted		**4,157**	5,079	**–**	–
Held-for-trading equity securities		**186**	645	**–**	–
Financial derivatives					
At fair value through profit or loss		**–**	1,004	**–**	–
		19,819	16,686	**1,243**	980
Allowance for impairment loss		**(4,157)**	(4,514)	**–**	–
		15,662	12,172	**1,243**	980
Total		**53,536**	52,422	**8,469**	6,953

(a) Held-to-maturity debt securities have interest rates of 2.1% to 4.75% (2009: 1.55% to 5.0%) per annum and mature in 1 to 5 years.

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:

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
At 1 January		**8,799**	6,280	**–**	–
Allowance made during the year (net)	33	**2,501**	2,982	**2,851**	–
Allowance utilised during the year		**(53)**	(463)	**–**	–
At 31 December		**11,247**	8,799	**2,851**	–

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	Fixed interest rate maturing in 1 to 5 years	Total
	%	$'000	$'000	$'000
Group				
2010				
Held-to-maturity debt securities	**3.44**	**15,476**	**25,644**	**41,120**
2009				
Held-to-maturity debt securities	3.79	9,958	30,992	40,950
Company				
2010				
Held-to-maturity debt securities	**3.95**	**1,243**	**1,495**	**2,738**
2009				
Held-to-maturity debt securities	3.76	980	1,207	2,187

8 LOANS, ADVANCES, HIRE PURCHASE AND LEASING RECEIVABLES

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Hire purchase and leasing receivables	9	**28,911**	47,009	**10,298**	21,734
Less: Deposits on leasing receivables		**(2,277)**	–	**–**	–
		26,634	47,009	**10,298**	21,734
Loans and advances		**73,764**	91,346	**64,827**	76,621
		100,398	138,355	**75,125**	98,355
Allowance for impairment of doubtful receivables					
– hire purchase receivables		**(1,728)**	(1,729)	**(867)**	(928)
– leasing receivables		**(545)**	(555)	**–**	–
– loans and advances		**(4,127)**	(7,280)	**(3,967)**	(6,981)
		(6,400)	(9,564)	**(4,834)**	(7,909)
	40	**93,998**	128,791	**70,291**	90,446
Due within 12 months	14	**62,402**	85,003	**45,852**	59,624
Due after 12 months		**31,596**	43,788	**24,439**	30,822
		93,998	128,791	**70,291**	90,446

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

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
At 1 January		**9,564**	11,551	**7,909**	11,013
Translation adjustment		**–**	15	**–**	–
Acquisitions through business combinations		**–**	590	**–**	–
Allowance made during the year (net)	33	**2,710**	3,321	**2,380**	2,809
Allowance utilised during the year		**(5,874)**	(5,913)	**(5,455)**	(5,913)
At 31 December		**6,400**	9,564	**4,834**	7,909

8 LOANS, ADVANCES, HIRE PURCHASE AND LEASING RECEIVABLES (cont'd)

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Floating rate $'000	Fixed interest rate maturing within 1 year $'000	Fixed interest rate maturing in 1 to 5 years $'000	Total $'000
Group					
2010					
Loans, advances, hire purchase and leasing receivables					
– fixed rate	**7.8**	**–**	**14,027**	**8,266**	**22,293**
– variable rate	**7.5**	**71,705**	**–**	**–**	**71,705**
		71,705	**14,027**	**8,266**	**93,998**
2009					
Loans, advances, hire purchase and leasing receivables					
– fixed rate	8.0	–	30,156	12,764	42,920
– variable rate	7.9	85,871	–	–	85,871
		85,871	30,156	12,764	128,791
Company					
2010					
Loans, advances, hire purchase and leasing receivables					
– fixed rate	**4.4**	**–**	**8,668**	**4,150**	**12,818**
– variable rate	**7.5**	**57,473**	**–**	**–**	**57,473**
		57,473	**8,668**	**4,150**	**70,291**
2009					
Loans, advances, hire purchase and leasing receivables					
– fixed rate	5.9	–	15,618	8,305	23,923
– variable rate	7.5	66,523	–	–	66,523
		66,523	15,618	8,305	90,446

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

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

9 HIRE PURCHASE AND LEASING RECEIVABLES

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Gross receivables		**30,807**	49,277	**10,298**	21,734
Unearned income		**(1,896)**	(2,268)	**–**	–
	8	**28,911**	47,009	**10,298**	21,734
Within 1 year		**17,302**	29,314	**7,347**	15,969
After 1 year but within 5 years		**11,609**	17,695	**2,951**	5,765
		28,911	47,009	**10,298**	21,734

10 DEFERRED TAX ASSETS AND LIABILITIES

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 therefrom.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2010 $'000	Assets 2009 $'000	Liabilities 2010 $'000	Liabilities 2009 $'000
Group				
Loans, advances, hire purchase and leasing receivables	**(957)**	(912)	**–**	290
Factoring receivables	**(1,033)**	(648)	**–**	–
Other investments	**(791)**	(908)	**–**	–
Others	**(984)**	(270)	**–**	–
Property, plant and equipment	**–**	–	**306**	178
Trade and other receivables	**–**	–	**60**	69
Trade and other payables	**–**	–	**4**	4
Dividend not remitted to Singapore	**–**	–	**114**	114
Other investments	**–**	–	**272**	36
Deferred tax (assets)/liabilities	**(3,765)**	(2,738)	**756**	691
Set off of tax	**630**	322	**(630)**	(322)
Net deferred tax (assets)/liabilities	**(3,135)**	(2,416)	**126**	369

10 DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

	Assets		Liabilities	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Company				
Loans, advances, hire purchase and leasing receivables	**(137)**	(768)	**–**	–
Factoring receivables	**(15)**	(568)	**–**	–
Other investments	**–**	–	**47**	21
Property, plant and equipment	**–**	–	**115**	61
Deferred tax (assets)/liabilities	**(152)**	(1,336)	**162**	82
Set off of tax	**152**	82	**(152)**	(82)
Net deferred tax (assets)/liabilities	**–**	(1,254)	**10**	–

Movements in temporary differences during the year are as follows:

	At 1/1/2010 $'000	Recognised in income statement (Note 35) $'000	Recognised in other comprehen-sive income $'000	Exchange differences $'000	At 31/12/2010 $'000
Group					
Deferred tax liabilities					
Property, plant and equipment	178	129	–	(1)	306
Trade and other receivables	359	(304)	–	5	60
Trade and other payables	4	–	–	–	4
Dividend not remitted to Singapore	114	–	–	–	114
Other investments	36	–	236	–	272
	691	(175)	236	4	756
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	(912)	(47)	–	2	(957)
Factoring receivables	(648)	(388)	–	3	(1,033)
Other investments	(908)	(28)	145	–	(791)
Others	(270)	(714)	–	–	(984)
	(2,738)	(1,177)	145	5	(3,765)
Total	(2,047)	(1,352)	381	9	(3,009)

10 DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

	At 1/1/2009 $'000	Recognised in income statement (Note 35) $'000	Recognised in other comprehen-sive income $'000	Exchange differences $'000	At 31/12/2009 $'000
Group					
Deferred tax liabilities					
Property, plant and equipment	158	21	–	(1)	178
Trade and other receivables	67	292	–	–	359
Trade and other payables	6	(2)	–	–	4
Dividend not remitted to Singapore	121	(7)	–	–	114
Other investments	13	–	23	–	36
	365	304	23	(1)	691
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	(948)	35	–	1	(912)
Factoring receivables	(493)	(155)	–	–	(648)
Other investments	(470)	(474)	36	–	(908)
Others	(47)	(220)	–	(3)	(270)
	(1,958)	(814)	36	(2)	(2,738)
Total	(1,593)	(510)	59	(3)	(2,047)

10 DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Movements in the temporary differences during the year are as follows:

	At 1/1/2010 $'000	Recognised in income statement $'000	Recognised in other comprehen-sive income $'000	At 31/12/2010 $'000
Company				
Deferred tax liabilities				
Property, plant and equipment	**61**	**54**	**–**	**115**
	61	**54**	**–**	**115**
Deferred tax assets				
Loans, advances, hire purchase and leasing receivables	**(768)**	**631**	**–**	**(137)**
Factoring receivables	**(568)**	**553**	**–**	**(15)**
Other investments	**21**	**–**	**26**	**47**
	(1,315)	**1,184**	**26**	**(105)**
Total	**(1,254)**	**1,238**	**26**	**10**
Company				
Deferred tax liabilities				
Property, plant and equipment	69	(8)	–	61
	69	(8)	–	61
Deferred tax assets				
Loans, advances, hire purchase and leasing receivables	(892)	124	–	(768)
Factoring receivables	(493)	(75)	–	(568)
Other investments	(6)	–	27	21
	(1,391)	49	27	(1,315)
Total	(1,322)	41	27	(1,254)

11 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2010, the Group and the Company have a net asset US dollar exposure amounting to US$10,959,000. To hedge this exposure, the Group and the Company entered into foreign exchange forward contract of notional amount of US$10,959,000. The fair value of this hedging instrument amounted to $938,000 at 31 December 2010.

12 REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

	Group	
	2010	**2009**
	$'000	**$'000**
Reinsurers' share of insurance contract provisions		
– Unexpired risks	**8,151**	8,688
– Insurance claims	**2,539**	2,297
	10,690	10,985

Unexpired risks

	2010			2009		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group						
At 1 January	**13,307**	**(8,688)**	**4,619**	34,951	(27,103)	7,848
Change during the year	**(493)**	**537**	**44**	(21,644)	18,415	(3,229)
At 31 December	**12,814**	**(8,151)**	**4,663**	13,307	(8,688)	4,619

12 REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS (cont'd)

Insurance claims

	2010			2009		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Group						
At 1 January	**5,132**	**(2,297)**	**2,835**	6,669	(2,930)	3,739
Change in specific reserves for reported claims	**(127)**	**71**	**(56)**	(1,375)	921	(454)
Change in incurred-but-not-reported losses	**105**	**(313)**	**(208)**	(162)	(288)	(450)
At 31 December	**5,110**	**(2,539)**	**2,571**	5,132	(2,297)	2,835
Claims paid	**313**	**(164)**	**149**	7,713	(5,546)	2,167
Claims recovered	**(286)**	**163**	**(123)**	(3,388)	2,175	(1,213)
Net claims paid/ (recovered)	**27**	**(1)**	**26**	4,325	(3,371)	954

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

	Group	
	2010 $'000	2009 $'000
Less than 1 year	**1,497**	2,390
Between 1 - 2 years	**720**	391
Between 2 - 3 years	**296**	54
Between 3 - 4 years	**58**	–
	2,571	2,835

13 INSURANCE RECEIVABLES

	Group 2010 $'000	Group 2009 $'000
Receivables arising from insurance contracts	**1,045**	550
Reinsurance contract receivables	**9**	31
	1,054	581
Allowance for doubtful receivables	**(391)**	(258)
	663	323

Insurance receivables are non interest-earning.

The maximum credit exposure to credit risk of insurance receivables 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 2010 $'000	Group 2009 $'000
At 1 January		**258**	289
Allowance made/(reversed) during the year (net)	33	**141**	(31)
Allowance utilised during the year		**(8)**	–
At 31 December		**391**	258

14 TRADE AND OTHER RECEIVABLES

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Loans, advances, hire purchase and leasing receivables	8	**62,402**	85,003	**45,852**	59,624
Factoring receivables	15	**103,864**	107,541	**18,626**	23,409
Amount owing by non-controlling shareholders		**96**	96	**969**	969
Loan owing by subsidiaries					
– trade		**–**	–	**21,905**	28,917
– non-trade		**–**	–	**294**	427
Deposits and other receivables	16	**1,568**	4,793	**148**	1,530
Loans and receivables		**167,930**	197,433	**87,794**	114,876
Prepayment		**448**	474	**124**	117
		168,378	197,907	**87,918**	114,993

The amount owing by non-controlling 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.

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Total 2010 $'000	Weighted average effective interest rate %	Total 2009 $'000
Company				
Loans owing by subsidiaries				
– fixed rate	**–**	**–**	4.2	1,892
– variable rate	**3.1**	**21,905**	4.4	27,025
– non interest-earning	**–**	**294**	–	427
		22,199		29,344

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 15 respectively.

15 FACTORING RECEIVABLES

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Factoring receivables	40	**142,365**	172,504	**24,784**	58,219
Less:					
Factoring amounts owing to clients		**(34,191)**	(50,460)	**(5,867)**	(23,985)
		108,174	122,044	**18,917**	34,234
Allowance for doubtful receivables		**(4,310)**	(14,503)	**(291)**	(10,825)
	14	**103,864**	107,541	**18,626**	23,409

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

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
At 1 January		**14,503**	12,226	**10,825**	12,034
Translation adjustment		**38**	11	**–**	–
Acquisitions through business combinations		**–**	3,213	**–**	–
Allowance made during the year (net)	33	**70**	(566)	**(523)**	(836)
Allowance utilised during the year		**(10,301)**	(381)	**(10,011)**	(373)
At 31 December		**4,310**	14,503	**291**	10,825

The weighted average interest rates of factoring receivables net of factoring amounts owing to clients included in Trade and Other Payables of $7,142,768 for the Group and Company (2009: Group and Company: $9,737,144) (refer to Note 24) and allowance for doubtful receivables at the balance sheet date and the periods in which they reprice are as follows:

	Weighted average effective interest rate %	Total 2010 $'000	Weighted average effective interest rate %	Total 2009 $'000
Group				
Factoring receivables, net				
– fixed rate	**5.0**	**208**	6.2	3,083
– variable rate	**9.5**	**96,513**	9.6	94,721
		96,721		97,804

15 FACTORING RECEIVABLES (cont'd)

	Weighted average effective interest rate %	Total 2010 $'000	Weighted average effective interest rate %	Total 2009 $'000
Company				
Factoring receivables, net				
– fixed rate	**5.0**	**208**	5.2	3,083
– variable rate	**7.7**	**11,275**	6.6	10,589
		11,483		13,672

16 DEPOSITS AND OTHER RECEIVABLES

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Deposits					
– own deposits		**53**	32	**8**	7
– deposits lodged with Monetary Authority of Singapore		**500**	500	**–**	–
		553	532	**8**	7
Tax recoverable		**42**	1,143	**–**	1,104
Accrued interest receivable		**429**	405	**86**	–
Other receivables:					
Gross receivables		**2,891**	4,331	**441**	2,035
Allowance for doubtful receivables		**(2,347)**	(1,618)	**(387)**	(1,616)
Other receivables, net		**544**	2,713	**54**	419
	14	**1,568**	4,793	**148**	1,530

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

16 DEPOSITS AND OTHER RECEIVABLES (cont'd)

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

	Note	Group		Company	
		2010	**2009**	**2010**	**2009**
		$'000	**$'000**	**$'000**	**$'000**
At 1 January		**1,618**	852	**1,616**	849
Allowance made during the year (net)	33	**1,827**	971	**(131)**	970
Allowance utilised during the year		**(1,098)**	(205)	**(1,098)**	(203)
At 31 December		**2,347**	1,618	**387**	1,616

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks and in hand	**11,499**	8,143	**3,657**	2,537
Fixed deposits	**22,192**	18,509	**5,168**	3,311
	33,691	26,652	**8,825**	5,848
Bank overdrafts used for cash management purposes	**(34)**	–	**(34)**	–
Cash and cash equivalents in the consolidated statement of cash flows	**33,657**	26,652	**8,791**	5,848

17 CASH AND CASH EQUIVALENTS (cont'd)

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Floating rate $'000	Fixed interest rate maturing within 1 year $'000	Non interest-earning $'000	Total $'000
Group					
2010					
Cash at banks and in hand	**2.6**	**1,877**	**–**	**9,622**	**11,499**
Fixed deposits	**0.2**	**–**	**22,192**	**–**	**22,192**
		1,877	**22,192**	**9,622**	**33,691**
2009					
Cash at banks and in hand	1.1	856	–	7,287	8,143
Fixed deposits	0.3	3,425	15,084	–	18,509
		4,281	15,084	7,287	26,652
Company					
2010					
Cash at banks and in hand	**–**	**–**	**–**	**3,657**	**3,657**
Fixed deposits	**0.3**	**–**	**5,168**	**–**	**5,168**
		–	**5,168**	**3,657**	**8,825**
2009					
Cash at banks and in hand	–	–	–	2,537	2,537
Fixed deposits	0.4	3,311	–	–	3,311
		3,311	–	2,537	5,848

18 DEPOSITS RELATING TO COLLATERAL OF CLIENTS

The Group has fixed deposits of $10,122,687 (2009: $23,972,102) held as collateral for guarantees issued on behalf of policyholders. The fair value of the cash collateral 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	
	2010	**2009**
At 1 January	**136,716,262**	124,287,522
Issue of bonus shares	**13,671,604**	12,428,740
At 31 December	**150,387,866**	136,716,262

On 5 May 2010, the company issued 13,671,604 new ordinary shares on the basis of 1 bonus share credited as fully paid at nil consideration for every 10 existing ordinary shares held by the shareholders of the company.

There were no shares issued during the year (2009: nil) under the Employee Share Option Scheme (“ESOS”).

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

Capital Management

Except for one of its subsidiaries, the Group 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.

19 SHARE CAPITAL (cont'd)

Capital Management (cont'd)

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 120% (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 non-controlling 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.

The Group's strategy is to maintain a leverage ratio of less than 5.5 times and dividend distribution of at least 30% 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 option 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
Manu Bhaskaran	Independent *(appointed on 31 January 2011)*

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 2000 Scheme are as follows:

Date of grant of option	Options outstanding as at 1/1/2010	Options granted	Options exercised	Options cancelled/ lapsed	Options balance as at 31/12/2010	Options exercisable as at 1/1/2010	Options exercisable as at 31/12/2010	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	9,700	–	–	9,700	–	–	–	$0.50	–	–	–	08/11/2001 – 06/11/2010
11/05/2001	11,800	–	–	–	**11,800**	–	–	$0.50	–	–	–	12/05/2002 – 10/05/2011
	21,500	–	–	9,700	**11,800**	–	–		–	–	–	

No options were exercised in 2010.

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 remaining share options will expire in May 2011.

21 OTHER RESERVES

Other reserves comprise:

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Fair value reserve	**1,230**	(629)	**231**	101
Capital reserve	**680**	529	**–**	–
Currency translation reserve	**(953)**	(1,123)	**–**	–
Other equity	**(1,496)**	–	**–**	–
	(539)	(1,223)	**231**	101

Fair value reserve

The fair value reserve relates to the net change in the fair value of available-for-sale investments until the investments are derecognised.

Capital reserve

The capital reserve relates to the statutory legal reserve transferred from revenue reserve in accordance with the foreign jurisdiction in which the Group's subsidiary operates.

Currency translation reserve

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

Other equity

The other equity represents the effect of 25.07% dilution from 98.2% to 73.13% of the Group's share-holding interest in IFS Thailand following its initial public offer of 120 million new shares at offer price of THB1.35 per share on 5 August 2010. As the change in the Group's percentage does not result in a loss of control, the effect of dilution as computed was recognised directly in equity.

21 OTHER RESERVES (cont'd)

Other equity (cont'd)

The following summarises the effect of changes in the Group's ownership interest in IFS Thailand:

	$'000
Group's ownership at the beginning of the year	23,557
Effect of the decrease in the Group's ownership interest	(1,496)
Share of comprehensive income	2,961
Group's ownership at the end of the year	25,022

Dividends

The following dividends were declared and paid by the Group and Company:

For the year ended 31 December

	Group and Company	
	2010	**2009**
	$'000	**$'000**
Final one-tier tax exempt dividend of 1.50 cents (2009: 1.00 cent) per share in respect of year 2009/2008	**2,051**	1,243

After the respective reporting dates, the following dividend was proposed by the directors. The dividend has not been provided for and there is no income tax consequence.

	Group and Company	
	2010	**2009**
	$'000	**$'000**
First and final one-tier tax exempt dividend of 1.50 cents (2009: 1.50 cents) per share in respect of year 2010/2009	**2,256**	2,051

22 INTEREST-BEARING BORROWINGS

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Payable:				
Within 12 months	**129,007**	136,455	**66,265**	64,321
After 12 months	**16,938**	45,361	**11,588**	45,361
	145,945	181,816	**77,853**	109,682

The interest-bearing borrowings comprise:

	Note	2010		2009	
		Face value	**Carrying amount**	**Face value**	**Carrying amount**
		$'000	**$'000**	**$'000**	**$'000**
Group					
Unsecured short-term bank loans	(a)	**102,226**	**102,226**	108,288	108,288
Unsecured long-term bank loans	(b)	**19,130**	**19,130**	47,630	47,630
Unsecured SPRING and IES loans	(c)	**9,589**	**9,589**	25,898	25,898
Medium term notes	(d)	**15,000**	**15,000**	–	–
		145,945	**145,945**	181,816	181,816
Company					
Unsecured short-term bank loans	(a)	**43,764**	**43,764**	36,154	36,154
Unsecured long-term bank loans	(b)	**9,500**	**9,500**	47,630	47,630
Unsecured SPRING and IES loans	(c)	**9,589**	**9,589**	25,898	25,898
Medium term notes	(d)	**15,000**	**15,000**	–	–
		77,853	**77,853**	109,682	109,682

22 INTEREST-BEARING BORROWINGS (cont'd)

(a) Unsecured short-term bank loans bear nominal interest rates ranging from 1.4% to 12.9% (2009: 2.0% to 13.0 %) per annum and are repayable in 2011. These include subsidiaries' bank loans denominated in Indonesian Rupiah, Malaysian Ringgit and Thai Baht.

(b) The unsecured long-term bank loans bear nominal interest rates ranging from 1.4% to 3.9% (2009: 1.4% to 3.5%) per annum and are repayable by quarterly/semi-annual/bullet repayments between 2011 to 2015. These include subsidiaries' bank loans denominated in Thai Baht.

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

The interest rates and repayment periods vary in accordance with the type, purpose and security for the facilities granted under the above schemes. Nominal interest rates on the above loans and advances ranged from 2.8% to 2.9% (2009: 1.8% to 5.4%) per annum and are repayable between 2011 and 2013.

(d) In 2003, the Company established a $250 million Multi-currency Medium Term Note Programme (the "MTN Programme"). Pursuant to this, the Company may from time to time issue debt under the Programme subject to availability of funds from the market. During the year, the Company issued a one year debt of $15 million under the MTN Programme, which will mature in February 2011.

Intra-group financial guarantee

Intra-group financial guarantee comprises a guarantee granted by the Company to banks in respect of banking facilities amounting to $15,951,520 (2009: $11,285,568) granted to subsidiaries. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee.

22 INTEREST-BEARING BORROWINGS (cont'd)

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Floating rate $'000	Fixed interest rate maturing within 1 year $'000	Fixed interest rate maturing in 1 to 5 years $'000	Total $'000
Group					
2010					
Unsecured short-term bank loans	**2.8**	**102,226**	**–**	**–**	**102,226**
Unsecured long-term bank loans	**2.9**	**19,130**	**–**	**–**	**19,130**
Unsecured SPRING and IES loans	**2.8**	**–**	**5,751**	**3,838**	**9,589**
Medium term notes	**2.6**	**–**	**15,000**	**–**	**15,000**
		121,356	**20,751**	**3,838**	**145,945**
2009					
Unsecured short-term bank loans	2.7	108,288	–	–	108,288
Unsecured long-term bank loans	2.2	47,630	–	–	47,630
Unsecured SPRING and IES loans	2.8	–	19,353	6,545	25,898
		155,918	19,353	6,545	181,816
Company					
2010					
Unsecured short-term bank loans	**1.9**	**43,764**	**–**	**–**	**43,764**
Unsecured long-term bank loans	**1.8**	**9,500**	**–**	**–**	**9,500**
Unsecured SPRING and IES loans	**2.8**	**–**	**5,751**	**3,838**	**9,589**
Medium term notes	**2.6**	**–**	**15,000**	**–**	**15,000**
		53,264	**20,751**	**3,838**	**77,853**
2009					
Unsecured short-term bank loans	2.3	36,154	–	–	36,154
Unsecured long-term bank loans	2.2	47,630	–	–	47,630
Unsecured SPRING and IES loans	2.8	–	19,353	6,545	25,898
		83,784	19,353	6,545	109,682

23 EMPLOYEE BENEFITS

A foreign subsidiary of the Group provides for the severance pay under the Thai Labor Protection Act and long service payable to employees. The foreign subsidiary of the Group calculated the provision for employee benefits by using the actuarial technique. Principal actuarial assumptions at the reporting date are as follows:

	Group	
	2010	2009
Discount rate at 31 December	4%	–
Resignation rate based on age group of employees	2%, 6% & 11%	–
Future salary increases	9%	–
Retirement age	60 years	–

Provision for employee benefits for the year ended 31 December 2010 consist of the following:

	Group	
	2010	2009
	$'000	$'000
Provision for severance pay and long service awards (Note 34)	671	–
Benefits paid during the year	(3)	–
Translation adjustments	(2)	–
	666	–

The account of $671,000 was recognised in the "General and administrative expenses" in the consolidated income statement for the year ended 31 December 2010.

24 TRADE AND OTHER PAYABLES

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Factoring amounts owing to clients		**7,143**	9,737	**7,143**	9,737
Trade payables		**160**	179	**121**	152
Amounts and loans due to subsidiary					
– interest-bearing loans		**–**	–	**12,073**	6,041
Deposits relating to leasing receivables		**–**	481	**–**	–
Other payables and accruals	25	**7,704**	9,612	**2,445**	4,749
		15,007	20,009	**21,782**	20,679

Group

For factoring amounts owing to clients, please refer to Note 15 to the financial statements. Trade payables, other payables and accruals are non interest-bearing financial liabilities.

Company

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

The weighted average effective interest rate of interest bearing loan owing to subsidiary at the end of the financial year 2010 was 2.7% (2009: 2.9%) per annum.

25 OTHER PAYABLES AND ACCRUALS

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Accrued operating expenses		**6,331**	7,601	**1,811**	3,376
Deferred income		**9**	56	**–**	–
Clients' security deposits		**812**	1,481	**301**	1,004
Accrued interest payable		**552**	474	**333**	369
	24	**7,704**	9,612	**2,445**	4,749

26 INSURANCE PAYABLES

	Group 2010 $'000	Group 2009 $'000
Payables arising from insurance contracts	**1,080**	2,769
Reinsurance contract payables	**987**	516
	2,067	3,285

27 INTEREST INCOME

	Group 2010 $'000	Group 2009 $'000
Associates	**–**	4
Third parties	**23,568**	19,478
	23,568	19,482

28 INTEREST EXPENSE

	Group 2010 $'000	Group 2009 $'000
Banks	**4,443**	6,353

29 INCOME STATEMENT OF INSURANCE SUBSIDIARY – ECICS LIMITED

	Note	Group 2010 $'000	Group 2009 $'000
Revenue			
Gross written premiums		**9,108**	6,941
Change in gross provision for unexpired risks	12	**493**	21,644
Gross earned premium revenue		**9,601**	28,585
Written premiums ceded to reinsurers		**(5,566)**	(4,340)
Reinsurers' share of change in the provision for unexpired risks	12	**(537)**	(18,415)
Reinsured premium expenses		**(6,103)**	(22,755)
Net earned premium revenue		**3,498**	5,830
Other revenue			
Commission income		**2,064**	1,614
Investment income		**1,466**	1,418
Other operating income		**192**	1
		3,722	3,033
Net income before claims and expenses		**7,220**	8,863
Claims and expenses			
Change in provision for insurance claims		**22**	1,537
Reinsurers' share of change in provision for insurance claims		**242**	(633)
Gross claims paid	12	**(27)**	(4,325)
Reinsurers' share of claims recovered	12	**1**	3,371
Net claims reversal/(incurred)		**238**	(50)
Commission expenses		**(247)**	(417)
Investment expenses		**(4)**	(1)
Distribution expenses		**(63)**	(96)
Administration expenses		**(1,017)**	(721)
Staff costs		**(1,712)**	(2,043)
(Allowance made)/reversal of insurance receivables and investments		**(141)**	33
Total claims and expenses		**(2,946)**	(3,295)
Net profit before tax for the year		**4,274**	5,568

29 INCOME STATEMENT OF INSURANCE SUBSIDIARY – ECICS LIMITED (cont'd)

The income statement reflects the credit and maid 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.

30 FEE AND COMMISSION INCOME

	Group	
	2010	**2009**
	$'000	**$'000**
Fee income	**5,399**	4,757
Underwriting commission income	**2,064**	1,614
	7,463	6,371

31 INVESTMENT INCOME

	Group	
	2010	**2009**
	$'000	**$'000**
Dividend income	**14**	62
Gain on disposal of equity securities	**231**	439
Net change in fair value of financial assets through profit or loss		
– held-for-trading	**(35)**	49
– designated as fair value through profit or loss	**(1,003)**	668
Interest income from bonds, fixed deposits & others	**1,560**	1,590
Amortisation of held-to-maturity debt securities	**210**	121
	977	2,929

32 OTHER INCOME

	Group	
	2010	**2009**
	$'000	**$'000**
Write back of provision for indemnity for contingent tax liability	**–**	277
Recoveries – loans and advances & receivables	**566**	163
Gain on disposal of property, plant and equipment	**–**	99
Others	**254**	224
	820	763

33 ALLOWANCES FOR/(REVERSAL OF) LOAN LOSSES AND IMPAIRMENT OF INVESTMENTS

	Note	Group 2010 $'000	Group 2009 $'000
In respect of:			
Trade and other receivables			
– loans, advances, hire purchase, leasing and factoring receivables (net)	8 & 15	**2,780**	2,755
– insurance and other receivables	13 & 16	**1,968**	940
– non-trade receivables		**77**	(1)
– bad debts written off		**141**	63
Available-for-sale equity and debt securities	7	**2,501**	2,982
		7,467	6,739

34 PROFIT BEFORE INCOME TAX

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

	Note	Group 2010 $'000	Group 2009 $'000
Amortisation of intangible assets	5	**960**	400
Depreciation of property, plant and equipment	4	**1,181**	1,004
Property, plant and equipment written off	4	**3**	2
Exchange (gain)/loss, (net)		**(132)**	117
Net change in fair value of derivatives through profit or loss		**938**	–
Non-audit fees paid to auditors of the Company		**113**	89
Directors' fees		**386**	442
Fees paid to corporations in which the directors have interests		**15**	8
Contributions to defined contribution plans included in staff costs		**735**	774
Provision for severance pay and long service awards	23	**671**	–
Financial expense		**–**	115

35 INCOME TAX CREDIT/(EXPENSE)

	Note	Group 2010 $'000	Group 2009 $'000
Current tax (expense)/credit			
Current year		**(2,721)**	(2,496)
Overprovided in prior years		**2,705**	609
		(16)	(1,887)
Deferred tax credit/(expense)			
Movements in temporary differences		**629**	510
Underprovided in prior years		**723**	–
	10	**1,352**	510
		1,336	(1,377)

Reconciliation of effective tax rate

	Group 2010 $'000	Group 2009 $'000
Profit before income tax	**6,536**	7,948
Income tax using Singapore tax rates of 17% (2009:17%)	**(1,111)**	(1,351)
Income subject to concessionary rate of 10%	**–**	(30)
Effect of different tax rates in other countries	**(584)**	(447)
Effect of change in tax rate	**–**	(85)
Expenses not deductible for tax purposes	**(427)**	(492)
Tax exempt revenues	**30**	246
Unrecognised movements in deferred tax	**–**	173
Overprovided in prior years	**3,428**	609
	1,336	(1,377)

In the 2010 Budget Statement, the Minister of Finance announced several changes to the tax incentive schemes for offshore insurance business. As a result of the changes, the Group does not meet the eligibility criteria to benefit from the Tax Incentive Scheme for Offshore General Insurance Business; hence income from offshore business is subject to the standard tax rate of 17%. For 2009, pursuant to Section 43C of the Singapore Income Tax Act, Chapter 134, income from offshore business was subject to tax at a concessionary tax rate of 10%.

35 INCOME TAX CREDIT/(EXPENSE) (cont'd)

Income tax recognised in other comprehensive income

For the year ended 31 December

	2010			2009		
	Before tax $'000	Tax expense $'000	Net of tax $'000	Before tax $'000	Tax expense $'000	Net of tax $'000
Group						
Foreign currency translation differences for foreign operations	**295**	**–**	**295**	595	–	595
Net change in fair value of available-for-sale financial assets	**2,240**	**(381)**	**1,859**	288	(59)	229
	2,535	**(381)**	**2,154**	883	(59)	824

36 EARNINGS PER SHARE

	Group	
	2010 $'000	2009 $'000
Basic earnings per share		
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	**7,104**	6,531

	No. of shares	
	'000	'000
Issued ordinary shares at beginning of the year	**136,717**	136,717
Effect of bonus shares issued	**13,672**	13,672
Weighted average number of ordinary shares at end of the year	**150,389**	150,389

Diluted earnings per share		
Diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders	**7,104**	6,531

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.

36 EARNINGS PER SHARE (cont'd)

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

	Group 2010 No. of shares '000	Group 2009 No. of shares '000
Weighted average number of:		
Ordinary shares used in the calculation of Basic earnings per share	**150,389**	150,389
Potential ordinary shares issuable under share options	**–**	–
Weighted average number of ordinary issued and potential shares assuming full conversion	**150,389**	150,389

The calculation of basic and diluted earnings per share for 2010 and 2009 were adjusted for the financial effects of the bonus issue of 1 bonus share for every 10 existing ordinary shares during the year (Note 19).

37 ACQUISITION OF SUBSIDIARY

There were no acquisitions during the year 2010.

In the previous financial year on 1 April 2009, the Group acquired an additional 55% shareholding in the capital of IFS Capital Holdings (Thailand) Limited ("IFSCH") for a total consideration of $5,880 in cash. The purchase consideration was arrived at on a "willing buyer and willing seller" basis. As a result of the acquisition, the Group's shareholding in IFSCH increased from 45% to 100%. With IFSCH becoming a wholly-owned subsidiary, the Group's effective interest in IFS Thailand was increased by 27.06% through IFSCH's current shareholding of 49.2% in IFS Thailand. Together with IFS' existing direct 49% shareholding in IFS Thailand, IFS Thailand became a 98.2% subsidiary of the Group.

In the nine months to 31 December 2009, IFSCH contributed nil operating income and a net loss of $494,000. There was no contribution of operating income from the acquisition of IFSCH as IFSCH's operating income of $622,000 was entirely intercompany and hence was fully eliminated at the Group level.

In the nine months to 31 December 2009, IFS Thailand contributed an operating income of $7,154,000 and profit after tax of $1,999,000.

If the acquisition had occurred on 1 January 2009, management estimates that consolidated operating income would have been $37,068,000 ($34,612,000 in Note 42) and consolidated profit for the year would have been $6,626,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2009.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date.

37 ACQUISITION OF SUBSIDIARY (cont'd)

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised values on acquisition $'000
Property, plant and equipment	1,549	801	2,350
Intangible assets	98	1,131	1,229
Trade and other receivables	80,204	–	80,204
Other investments	54	–	54
Cash and cash equivalents	5,929	–	5,929
Trade and other payables	(5,343)	–	(5,343)
Interest-bearing borrowings	(58,837)	–	(58,837)
Net identifiable assets and liabilities	23,654	1,932	25,586
Negative goodwill			(850)
Minority interests			(421)
Amounts previously accounted for as investments in associates			(5,045)
Total consideration paid			19,270
Consideration paid in 2009			6
Loans disbursed to acquiree prior to date of acquisition			11,568
Cash acquired			(5,929)
Net cash outflow			5,645

Pre-acquisition carrying amounts were determined based on the applicable FRS immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

Included in the intangible assets is an amount of $1.1 million representing the fair value of customer lists of IFS Thailand. The fair value of the intangible asset was based on discounted cash flow projections. Assumptions used in the cash flow projections are based on past performance and Management's expectation of future markets development.

38 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

As at 31 December 2010, the Group and the Company has outstanding standby letters of credit issued on behalf of customers as follows:

	Group and Company	
	2010	**2009**
	$'000	**$'000**
Letters of credit	**718**	795

Commitments

At 31 December 2010, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2010	**2009**
	$'000	**$'000**
Within 1 year	**207**	50
After 1 year but within 5 years	**196**	–
	403	50

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.

39 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.

39 SIGNIFICANT RELATED PARTIES TRANSACTIONS (cont'd)

Key management personnel compensation

Key management personnel refers to the Group Chief Executive Officer, Chief Executive Officers, General Managers and Senior Management of the holding company and subsidiaries of the Group, who have the authority and responsibility for planning, directing and controlling the activities of the Group and the Company.

The key management personnel compensation of the Group comprises mainly short-term employee benefits (remuneration) amounting to $2,467,000 (2009: $2,356,000).

Remuneration includes salary, allowances, bonuses (comprises Annual Wage Supplement and performance bonus), employers' Contribution Provident Funds and other benefits.

Other related party transactions

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

	Group	
	2010	**2009**
	$'000	**$'000**
Affiliated Corporations		
Professional and brokerage fees incurred	**62**	–
Software development fees incurred	**2**	2
Fund management fees incurred	**4**	3
Commission received	**(13)**	(30)
Rental	**4**	4
Interest received	**(10)**	(121)
Director of Company		
Professional Fees	**4**	4

40 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.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

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 (comprising Senior Management) 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, RFS and IF Scheme are under risk-sharing arrangements with SPRING Singapore and IES respectively, with the risk-sharing ranging from 50% to 80% of the funds disbursed.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (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 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Collectively assessed					
Neither past due nor impaired (i)		**79,937**	100,162	**57,714**	64,888
Past due but not impaired (ii)		**3,164**	25,853	**2,203**	22,908
Gross amount		**83,101**	126,015	**59,917**	87,796
Collective impairment		**(972)**	(751)	**(914)**	(461)
Carrying amount		**82,129**	125,264	**59,003**	87,335
Individually impaired (iii)		**17,297**	12,340	**15,208**	10,559
Allowance for impairment		**(5,428)**	(8,813)	**(3,920)**	(7,448)
Carrying amount		**11,869**	3,527	**11,288**	3,111
Total carrying amount	8	**93,998**	128,791	**70,291**	90,446

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

	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Grades 1 to 5 (gross amount)	**79,937**	100,162	**57,714**	64,888
includes accounts with renegotiated terms	**6,733**	14,722	**5,828**	12,363
includes accounts that are unsecured	**22,002**	17,954	**19,613**	14,126

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

(I) Exposure to credit risk (cont'd)

(a) Loans, advances, hire purchase and leasing receivables (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	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Grades 6 to 9 (gross amount)	**3,164**	25,853	**2,203**	22,908
Past due comprises:				
1 - 30 days	**2,104**	10,658	**2,104**	10,089
31 - 60 days	**150**	416	**49**	1
61 - 90 days	**30**	95	**30**	–
91 - 180 days	**20**	839	**20**	–
More than 180 days	**860**	13,845	**–**	12,818
Gross amount	**3,164**	25,853	**2,203**	22,908

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Grades 1 to 5	**119**	–	**–**	–
Grade 7	**640**	1,190	**524**	608
Grade 8	**14,030**	3,673	**12,176**	2,878
Grade 9	**2,508**	7,477	**2,508**	7,073
Gross amount	**17,297**	12,340	**15,208**	10,559
Allowance for impairment	**(5,428)**	(8,813)	**(3,920)**	(7,448)
Carrying amount	**11,869**	3,527	**11,288**	3,111

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

(I) Exposure to credit risk (cont'd)

(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 part of the debts under non-recourse factoring with external reinsurers.

The breakdown by type of factoring risk is as follows:

		Factoring receivables			
		Group		Company	
	Note	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Carrying amount	15	**142,365**	172,504	**24,784**	58,219
Recourse		**129,463**	160,005	**11,882**	45,720
Non-recourse		**12,902**	12,499	**12,902**	12,499
		142,365	172,504	**24,784**	58,219

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		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Past due but not impaired receivables				
More than 180 days	**1,789**	1,515	**597**	1,282

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.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

(I) Exposure to credit risk (cont'd)

(c) Insurance receivables

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

	Group	
	2010	**2009**
	$'000	**$'000**
1 - 180 days	**1**	–
More than 180 days	**80**	3
	81	3

(II) Impaired loans and investments

(a) 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 weakness 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 improbably.
- Grade 9 – The outstanding debt is regarded as uncollectible and little or nothing can be done to recover the debt.

(b) 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.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

(II) Impaired loans and investments (cont'd)

(c) Allowances for non-performing financial assets

(i) 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 loan and receivable are lower than the carrying value of the loans and receivables. Assessment for impairment of loan and receivable is conducted on a case-by-case basis. For collective loss allowance, this is provided on the remaining loan and receivables which are grouped according to their risk characteristics and collectively assessed taking into account the historical loss experience on such loans and receivables.

(ii) 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, 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 exist, 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 previously recognised in the profit or loss, is removed from the fair value reserve within the equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on available-for-sale equity investments are not reversed through profit or loss. Any subsequent increase in the fair value is recognised in the reserve within equity and the accumulated balance is included in profit or loss when such equity investments are disposed off.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

(II) Impaired loans and investments (cont'd)

(d) 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.

(e) 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.

(f) 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.

	2010		2009	
	Gross $'000	Net $'000	Gross $'000	Net $'000
Group				
Loans, advances, hire purchase and leasing receivables				
Grades 1 to 5	**119**	**–**	–	–
Grade 7	**640**	**340**	1,190	840
Grade 8	**14,030**	**11,402**	3,673	2,041
Grade 9	**2,508**	**127**	7,477	646
Total	**17,297**	**11,869**	12,340	3,527
Company				
Loans, advances, hire purchase and leasing receivables				
Grade 7	**523**	**340**	608	425
Grade 8	**12,177**	**10,821**	2,878	2,041
Grade 9	**2,508**	**127**	7,073	645
Total	**15,208**	**11,288**	10,559	3,111

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (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 the 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. Generally, collateral is not held against the Group's investment securities, and no such collateral was held at 31 December 2010 or 2009.

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

	Loans, advances, hire purchase and leasing receivables			
	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Against individually impaired				
Properties	**8,700**	2,000	**8,000**	–
Equipment	**534**	1,722	**507**	1,683
Motor vehicles/vessels	**1,640**	15	**1,640**	15
Subtotal	**10,874**	3,737	**10,147**	1,698
Against past due but not impaired				
Fixed/cash deposits	**–**	980	**–**	980
Properties	**–**	14,000	**–**	14,000
Equipment	**1,888**	2,322	**1,000**	34
Subtotal	**1,888**	17,302	**1,000**	15,014
Against neither past due nor impaired				
Fixed/cash deposits	**250**	600	**250**	600
Properties	**15,125**	39,700	**15,125**	32,500
Equipment	**59,865**	90,825	**32,640**	62,290
Shares	**11,986**	41,000	**11,986**	28,501
Vessels	**19,519**	10,860	**19,519**	10,860
Subtotal	**106,745**	182,985	**79,520**	134,751
Total	**119,507**	204,024	**90,667**	151,463

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (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**	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Carrying amount	**93,998**	127,791	**53,536**	52,422
Concentration by sector				
Manufacturing	**34,975**	56,428	**5,994**	4,579
Services	**38,032**	40,683	**20,201**	12,998
Holding and investment companies	**12,058**	18,895	**3,717**	16,017
Property	**6,901**	7,442	**10,500**	9,502
Multi-Industry	**–**	–	**9,649**	8,826
Others	**2,032**	5,343	**3,475**	500
Total	**93,998**	128,791	**53,536**	52,422
Company				
Carrying amount	**70,291**	90,446	**8,469**	6,953
Concentration by sector				
Manufacturing	**20,858**	37,122	**1,494**	–
Services	**28,442**	26,904	**5,732**	5,746
Holding and investment companies	**12,058**	18,895	**–**	–
Property	**6,901**	7,442	**–**	–
Multi-Industry	**–**	–	**1,243**	1,207
Others	**2,032**	83	**–**	–
Total	**70,291**	90,446	**8,469**	6,953

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

(IV) Concentration of credit risk (cont'd)

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

	Factoring receivables			
	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Carrying amount	**142,365**	172,504	**24,784**	58,219
Concentration by sector				
Manufacturing	**99,937**	143,152	**17,019**	38,839
Services	**40,153**	27,520	**5,490**	17,547
Holding and investment companies	**87**	59	**87**	59
Property	**342**	32	**342**	33
Others	**1,846**	1,741	**1,846**	1,741
Total	**142,365**	172,504	**24,784**	58,219

The maximum exposure to credit risk for loans, advances, hire purchase and leasing receivables at the reporting date by geographical region was:

	Loans, advances, hire purchase and leasing receivables			
	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Singapore	**62,543**	100,737	**59,614**	90,241
Southeast Asia	**20,778**	27,806	**–**	205
Rest of Asia	**1,133**	–	**1,133**	–
Others	**9,544**	248	**9,544**	–
Total	**93,998**	128,791	**70,291**	90,446

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

(IV) Concentration of credit risk (cont'd)

The maximum exposure to credit risk for factoring receivables at the reporting date by geographical region was:

	Factoring receivables			
	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Singapore	**24,784**	58,219	**24,784**	58,219
Southeast Asia	**117,581**	114,285	**–**	–
Total	**142,365**	172,504	**24,784**	58,219

The maximum exposure to credit risk for investments at the reporting date by geographical region was:

	Investments			
	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Singapore	**34,021**	31,252	**4,623**	3,108
Southeast Asia	**3,848**	3,889	**3,844**	3,844
Rest of Asia	**7,965**	9,086	**–**	–
Others	**7,702**	8,195	**1**	1
Total	**53,536**	52,422	**8,468**	6,953

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

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.

Sensitivity analysis for variable rate instruments

As at 31 December 2010, it is estimated that a general increase of 100bp in interest rates would have increased the Group's profit after tax by approximately $446,000 and the Company's profit after tax by approximately $210,000 (2009: Group: $240,700; Company: $146,000). A decrease in 100bp in interest rates would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

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

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Group							
2010							
Non-derivative financial liabilities							
Trade and other payables	**15,007**	**15,007**	**15,007**	**–**	**–**	**–**	**–**
Insurance payables	**2,067**	**2,067**	**2,067**	**–**	**–**	**–**	**–**
Interest-bearing borrowings	**145,945**	**147,919**	**105,657**	**26,056**	**10,633**	**5,573**	**–**
Bank overdraft	**34**	**34**	**34**	**–**	**–**	**–**	**–**
Letters of credit	**–**	**718**	**718**	**–**	**–**	**–**	**–**
	163,053	**165,745**	**123,483**	**26,056**	**10,633**	**5,573**	**–**
Derivative financial liabilities							
Forward exchange contracts	**(938)**	**–**	**–**	**–**	**–**	**–**	**–**
– outflow	**–**	**14,062**	**14,062**	**–**	**–**	**–**	**–**
– inflow	**–**	**(15,000)**	**(15,000)**	**–**	**–**	**–**	**–**
	162,115	**164,807**	**122,545**	**26,056**	**10,633**	**5,573**	**–**
Group							
2009							
Non-derivative financial liabilities							
Trade and other payables	23,336	23,336	19,602	407	2,192	859	276
Insurance payables	3,285	3,285	3,285	–	–	–	–
Interest-bearing borrowings	181,816	184,884	115,672	30,947	34,701	3,564	–
Letters of credit	–	795	795	–	–	–	–
	208,437	212,300	139,354	31,354	36,893	4,423	276

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000
Company						
2010						
Non-derivative financial liabilities						
Trade and other payables	**21,782**	**21,782**	**21,782**	**–**	**–**	**–**
Interest-bearing borrowings	**77,853**	**79,117**	**44,562**	**23,875**	**6,187**	**4,493**
Bank overdraft	**34**	**34**	**34**	**–**	**–**	**–**
Letters of credit	**–**	**718**	**718**	**–**	**–**	**–**
	99,669	**101,651**	**67,096**	**23,875**	**6,187**	**4,493**
Derivative financial liabilities						
Forward exchange contracts	**(938)**	**–**	**–**	**–**	**–**	**–**
– outflow	**–**	**14,062**	**14,062**	**–**	**–**	**–**
– inflow	**–**	**(15,000)**	**(15,000)**	**–**	**–**	**–**
	98,731	**100,713**	**66,158**	**23,875**	**6,187**	**4,493**
2009						
Non-derivative financial liabilities						
Trade and other payables	20,679	20,679	20,679	–	–	–
Interest-bearing borrowings	109,682	112,472	43,259	30,948	34,701	3,564
Letters of credit	–	795	795	–	–	–
	130,361	133,946	64,733	30,948	34,701	3,564

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Currency risk

The Group operates in Southeast Asia with dominant operations in Singapore, Indonesia, Malaysia 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"), Australian Dollar ("AUD"), Indonesia Rupiah ("IDR"), Malaysian Ringgit ("RM"), 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 the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily USD, AUD, THB, RM, Sterling Pound ("GBP") and SGD. If necessary, the Group may use derivative financial instruments to hedge its foreign currency risk.

Interest-bearing borrowings are denominated in currencies that match cashflows generated by the underlying operations of the Group, primarily USD, AUD, THB, IDR and RM. 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.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

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

	USD $'000	THB $'000	RM $'000	GBP $'000	AUD $'000	SGD $'000
Group						
2010						
Loans & advances, trade and other receivables	**29,000**	**–**	**–**	**–**	**1,133**	**–**
Other investments	**451**	**3,844**	**–**	**3,717**	**448**	**–**
Cash and cash equivalents	**2,417**	**4**	**–**	**418**	**148**	**–**
Other financial assets	**73**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**(110)**	**–**	**–**	**(110)**	**–**	**(11,734)**
Interest-bearing borrowings	**(20,473)**	**–**	**–**	**–**	**(2,486)**	**–**
Other financial liabilities	**(77)**	**–**	**–**	**–**	**–**	**–**
Currency exposure	**11,281**	**3,848**	**–**	**4,025**	**(757)**	**(11,734)**
Currency forward contract	**(14,062)**	**–**	**–**	**–**	**–**	**–**
Net currency exposure	**(2,781)**	**3,848**	**–**	**4,025**	**(757)**	**(11,734)**
2009						
Loans & advances, trade and other receivables	36,918	1	15	–	–	–
Other investments	522	3,844	–	3,824	–	–
Cash and cash equivalents	554	4	–	20	–	–
Other financial assets	201	–	–	–	–	–
Trade and other payables	(444)	(23)	(6)	(4)	–	(11,847)
Interest-bearing borrowings	(41,220)	–	–	(564)	–	–
Insurance payables	(358)	–	–	–	–	–
Net currency exposure	(3,827)	3,826	9	3,276	–	(11,847)

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

	USD $'000	THB $'000	RM $'000	AUD $'000	GBP $'000
Company					
2010					
Loans & advances, trade and other receivables	**32,988**	**18**	**88**	**2,492**	**–**
Other investments	**–**	**3,844**	**–**	**–**	**–**
Cash and cash equivalents	**2,045**	**4**	**–**	**148**	**418**
Trade and other payables	**(106)**	**–**	**–**	**–**	**(110)**
Interest-bearing borrowings	**(20,473)**	**–**	**–**	**(2,486)**	**–**
Currency exposure	**14,454**	**3,866**	**88**	**154**	**308**
Currency forward contract	**(14,062)**	**–**	**–**	**–**	**–**
Net currency exposure	**392**	**3,866**	**88**	**154**	**308**
2009					
Loans & advances, trade and other receivables	41,151	19	57	–	565
Other investments	–	3,845	–	–	–
Cash and cash equivalents	230	4	–	–	19
Trade and other payables	(101)	–	(16)	–	(1)
Interest-bearing borrowings	(41,220)	–	–	–	(564)
Net currency exposure	60	3,868	41	–	19

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Currency risk (cont'd)

Sensitivity analysis

A 10 percent strengthening of Singapore dollar against the following currencies at the reporting date would have increased (decreased) 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 $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
31 December 2010				
USD	**(43)**	**267**	**–**	**(33)**
THB	**(385)**	**–**	**(384)**	**(2)**
RM	**–**	**–**	**–**	**(7)**
GBP	**(372)**	**(26)**	**–**	**(26)**
AUD	**(45)**	**100**	**–**	**(13)**
SGD	**1,137**	**–**	**–**	**–**
31 December 2009				
USD	(50)	359	–	(5)
THB	(389)	5	(384)	(2)
RM	–	–	–	(3)
GBP	(226)	(85)	–	(2)
SGD	1,185	–	–	–

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.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Equity price risk

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

The Group's venture capital investments are both internally and externally managed. The internally managed venture capital investments are investments that the Group has taken over in the financial year from its previous Fund Manager and are predominantly investments that the Group is looking to divest. For externally managed 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.

Investments in equity securities arose mainly from structured finance activities and they relate to those financial instruments in which embedded derivatives either in the form of the options or warrants are attached. Upon the maturity of the derivatives, the options or warrants are exercised and converted into equity with the 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.

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.

Sensitivity analysis – equity price risk

For other investments carried at fair value, a 5 percent increase in the underlying equity prices at the reporting date would have increased (decreased) equity and profit or loss after tax by the amounts shown below:

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Equity	**398**	225	**74**	–
Profit or loss	**25**	(63)	**17**	–

A 5 percent decrease in the underlying equity prices at the reporting date would have had the equal but opposite effect to the amounts shown above.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

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.

The Compliance Unit of the Group updates the Management and the Board of Directors on the changes and development in the laws and regulation and assists Management to check on the Group's compliance of the limits set by the Risk Management guidelines.

Insurance contract risk

Underwriting risk

Underwriting risk includes 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 has established underwriting processes and limits to manage this risk including performing credit reviews of its customers and obtaining cash collateral as security where considered necessary.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Insurance contract risk (cont'd)

Pricing risk

The underwriting function carries out qualitative and quantitative risk assessments on all buyers and clients before deciding on an approved credit limit. Policies in 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 are to the electronics, wholesale and retail trade sectors. 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 customers in countries outside of Singapore.

Reinsurance outwards

The Group participates in reinsurance treaties to cede risks to its reinsurers, which are internationally established firms with 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 2010. 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.

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Recognised financial assets

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

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 2010 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:

- 2003 – 1 month ended 31 December 2003
- 2004 – 12 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
- 2008 – 12 months ended 31 December 2008
- 2009 – 12 months ended 31 December 2009
- 2010 – 12 months ended 31 December 2010

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Claims development in respect of credit and bond and guarantee insurance business (cont'd)

Claims information for underwriting year 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 through the Company effective from 1 December 2003.

(i) Analysis of claims development – gross basis

Total business
Gross loss development tables as at 31 December 2010
Unit: $'000s

Estimate of cumulative claims Underwriting year	2003	2004	2005	2006	2007	2008	2009	2010	Total
At end of underwriting year	1,411	1,515	1,904	1,914	1,668	1,208	914	1,141	
One year later	2,390	1,691	2,512	3,554	2,881	4,762	1,126		
Two years later	2,165	1,360	4,766	2,815	3,195	5,016			
Three years later	2,076	1,485	5,048	3,037	5,086				
Four years later	1,962	1,859	4,035	2,760					
Five years later	1,962	1,590	4,288						
Six years later	1,856	1,412							
Seven years later	1,748								
Current estimate of ultimate claims	1,748	1,412	4,288	2,760	5,086	5,016	1,126	1,141	22,577
Cumulative payments	(1,748)	(1,412)	(3,838)	(2,699)	(4,970)	(3,635)	–	–	(18,302)
Gross outstanding claim liability	–	–	450	61	116	1,381	1,126	1,141	4,275
Unallocated loss adjustment expenses	–	–	11	3	4	64	56	57	195
Effect of discounting	–	–	(1)	–	–	(5)	(6)	(14)	(26)
Best estimate of outstanding claim liability	–	–	460	64	120	1,440	1,176	1,184	4,444
Provision for adverse deviation									666
Outstanding claim liability in the balance sheet									**5,110**

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Claims development in respect of credit and bond and guarantee insurance business (cont'd)

(ii) Analysis of claims development – net of reinsurance basis

Total business
Net loss development tables as at 31 December 2010
Unit: $'000s

Estimate of cumulative claims Underwriting year	2003	2004	2005	2006	2007	2008	2009	2010	Total
At end of underwriting year	635	665	918	943	906	604	406	514	
One year later	999	860	1,100	1,764	1,143	1,452	507		
Two years later	894	683	2,323	1,095	1,043	1,572			
Three years later	1,062	885	2,445	1,243	1,659				
Four years later	951	996	1,896	1,292					
Five years later	950	859	2,059						
Six years later	877	863							
Seven years later	889								
Current estimate of ultimate claims	889	863	2,059	1,292	1,659	1,572	507	514	9,355
Cumulative payments	(889)	(863)	(1,834)	(1,231)	(1,602)	(882)	–	–	(7,301)
Net estimate of outstanding claim liability	–	–	225	61	57	690	507	514	2,054
Unallocated loss adjustment expenses	–	–	11	3	4	64	56	57	195
Effect of discounting	–	–	–	–	–	(3)	(3)	(7)	(13)
Best estimate of outstanding claim liability	–	–	236	64	61	751	560	564	2,236
Provision for adverse deviation									335
Outstanding claim liability in balance sheet									**2,571**

40 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.

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:

	2010 %	2009 %
Loans, advances, hire purchase, and leasing receivables	–	9.0 – 13.0

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Estimation of fair value (cont'd)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 December 2010				
Available-for-sale equity securities	**4,124**	**–**	**4,262**	**8,386**
Financial assets held-for-trading	**186**	**–**	**–**	**186**
	4,310	**–**	**4,262**	**8,572**
31 December 2009				
Available-for-sale equity securities	2,822	–	3,157	5,979
Financial derivatives designated at fair value through profit or loss	–	1,004	–	1,004
Financial assets held-for-trading	645	–	–	645
	3,467	1,004	3,157	7,628
Company				
31 December 2010				
Available-for-sale equity securities	**407**	**–**	**1,480**	**1,887**
31 December 2009				
Available-for-sale equity securities	–	–	922	922

40 FINANCIAL AND INSURANCE RISK MANAGEMENT (cont'd)

Estimation of fair value (cont'd)

Fair value hierarchy (cont'd)

Level 3 fair values relate to unquoted equity securities and funds carried at net asset value. As such, there is no other reasonably possible alternative input and assumption that may have significant effect on the Level 3 fair value measurements.

During the financial year ended 31 December 2010, there were no significant transfers between Level 1 and Level 2.

The fair value measurement of available-for-sale financial assets based on Level 3 at the end of the 31 December 2010 is as follows:

	Group $'000	Company $'000
At 1 January 2010	3,157	922
Addition	1,600	400
Redemption	(928)	–
Gain recognised in other comprehensive income	387	158
Gain recognised in profit or loss	46	–
At 31 December 2010	4,262	1,480

40 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:

	2010		2009	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Group				
Financial assets				
Loans, advances, hire purchase and leasing receivables	**93,998**	**93,998**	128,791	128,643
Held-to-maturity investments	**41,120**	**41,425**	40,950	41,164
	135,118	**135,423**	169,741	169,807
Financial liabilities				
Interest-bearing borrowings (unsecured)	**145,945**	**145,945**	181,816	181,816
Net	**(10,827)**	**(10,522)**	(12,075)	(12,009)
Unrecognised (gain)		**(305)**		(66)
Company				
Financial assets				
Loans, advances, hire purchase and leasing receivables	**70,291**	**70,291**	90,446	90,437
Held-to-maturity investments	**2,738**	**2,757**	2,187	2,276
	73,029	**73,048**	92,633	92,713
Financial liabilities				
Interest-bearing borrowings (unsecured)	**77,853**	**77,853**	109,682	109,682
Net	**(4,824)**	**(4,805)**	(17,049)	(16,969)
Unrecognised (gain)		**(19)**		(80)

41 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 include quoted and unquoted corporate bonds 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 increase by $305,164, 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 2010 have been assessed by the approved actuary (Deloitte Consulting Pte Ltd) 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.

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Critical accounting estimates (cont'd)

Provisions for unexpired risks and insurance claims (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 2010. The sensitivity analysis is subject to the reliance that the approved actuary has placed on management and limitations described in the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full;

(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 2010 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 selected default rate of 1.25% to 7.58% based on each bond category (2009: 1.25% to 3.09%).

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 2010	Net ($'000)	Gross ($'000)
Estimated provision for unexpired risks under the base scenario	4,663	12,814

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

I. Provision for unexpired risks – sensitivity analysis (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 selected different default rates ranging from a minimum of 1.25% to 7.58% based on each bond category. Increasing and decreasing the average default rates by 0.5%, the provision will be modified as follows:

	High +0.5%	Low -0.5%	High +0.5%	Low -0.5%
	Net ($'000)		Gross ($'000)	
Provision for unexpired risks	**5,940**	**3,339**	**16,448**	**9,181**

Recovery rate for bonds and guarantees

Recovery rates for bonds and guarantees are computed based on published recovery rates from Moody's. Under the base scenario, the Group has allowed for recovery rate of 50% of the bond or guarantee value if it is called. Using rates of 55% or 45%, the provision for unexpired risks would change as follows:

	High 45%	Low 55%	High 45%	Low 55%
	Net ($'000)		Gross ($'000)	
Provision for unexpired risks	**5,019**	**4,308**	**13,791**	**11,837**

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 5% of expected future losses and maintenance expenses computed at 3% of the Group's unearned premium reserves for all classes of business. The effects of increasing and reducing CHE by 10% are presented below:

	High +10%	Low -10%	High +10%	Low -10%
	Net ($'000)		Gross ($'000)	
Provision for unexpired risks	**4,723**	**4,604**	**12,874**	**12,754**

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

I. Provision for unexpired risks – sensitivity analysis (cont'd)

Provision for adverse deviation

The actuary has assumed premium PAD of 25% to 30% under the base scenario. If the assumed PAD is increased or decreased by 10%, the resulting provision will be as follows:

	High +10%	Low -10%	High +10%	Low -10%
	Net ($'000)		Gross ($'000)	
Provision for unexpired risks	**4,750**	**4,577**	**13,050**	**12,578**

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, 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.

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

II. Provision for insurance claims – sensitivity analysis (cont'd)

Process of establishing provision for insurance claims (cont'd)

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 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.

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

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

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

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

At 31 December 2010	**Net ($'000)**	**Gross ($'000)**
Estimated provision for insurance claims under the base scenario	**2,571**	**5,110**

Ultimate number of claims per million earned premiums in underwriting year 2010 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.

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

II. Provision for insurance claims – sensitivity analysis (cont'd)

Ultimate number of claims per million earned premiums in underwriting year 2010 for short-term credit insurance (cont'd)

In estimating outstanding claims under the base scenario, the Group has assumed that there will be approximately 6 claims per million of earned premiums in underwriting years 2007, 10 claims per million of earned premiums in underwriting years 2008 and 2009 and 9 claims per million of earned premium in underwriting year 2010. If the ultimate number of claims per million of earned premiums increases or decreases by one claim in the underwriting years 2007 to 2009, the corresponding gross and net provisions for insurance claims are set out as follows:

	High	Low	High	Low
	+1 claim	-1 claim	+1 claim	-1 claim
	Net ($'000)		Gross ($'000)	
Provision for insurance claims	**2,832**	**2,310**	**5,636**	**4,584**

Average claim size for short-term credit insurance

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

The Group has assumed an average claim size of $42,750 under the base scenario. If the average claim size is assumed to be $47,025 (High) and $38,475 (Low), the corresponding gross and net provisions for insurance claims will be as follows:

	High	Low	High	Low
	$47,025	$38,475	$47,025	$38,475
	Net ($'000)		Gross ($'000)	
Provision for insurance claims	**2,774**	**2,369**	**5,522**	**4,699**

41 ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

II. Provision for insurance claims – sensitivity analysis (cont'd)

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 5% of incurred-but-not-reported claims and 2.5% of case reserves.

The effects of varying CHE by 10% (both upwards and downwards) are presented below:

	High +10%	Low -10%	High +10%	Low -10%
	Net ($'000)		Gross ($'000)	
Provision for insurance claims	2,594	2,549	5,133	5,088

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% to 20% under the base scenario. Increasing or decreasing the PAD by 10% results in changes in provision as follows:

	High +10%	Low -10%	High +10%	Low -10%
	Net ($'000)		Gross ($'000)	
Provision for insurance claims	2,605	2,538	5,177	5,044

42 OPERATING SEGMENTS

The Group has three reportable segments which relate to the Group's strategic business units. The strategic business units offer different products and services, and are managed separately. The reportable segment presentation is prepared based on the Group's management and internal reporting structure. As some of the activities of the Group are integrated, internal cost allocation has been made in preparing the segment information such as the Group's centralized support costs and funding costs. Inter-segment pricing where appropriate, is determined on an arm's length basis. The Group's CEO reviews the internal management reports on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

42 OPERATING SEGMENTS (cont'd)

Credit financing: Credit financing encompasses commercial, alternative and structured businesses and focuses on providing services to corporate clients, mainly the small and medium-sized enterprises. The commercial services provided include factoring, accounts receivable financing, trade financing, mortgage financing, working capital, financing for overseas operations, hire purchase as well as participating in financing by SPRING and IES under LEFS, RFS and IF Scheme respectively. Where conventional forms of commercial finance are inadequate, alternative and structured financial solutions are offered to clients to address either equity or debt capital requirements.

Insurance: The provision of credit insurance facilities to Singapore exporters and the issue of performance bonds and guarantees and maid insurance. The segment includes holding of equity securities and bonds under the regulated Insurance Fund.

Private equity and other investments: The provision of development capital in the form of mezzanine financing, convertible debt instruments and direct private equity investments.

Total operating income comprises interest income, net earned premiums, fee and commission income and investment income. Performance is measured based on segment profit before income tax.

Information about reportable segments

	Credit financing $'000	Insurance $'000	Private equity and other investments $'000	Total $'000
2010				
Operating results				
Total operating income	29,009	7,028	(531)	35,506
Reportable segment profit/(loss) before income tax	6,561	3,469	(3,494)	6,536
Net interest income	19,125	–	–	19,125
Net earned premium revenue	–	3,498	–	3,498
Non-interest income	6,069	3,722	(531)	9,260
Other material non-cash items				
– Allowances for loan losses and impairment of investments	(4,825)	(141)	(2,501)	(7,467)
– Depreciation and amortisation	(1,874)	(238)	(29)	(2,141)
Assets and liabilities				
Reportable segment assets	235,906	68,335	16,816	321,057
Capital expenditure	1,290	49	1,180	2,519
Reportable segment liabilities	159,389	22,071	225	181,685

42 OPERATING SEGMENTS (cont'd)

Information about reportable segments (cont'd)

	Credit financing $'000	Insurance $'000	Private equity and other investments $'000	Total $'000
2009				
Operating results				
Total operating income	24,221	8,862	1,529	34,612
Reportable segment profit/(loss) before income tax	3,305	4,789	(1,737)	6,357
Share of after-tax results of associates	474	–	–	474
Net interest income	13,079	–	50	13,129
Net earned premium revenue	–	5,830	–	5,830
Non-interest income	5,231	3,032	1,533	9,796
Other material non-cash items				
– Allowances for loan losses and impairment of investments	(3,790)	33	(2,982)	(6,739)
– Depreciation and amortisation	(1,174)	(215)	(15)	(1,404)
Assets and liabilities				
Reportable segment assets	268,309	67,969	15,243	351,521
Capital expenditure	484	487	–	971
Reportable segment liabilities	200,716	24,626	130	225,472

42 OPERATING SEGMENTS (cont'd)

Reconciliations of reportable segment operating income, profit or loss, assets and liabilities and other material items

	2010 $'000	2009 $'000
Operating Income		
Interest income	**23,568**	19,482
Net earned premium revenue	**3,498**	5,830
Fee and commission income	**7,463**	6,371
Investment income	**977**	2,929
Total operating income for reportable segments	**35,506**	34,612
Income statement		
Total profit or loss for reportable segments	**6,536**	6,357
Unallocated amount		
– Other income	**–**	267
– Negative goodwill on acquisition of subsidiary	**–**	850
Share of after-tax results of associates	**–**	474
Consolidated profit before income tax	**6,536**	7,948
Non-interest income		
Total non-interest income for reportable segments	**9,260**	9,796
Unallocated amount	**–**	267
Consolidated non-interest income	**9,260**	10,063
Assets		
Total assets for reportable segments	**321,057**	351,521
Other unallocated amounts	**4,680**	5,549
Consolidated assets	**325,737**	357,070
Liabilities		
Total liabilities for reportable segments	**181,685**	225,472
Other unallocated amounts	**2,182**	4,076
Consolidated liabilities	**183,867**	229,548

42 OPERATING SEGMENTS (cont'd)

Geographical segments

Geographical segments are analysed by four principal geographical areas. Singapore, Southeast Asia and Others are the major markets for credit financing and insurance activities. The rest of Asia and Others are the markets for private equity and other investment activities.

In presenting information on the basis of geographical segments, segment operating income is based on the geographical location of the clients. Segment assets are based on the geographical location of the assets.

Geographical information

	Operating income $'000	Non-current assets $'000	Total assets $'000
31 December 2010			
Singapore	**20,454**	**18,070**	**183,952**
Southeast Asia	**14,825**	**3,730**	**124,200**
Rest of Asia	**(807)**	**–**	**4,516**
Others	**1,034**	**1,310**	**13,069**
	35,506	**23,110**	**325,737**
31 December 2009			
Singapore	22,290	18,455	224,978
Southeast Asia	10,664	4,122	125,707
Rest of Asia	1,246	–	4,696
Others	412	–	1,689
	34,612	22,577	357,070

ADDITIONAL INFORMATION
Year ended 31 December 2010

INTERESTED PERSON TRANSACTIONS

For the financial year ended 31 December 2010, all interested person transactions, as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, entered into by the Group or by the Company were less than S$100,000. Hence, no disclosure is required.

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.

STATISTICS OF SHAREHOLDINGS
As At 9 March 2011

SHARE CAPITAL

Issued and Paid-up Share Capital	:	$88,278,936
Number of Shares	:	150,387,866
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	82	2.05	30,228	0.02
1,000 – 10,000	2,808	70.38	10,573,325	7.03
10,001 – 1,000,000	1,092	27.37	42,266,778	28.11
1,000,001 and above	8	0.20	97,517,535	64.84
Total	3,990	100.00	150,387,866	100.00

TOP TWENTY SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	Phillip Securities Pte Ltd	61,506,598	40.90
2	SMRT Road Holdings Ltd	10,309,312	6.86
3	Lee Boon Leong	6,824,400	4.53
4	United Overseas Bank Nominees Pte Ltd	6,804,775	4.52
5	DBS Nominees Pte Ltd	6,151,591	4.09
6	OCBC Nominees Singapore Pte Ltd	2,811,699	1.87
7	Ng Chit Tong Peter	2,000,880	1.33
8	Citibank Nominees Singapore Pte Ltd	1,108,280	0.74
9	Tan Soon Lin	966,800	0.64
10	Lee Soon Kie	955,900	0.64
11	Lua Cheng Eng	595,320	0.40
12	Lai Weng Kay	572,000	0.38
13	Boon Kok Hup	547,660	0.36
14	Ng Soh Lian	510,000	0.34
15	Kwah Thiam Hock	508,200	0.34
16	Tan Li Cheng nee Lee	493,680	0.33
17	Wee Joo Guan Robert	403,414	0.27
18	Teo Yew Hock	370,260	0.25
19	Goh Chai Lam or Teng Siew Yeok	369,050	0.24
20	Hong Leong Finance Nominees Pte Ltd	344,520	0.23
	Total	104,154,339	69.26

STATISTICS OF SHAREHOLDINGS
As At 9 March 2011

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 9 March 2011, approximately 51% 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 as recorded in the Register of Substantial Shareholders as at 9 March 2011

	No. of Shares			
Substantial Shareholder	**Direct Interest**	**Deemed Interest**	**Total Interest**	**%**
Phillip Assets Pte. Ltd.	60,761,657[1]	–	60,761,657	40.40
Lim Hua Min	–	60,761,657[2]	60,761,657	40.40
SMRT Road Holdings Ltd	10,309,312	–	10,309,312	6.86
Temasek Holdings (Private) Limited	–	10,309,312[3]	10,309,312	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 60,761,657 shares held by Phillip Assets Pte. Ltd.

3 Temasek Holdings (Private) Limited is deemed to have an interest in the 10,309,312 shares held by SMRT Road Holdings Ltd.

NOTICE OF ANNUAL GENERAL MEETING

IFS CAPITAL LIMITED

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

NOTICE IS HEREBY GIVEN that the Twenty-Fourth (24th) Annual General Meeting of IFS Capital Limited (the "**Company**") will be held at the IFS Boardroom, 7 Temasek Boulevard #10-01 Suntec Tower One, Singapore 038987, on Wednesday, 27 April 2011 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 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of a first and final one-tier tax exempt ordinary cash dividend of 1.5 cents per share for the financial year ended 31 December 2010. **(Resolution 2)**

3. To approve the Directors' fees of S$256,000 (2009: S$234,000) for the financial year ended 31 December 2010. **(Resolution 3)**

4. To re-elect Mr Gabriel Teo Chen Thye retiring in accordance with Article 91 of the Company's Articles of Association. **(Resolution 4)**

5. To re-elect Mr Law Song Keng retiring in accordance with Article 97 of the Company's Articles of Association. **(Resolution 5)**

6. To re-appoint KPMG LLP 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:

7. 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 50 per cent. of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-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 20 per cent. of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-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 sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares 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 bonus issue, 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)**

8. That approval be and is hereby given to the Directors 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 under the IFS (2000) Share Option Scheme (the "**2000 Scheme**"), provided that the aggregate number of shares to be issued pursuant to the 2000 Scheme and the IFS Performance Share Plan shall not exceed 15 per cent. of the total number of issued shares in the capital of the Company for the time being. **(Resolution 8)**

OTHER BUSINESS

9. 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, subject to the approval of the Shareholders for the proposed first and final dividend at the Annual General Meeting, the Share Transfer Books and the Register of Members of the Company will be closed on 6 May 2011, for the purpose of determining shareholders' entitlements to the proposed first and final one-tier tax exempt ordinary cash dividend for the year ended 31 December 2010.

Duly completed and stamped transfers together with all relevant documents of or evidencing title received by the Company's Share 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 2011 will be registered before entitlements to the proposed first and final 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 2011 will be entitled to the proposed first and final dividend.

The proposed first and final dividend if approved at the Annual General Meeting, will be paid on 19 May 2011.

By Order of the Board

Chionh Yi Chian
Company Secretary
IFS Capital Limited

Singapore
6 April 2011

NOTICE OF ANNUAL GENERAL MEETING

Notes:

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.

The instrument appointing a proxy or proxies 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 holding the Annual General Meeting.

1. **Notes to Resolution 3:**

   Resolution No. 3 is to seek the approval for the payment of S$256,000 to the non-executive directors as directors' fees for the financial year ended 31 December 2010. An increase in the directors' fees is being proposed for the financial year ended 31 December 2010, following a review by the Executive Resource and Compensation Committee that took into account, amongst others, the increasing scope and responsibilities of a director, fees payable by other comparable companies as well as the market trends.

2. **Notes to Resolution 4:**

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

   Mr Lim How Teck, an independent Director, will be retiring by rotation pursuant to Article 91 of the Articles of Association of the Company at the Annual General Meeting and is not seeking re-election as a Director of the Company. Upon his retirement as a Director of the Company, Mr Lim How Teck will also cease to be Chairman of the Executive Resource and Compensation Committee and a Member of the Audit Committee.

3. **Notes to Resolution 5:**

   Mr Law Song Keng will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee. Mr Law Song Keng is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. **Notes to Resolution 7:**

Resolution No. 7 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50 per cent. of the total number of issued shares in the capital of the Company (excluding treasury shares), with a sub-limit of 20 per cent. for issues other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of the issued shares in the capital of the Company (excluding treasury shares) at the time that Resolution No. 7 is passed, after adjusting for (a) 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 that Resolution No. 7 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

5. **Notes to Resolution 8:**

The effect of Resolution No. 8 is to empower the Directors of the Company to allot and issue shares in the capital of the Company on the exercise of options previously granted under the IFS (2000) Share Option Scheme (the "**2000 Scheme**"), provided that the aggregate number of shares to be issued pursuant to the 2000 Scheme and the IFS Performance Share Plan shall not exceed 15 per cent. of the total number of issued shares in the capital of the Company for the time being.

The 2000 Scheme and the IFS Performance Share Plan were both approved by the Shareholders on 24 May 2000. These two schemes expired on 24 May 2010 with respect to the grant of further options or awards. However, the outstanding options under the 2000 Scheme prior to the expiry of the scheme remains valid. There are no outstanding awards under the IFS Performance Share Plan.

IFS CAPITAL LIMITED

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

IMPORTANT

1. For investors who have used their Central Provident Fund ("CPF") monies to buy shares in the capital of IFS Capital Limited, this 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.
3. CPF investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to their CPF Approved Nominees within the time frame specified to enable their CPF Approved Nominees to vote on their behalf.

PROXY FORM

Twenty-Fourth (24th) Annual General Meeting

I/We______________________________(Name)________________(NRIC/Passport No.)

of____(Address)

being a member/members of IFS Capital Limited (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	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-Fourth (24th) Annual General Meeting of the Company to be held at the IFS Boardroom, 7 Temasek Boulevard #10-01, Suntec Tower One, Singapore 038987, on Wednesday, 27 April 2011 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Annual General Meeting.

	Resolutions Relating To:	For*	Against*
Ordinary Business			
1	Adoption of Directors' Report, Audited Accounts and Auditors' Report		
2	Payment of a First and Final One-Tier Tax Exempt Ordinary Cash Dividend of 1.5 cents per share		
3	Approval of Directors' Fees amounting to S$256,000		
4	Re-election of Director: Mr Gabriel Teo Chen Thye		
5	Re-election of Director: Mr Law Song Keng		
6	Re-appointment of KPMG LLP as Auditors		
Special Business			
7	Ordinary Resolution: Authority for Directors to Issue Shares and Instruments Convertible into Shares		
8	Ordinary Resolution: Authority for Directors to Issue Shares Pursuant to the IFS (2000) Share Option Scheme		

* *If you wish to exercise all your votes "For" or "Against", please indicate with an "X" in the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ________ day of ____________ 2011

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

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

IMPORTANT: PLEASE READ NOTES TO PROXY FORM OVERLEAF

NOTES TO PROXY FORM:

1. A member 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. A proxy need not be a member of the Company.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Annual General Meeting.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, the instrument of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies 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 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 its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. 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 of Singapore.

General

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 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
Stamp

The Company Secretary

IFS Capital Limited

7 Temasek Boulevard

#10-01 Suntec Tower One

Singapore 038987

2nd fold here

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