IFS Capital Limited

Key To Financial Success

Annual Report 2011

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IFS Capital Limited ("IFS") was incorporated in Singapore 1987 and listed on the Mainboard of the Singapore Exchange in July 1993.

IFS is a regional financial group involved in Commercial Finance, Alternative Finance, Structure Finance and Principal Investments. The Group also provides credit insurance, bonds and guarantees via its insurance subsidiary, ECICS Limited.

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

Group pre-tax profit was up 35% to $8.8 million. Net interest income was $16.9 million in 2011 as compared to $19.1 million the previous year. However, in 2010 there were significant recoveries of interest income from non-performing loans.

I am pleased to report a turnaround in our 2011 results.

For the first time since the advent of the global financial crisis business volumes went up. This was particularly evident from the second half of the year. The increase was led by Malaysia, Singapore and Indonesia.

All regional operations were profitable.

REVIEW OF 2011 PERFORMANCE

Group pre-tax profit was up 35% to $8.8 million. Net interest income was $16.9 million in 2011 as compared to $19.1 million the previous year. However, in 2010 there were significant recoveries of interest income from non-performing loans. If these were excluded from 2010's figures, our growth in net interest income would have been up 11%. Fees and commissions were up substantially by 28% due to higher factoring service fees and the receipt of a fee income from the repayment of a property loan. Investment income was up 65% due to lower fair value loss.

While after tax profit was down marginally to $7.7 million, this was due to a tax expense of $1.1 million versus a credit of $1.3 million. This tax swing of $2.4 million year-to-year reflected more on the underlying strength of our strong performance. After non-controlling interests, profit attributable to shareholders was $7.0 million. A first and final dividend of 1.75 cents per share has been proposed, an increase from 1.5 cents the previous year which at current price @ 0.405 cents (7 March 2012) gives a dividend yield of about 4.3%.

We also ended 2011 with a strong pipeline of transactions and our high net interest margin was maintained.

Our performance across the region reflects the underlying strength of our Group.

The impact of flooding in Thailand was less than expected. While there was a drop in November volumes, December factoring volumes picked up substantially. Overall factoring volume for the year was unaffected. We expect a strong recovery due largely to re-stocking and new capital expenditures as the country rebuilds from the traumatic effects of the floods.

Malaysia had a strong final quarter. Factoring volumes for 2011 up significantly 142% accompanied by a strong rise in loan products following the grant of our money lender license there.

Indonesia had a profitable year following the increase in capital.

ECICS reported an after tax profit of $2.9 million down from $4.5 million the previous year. Gross written premium however was marginally lower than 2010, attributable to lower credit insurance business volume, but mitigated by higher bonds and guarantee business volume. Our Spa and Wellness Insurance Guarantee Scheme was launched in 2011. We reported lower investment income due to lower returns on fixed income portfolios, but we were not affected by market turmoil in 2011 as we had fully exited all equity positions in ECICS in the third quarter. Unlike the previous year where there was a tax credit of $780,000, ECICS had a tax expense of $345,000. ECICS remains substantially well capitalized, above the regulatory requirements.

For 2012 while we expect to continue our performance, this outlook may be tempered by global economic conditions.

PERFORMANCE BENCHMARKING

The Group's earnings per share was 4.6 cents versus 4.7 cents the previous year. Net asset value per share for the Group stood at 89.5 cents as compared to 88.2 cents in 2010. Gearing remained low, with net gearing at 1.5 times up from 0.98 the previous year due to higher business volumes.

Our cost-to-income ratio on a consolidated group basis went up to 61% as compared to 56% in 2010. This was mainly attributable to higher staff costs, higher commission paid to intermediaries and professional fees incurred for business and operational related projects as well as higher business development expenses.

Our net interest margin was maintained at 6.5%, which was comparable to the previous year. However I should caution that our high net interest margin may come down as we build up our businesses across the Group.

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 2011, a large pipeline of potential transactions was built up. This bodes well for our immediate future.

We also remain cognizant of shareholder interests and value.

ECICS has the capacity to substantially increase its businesses based on its current capital ratios. Malaysia, Thailand and Indonesia can capitalize on their inherent domestic strengths and grow further. We continue to look at procuring new licenses in the region to increase our range of products and services.

The Board continues to look at new business opportunities and markets given our capital base and liquidity levels.

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

Lim Hua Min
Chairman
12 March 2012

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.

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 Securities International 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.


LIM HUA MIN
GABRIEL TEO CHEN THYE
MANU BHASKARAN

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, Manulife (Singapore) Pte Ltd and Asia Capital Reinsurance Group 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, as well as in Singapore Deposit Insurance Corporation from January 2006 to March 2011.

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. Prior to 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 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) 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.

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 claims and insurance operations. 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
Director and 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) in Management Sciences from the University of Manchester Institute of Science and Technology.

KATRINA BINTI AB RAHMAN
Director and Chief Executive Officer
IFS Capital (Malaysia) Sdn. Bhd.

Ms Katrina was appointed Director and Chief Executive Officer of IFS Capital (Malaysia) Sdn. Bhd. in January 2012. She joined the Malaysia's subsidiary in August 2006 as General Manager and was instrumental in setting up the Group's operations in Kuala Lumpur. Prior to joining the Group, she served as the General Manager of Affin Factors Sdn. Bhd., a subsidiary of Affin Bank Berhad. She has more than 20 years of working experience in the banking and financial industry in the areas of credit and business development. She holds a Bachelor of Business Administration from the Eastern Michigan University, USA.

AHMAD YANI
President Director
PT. IFS Capital Indonesia

Mr Yani joined the Indonesia's subsidiary in July 2010 overseeing the business development functions for factoring and leasing. Mr Yani was appointed President Director in November 2010 of PT. IFS Capital Indonesia. He has more than 15 years of working experience in the banking and financial industry. For the last 6 years, he served as the Senior Credit Approver of PT Bank UOB Buana. Mr Yani holds a Master degree (Management) from the Institute for Management and Education, Jakarta.

OTHER KEY EXECUTIVES

IFS

Serene Lim Gek Luang
Assistant General Manager, Business Development (Commercial Finance)
- Bachelor of Commerce
  Nanyang University

Goh Teik Liang
Assistant General Manager, Business Development
- Bachelor of Science (Agribusiness)
  Universiti Pertanian Malaysia

Desmond Heng Boon Kuan
Assistant General Manager, Business Development (Alternative Finance)
- Bachelor of Arts
  Indiana University, Bloomington USA

Phyllis Chiu Yin Wah
Assistant General Manager, Credit Risk Management
- Bachelor of Arts
  National University of Singapore
- Certified Risk Management Professional
  Asian Risk Management Institute

Dennis Yap San Hong
Manager, Corporate Development
- Bachelor of Accountancy
  Nanyang Technological University

Chan Yee Sun
Senior Manager, Operations
- Bachelor of Business Administration
  University of Iowa, USA

Jane Ang Lee Keow
Manager, Client Relationship
- Bachelor of Business Computing
  University of Western Sydney

Simon Chia Keng Hoong
Manager, Information Technology
- Bachelor of Applied Science (Computing)
  Queensland University of Technology

Angeline Ng Ching Loo
Manager, Legal, Secretariat & Compliance
- Bachelor of Laws (Honours)
  University of London

Tang Mei Ling
Senior Manager, Internal Audit
- Bachelor of Commerce
  The University of Western Australia
- CPA, CIA

Ong Peck Li
Senior Manager, Finance
- CPA, FCCA

Felicia Lim Sok Peng
Manager, HR & Admin
- Graduate Diploma in Personnel Management
  Singapore Institute of Management
- Bachelor of Science (Management) (Honours)
  University of London

PT. IFS Capital Indonesia

Ahmad Munawar
Head, Credit Risk Management (seconded to Indonesia subsidiary)
- Bachelor of Accountancy
  National University of Singapore

ECICS Limited

Tin Chee Kiong
Assistant General Manager, Business Development
- Master of Business Administration
  University of Chicago Graduate School of Business
- Bachelor of Business Administration
  University of New Brunswick, Canada

Wong Hoe Fai
Head, Risk Management
- Bachelor of Business Administration
  National University of Singapore

Richard Ong Boon Cheow
Head, Finance
- Master of Business Administration
  Vancouver University
- CPA, FCCA

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Hua Min
Chairman
Gabriel Teo Chen Thye
Manu Bhaskaran
Law Song Keng
Kwah Thiam Hock
Lee Soon Kie
Executive Director and Group Chief Executive Officer

AUDIT COMMITTEE

Gabriel Teo Chen Thye
Chairman
Manu Bhaskaran
Law Song Keng

EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE

Manu Bhaskaran
Chairman
Lim Hua Min
Gabriel Teo Chen Thye

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
Chua Chye Seng
Phyllis Chiu

REGISTERED OFFICE

7 Temasek Boulevard #10-01
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Singapore 038987
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Fax: 6339 9527
Website: www.ifscapital.com.sg
Email: IFS_Corporate@ifscapital.com.sg

SHARE REGISTRAR

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

COMPANY SECRETARY

Chionh Yi Chian

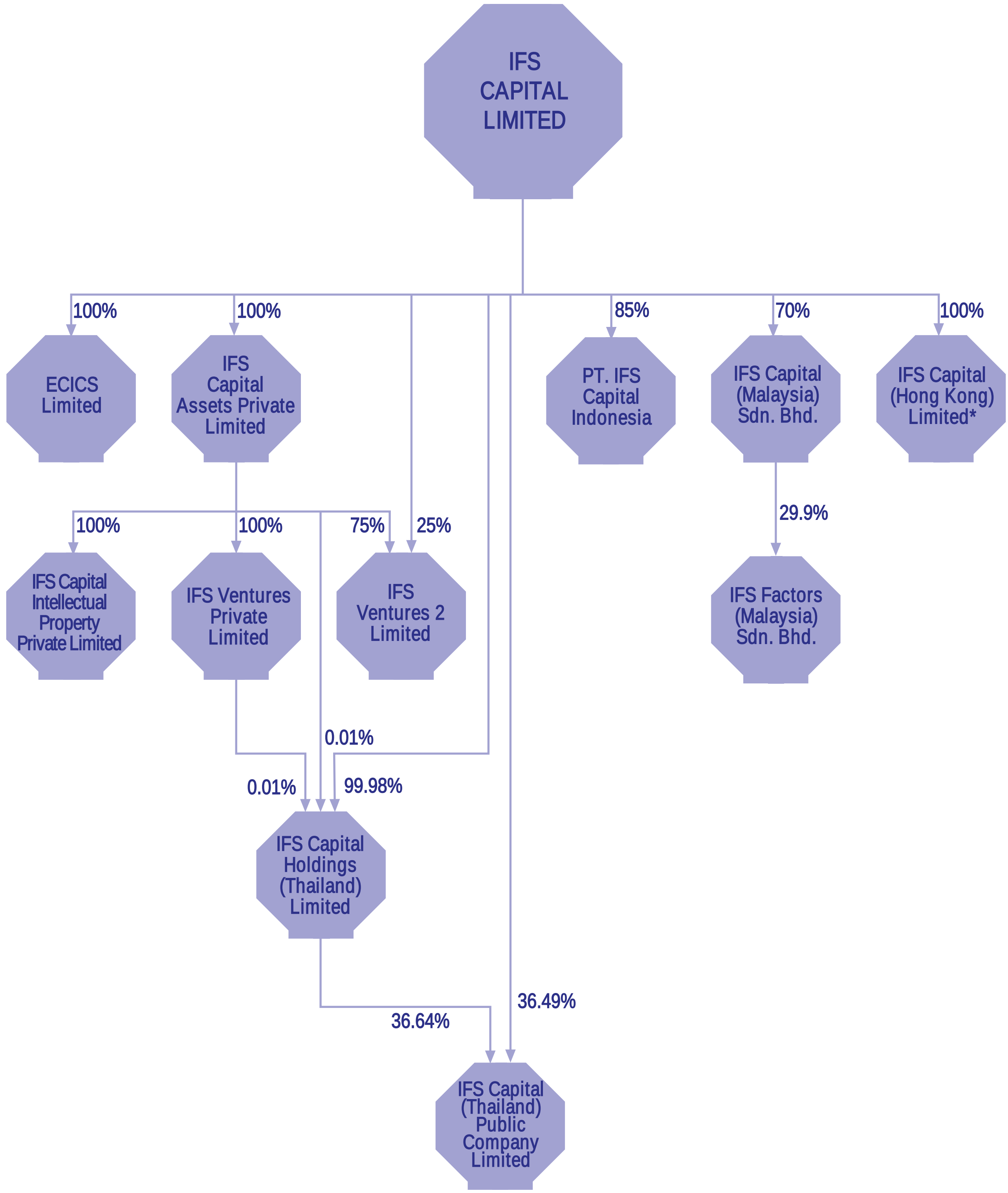
AUDITORS

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

Partner-In-Charge

Jeya Poh Wan S/O K.Suppiah
(since FY2011)

CORPORATE STRUCTURE

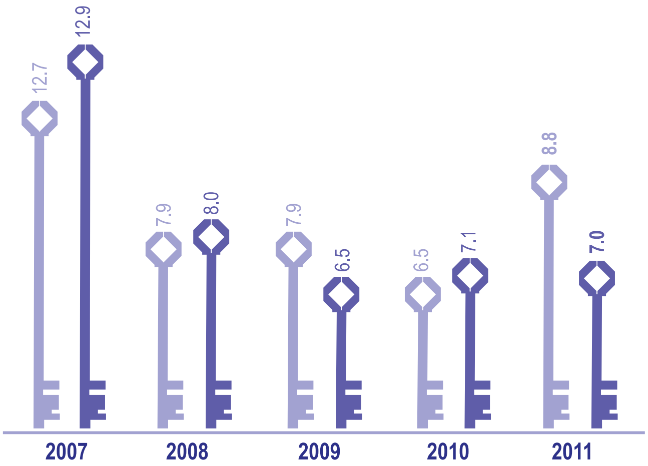


* Dormant/Inactive

PERFORMANCE AT A GLANCE

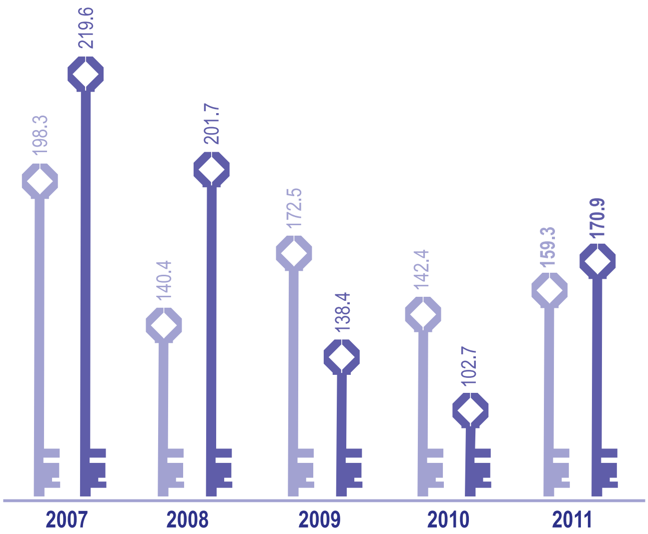
PROFIT & LOSS
(S$ million)

Profit before tax
Attributable profit after tax



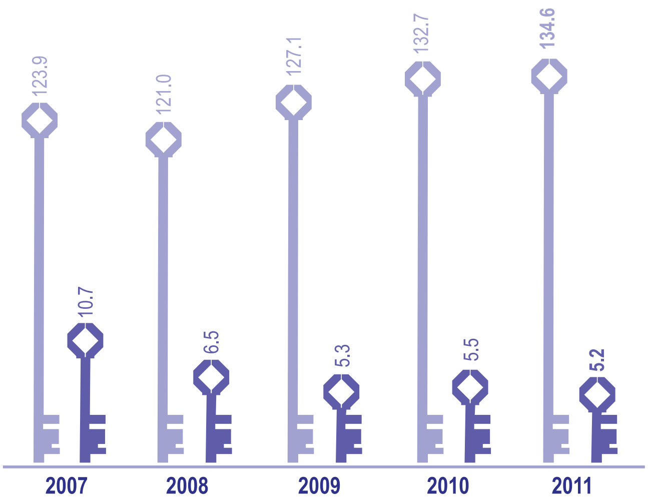
FACTORING RECEIVABLES AND LOANS & ADVANCES
As at 31 December
(S$ million)

Factoring receivables (gross)
Loans & advances (gross)

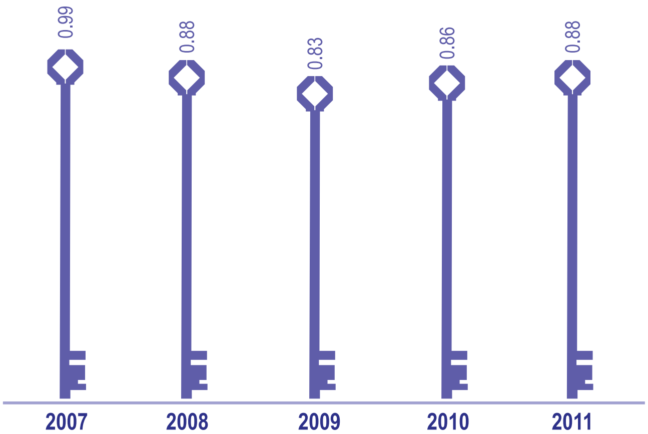


SHAREHOLDERS' FUNDS (S$ million)
RETURN ON AVERAGE SHAREHOLDERS' FUNDS (%)

Shareholders' funds
Return on average shareholders' funds



NET TANGIBLE ASSETS PER SHARE (S$)



Note: Net tangible assets per share for 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$'000	2011	2010	2009	2008	2007
INCOME STATEMENT					
Gross operating income	35,971	35,506	34,612	34,270	45,468
Profit					
– before tax	8,831	6,536	7,948	7,857	12,677
– after tax	7,703	7,872	6,571	8,015	12,856
– after tax attributable to owners of the Company	6,956	7,104	6,531	8,015	12,856
BALANCE SHEET					
Number of shares ('000)	150,388	150,388	136,716	124,288	124,288
Issued share capital	88,032	88,032	88,032	88,032	88,032
Shareholders' funds	134,553	132,676	127,090	120,972	123,921
Non-controlling interests	9,114	9,194	432	–	–
Total assets	393,520	325,737	357,070	393,437	481,044
Total liabilities	249,853	183,867	229,548	272,465	357,123
DIVIDEND INFORMATION					
Dividends declared/proposed for the year (net of tax)	2,632	2,256	2,051	2,486	7,096
Dividend cover (number of times)*	1.20	3.43	1.62	3.63	0.75
Gross dividends declared per share*					
– Ordinary (cents)	1.75	1.50	1.50	2.00	6.25
FINANCIAL RATIOS					
Earnings per share after tax (cents)	4.63	4.72	4.34	5.86	10.80
Net tangible assets per share ($)	0.88	0.86	0.83	0.88	0.99
Return on average shareholders' funds (%)	5.2	5.5	5.3	6.5	10.7
Cost-income ratios (%)	61.0	56.0	52.4	55.6	42.5

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 FY2011 relates to the proposed one-tier tax exempt first and final dividend of 1.75 cents (FY2010: First and final dividend of 1.50 cents).

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.

Level 17, Menara Park
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
Jl. Jend. Sudirman Kav. 33A
Jakarta 10220
Indonesia
Tel : (6221) 5790 1090
Fax : (6221) 5790 1080

IFS CAPITAL (THAILAND) PUBLIC COMPANY LIMITED
IFS CAPITAL HOLDINGS (THAILAND) LIMITED

20th Floor, Lumpini Tower
1168/55 Rama IV Road
Tungmahamek Sathorn
Bangkok 10120
Thailand
Tel : (662) 285 6326
Fax : (662) 285 6335

AFFILIATES

ADVANCE FINANCE PUBLIC COMPANY LIMITED

40th Floor, CRC Tower
All Seasons Place
87/2 Wireless Road
Lumpini Pathumwan
Bangkok 10330
Thailand
Tel : (662) 626 2300
Fax : (662) 626 2301

PHILLIP VENTURES ENTERPRISE FUND LTD

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

ECONOMIC ASSESSMENT OF SOUTHEAST ASIA

Overview - Some downside risks remain

The fragility of the 2010 recovery revealed itself in 2011 as the onslaught of fiscal austerity, the limits of monetary expansion and the unresolved fiscal issues in Europe and the United States weighed significantly on the G-3 economies, cutting real growth by almost two thirds, from 2.7% in 2010 to 1.0% in 2011[1]. Together with supply-side disruptions from natural disasters in Japan and Thailand, as well as from wars and tensions in the Middle East, economic output in the G-3 has yet to match the 2007 pre-crisis levels.

With the G-3 economies comprising over a third of the end-demand for ASEAN6[2] merchandise exports, the second half of 2011 saw a sharp deceleration in export growth across Southeast Asia. Economic growth decelerated as well, especially among the more export-oriented economies such as the Singapore, Thailand and Malaysia. However, resilient domestic demand, the recent boost in end-demand from China and positive spill-over effects from the global capital influx into Asia, has helped support growth.

Looking forward, the question is whether 2012 will see a re-acceleration of growth, continue at the tepid pace set in 2011, or face something much worse. At this stage, the balance of risks point to something much worse.

In essence, given multiple vulnerabilities and flash points reaching a critical point, it is hard to argue that all or most of these will turn out positively.

- First, political stresses in the Middle East, especially Iran, have pushed up oil prices and are likely to continue doing so. In a period of depressed demand and fragile balance sheets in developed economies, private consumption is likely to be weakened as a result, hurting overall growth.
- Second, even if it avoids another major financial crisis, the Eurozone outlook will be marked by recession, rising unemployment, loss of public services and a rising political backlash. Asian exports will suffer as the Eurozone remains Asia's largest single market.
- Third, there are growing risks of a slowdown in China where fixed asset investment, the major driver of growth, is likely to slow sharply as restrictions on the property sector and the lagged effects of last year's tight policies slow demand.
- Fourth, the US economy appears to be recovering again but whether the recovery is sustainable will depend very much on how resilient demand is in the face of unfavourable developments such as uncertainty over fiscal policy and over the outcome of the November presidential elections as well as the impact of higher oil prices and Eurozone weakness on US exports.

The negative balance of risks in the global economy will impact growth in Southeast Asia more strongly than seen in 2011. Asia's economic fortunes remain strongly linked with the developed economies and China. These linkages go beyond trade to include investment and financial linkages. A weaker global environment would also mean reduced commodity prices, weaker tourism and diminished flows of remittances.

Overall, inflation risks have diminished in Asia, while growth risks have increased. We expect both monetary and fiscal policy to be more accommodative in 2012, although fiscal constraints across most of Southeast Asia will see limited scope for massive government intervention in the event of a crisis. Currencies in Asia will likely ease in 2012 as current account surpluses narrow and risk aversion grips the markets.

SINGAPORE

Economic activity in 2011 was boosted by strong domestic demand. Above-average contributions from government and private consumption, as well as strong contributions from investment in machinery and transport equipment allowed Singapore to weather the contraction in demand for its manufactured and wholesale exports.

Looking towards 2012-2013, the Singapore economy faces a number of headwinds which are likely to produce a sharp deceleration in growth, to around 0.5% in 2012.

First, weaker global demand will hit Singapore's externally oriented economy hard in 2012. Singapore is much more exposed to final demand in the G-3 economies than other Asian economies, making it particularly vulnerable to the global scenario described above.

1 *G-3 refers to the United States, the European Union and Japan. Growth based on 2005 PPP prices and initial estimates for 4Q11 data.*
2 *ASEAN6 refers to Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.*

A second challenge is the erosion of its international competitiveness as the real value of the Singapore Dollar has appreciated substantially while domestic costs have also risen. As restrictions on foreign labour inflows are implemented, wage costs will continue to rise despite the slowing economy. We do not see the Singapore Dollar adjusting down materially to offset the decline in competitiveness given the policy stance of the Monetary Authority of Singapore and the continued large external surpluses we expect.

Third, the economy will have to adjust not only to these higher costs but also to two important changes in policy: foreign worker inflows will be progressively restricted while anti-speculation measures will cool real estate activity. As economic growth slows sharply this year, companies will have to restructure by economising on labour and reducing costs. Eventually, this will produce a sharp reversal in wages, rents and other domestic costs similar to the deflationary adjustment in 2001-2003.

Fortunately, these headwinds will be mitigated by a number of positive factors which will help usher in a recovery in 2013:

- First, despite rising costs, Singapore continues to attract high-value activities and companies, with many operations already in the process of starting production in Singapore. In addition, 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 increased economic integration within ASEAN and the growing economic linkages with Malaysia through the Iskandar Region will allow Singapore to boost its position as a regional services hub, providing port, airport, import-export trade and financial services.
- Third, with global interest rates likely to remain low, Singapore will continue to enjoy negative real interest rates. This will provide support to consumers and companies through low interest costs.

Table 1: Singapore Forecasts

	2009	2010	2011	2012	2013
GDP growth	-1.9	14.5	4.9	0.5	5.0
Inflation	0.2	2.8	5.2	3.3	3.6
Current Account/GDP %	12.0	21.7	15.9	12.9	12.7
Currency/USD (end period)	1.40	1.31	1.30	1.28	1.20

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

MALAYSIA

Growth has remained relatively resilient in Malaysia, moderating to a respectable 5.1% in 2011 despite a stumbling global recovery and a reversal of the huge inventory accumulation seen in 2010. Strong demand from government consumption in the second half of 2011 and steady growth in both private consumption and fixed investment demand helped offset the weakness in demand for Malaysia’s export-oriented industries.

Looking forward, several factors can support Malaysia’s domestic economy.

- First, the follow through of government investment projects under the Economic Transformation Programme (“ETP”) suggest government-driven demand will remain a strong driver of growth in the near-term.
- Second, inflation is beginning to moderate. In December 2011, inflation fell to the lowest level since February 2011. With softer global demand and slower domestic demand growth expected in 2012 and 2013, inflation will further ease. This will support private consumption expenditure in the near-term.
- Third, despite the move to attract private investment in recent years, gross fixed capital formation (“GFCF”) had been building momentum even before foreign direct investment commitments picked up. With both domestic and foreign investment commitments rising, there will be a rise in investment projects being activated, thereby supporting Malaysia’s growth.

- Fourth, forward-looking domestic indicators continue to suggest near-term strength: **Construction approvals** reached 160,000 units in 2011, the highest level since 170,000 units in 2005, and more than 30% higher than the level seen in 2010. **Broad money growth and commercial bank loan growth** have remained on a firm uptrend in 2011, reaching 3-year highs. Together with the unemployment rate back down at 3.0%, credit-fuelled private demand for both consumption goods and housing should continue.
- Fifth, longer-term indicators are showing some positive changes in Malaysia: **Malaysia's Doing Business rankings** jumped from 23 in 2011 to 18 in 2012. Similar improvements were seen in the **World Economic Forum Global Competitiveness Report** which saw Malaysia move up five places to 21st. These improvements helped push Malaysia's ranking in the **Kearney FDI Confidence** into the top 10 for the first time.

Like most other export-oriented economies in Southeast Asia, the main threat to growth in the near-term will come from the weaker global demand we outlined above. Manufacturing still accounts for more than a quarter of the value added produced in Malaysia. Together with another quarter coming from intermediate business, finance and transport services that support manufacturing, more than half of Malaysia's GDP will be subject to the global headwinds. In 2011, over a third of Malaysia's manufactured exports went to the G-3 economies, while China and Singapore accounted for another 27% of manufactured exports. A significant slowdown in the G-3 and weakness from China will see significant pullback in Malaysia's major export destinations. However, there are also some structural problems which raise Malaysia's vulnerability to external shocks:

- First, Malaysia's fiscal trends are of long term concern. Public debt has more than doubled since 2005, of which, almost 60% was due to the deficits in just the last three years. Consequently, the government will be constrained in responding to a downturn with stimulus spending.
- Second, despite the government's strenuous efforts, under the five year Government Transformation Plan, to improve the business environment, corruption continues of concern. The 2011 Corruption Perceptions Index saw Malaysia lose another four spots to place 60th, a far cry from the 33rd position 10 years ago in 2002.
- Third, Malaysia will soon hold another general election. Private investment may slow due to uncertainty about longer term policy. Once the elections are over, however, there will be greater political clarity and business investment should improve.

Table 2: Malaysia Forecasts

	2009	2010	2011	2012	2013
GDP growth	-0.5	7.4	5.1	4.3	3.9
Inflation	2.8	1.7	3.2	2.0	2.3
Current Account/GDP %	7.5	11.9	9.1	8.7	7.1
Currency/USD (end period)	3.80	3.13	3.16	3.10	2.90

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

THAILAND

2011 was a challenging year for Thailand. Supply chain disruptions from the Japanese tsunami at the start of the year, dampened private investment ahead of the elections in the middle of the year and devastating floods at the end of the year all fed into an already challenging global backdrop.

Thailand experienced the worst floods in almost 70 years in late 2011, causing unprecedented damage to agriculture in the northern and upper-central regions as well as to manufacturing as Thailand's major industrial parks, where key automobile and electronic industries were concentrated, suffered heavy damage. As a result, growth contracted 9% y/y in 4Q11, taking full-year growth in 2011 to 0.1%, at the bottom of the Thai Chamber of Commerce's 0%-0.5% "worst case scenario" range. Looking ahead, the outlook for 2012 will likely remain a challenge:

- Thailand's manufacturing industry relies disproportionately on automobile production and hard-disk drives, both of which have experienced severe declines as a result of the floods. With production expected to return to pre-flood levels only in the second half of the year, and given the difficult global demand conditions ahead, we expect net exports and inventory draw-downs to weigh heavily on growth in 2012.

- On the domestic front, while flood-related investment will surge this year, new investment will be more cautious and remain on the sidelines to see if a) corporations affected by the flood remain committed to Thailand, b) what incentives the government might introduce to attract investment, and c) how the global conditions pan out.
- Political uncertainty could also dampen growth as unresolved but critical political issues surface again. A number of issues including constitutional amendments and the likely return to Thailand of ousted former prime minister, Thaksin Shinawatra, all involve some degree of risk.

Despite the cautious picture painted, Thailand remains an impressive economy that has shown remarkable resilience in the face of multiple global shocks and an unrelenting political crisis. We believe this resilience will continue in 2012, and that the economy will return to the 6.5%-7.0% growth handle in due course. Beyond 2012, we see several characteristics lending support to growth, especially in the medium to long-term:

- **Pent-up investment demand.** Investment has been weak for several years as a result of the political crisis. With capacity utilisation likely to return to high levels, there is considerable pent-up investment demand. The floods will likely delay and not undo our expectations for this pent-up investment demand to boost growth in Thailand.
- **Thailand remains a highly competitive player in the region.** Thailand remains a leader in manufacturing. It is the world's 12th largest automobile manufacturer, producing 2.5% of the world's supply, and before the floods, was projected to move into the top 10 by 2015. It is also the 2nd largest hard disk drive manufacturer; producing 25% of the world's supply and second only to China. Its ability to move into new sectors and become a leader has been shown time and again. This capacity to adapt will continue to boost Thailand's standing as a key manufacturer in the region.
- **The Greater Mekong Sub-Region ("GMS").** The GMS consists of Cambodia, PRC[3], Laos, Myanmar, Thailand and Vietnam, and together, have a combined population of 320 million with 2.5 million square kilometres of contiguous land area. Thailand stands to benefit tremendously from the increased interest in the region. As the richest member in the GMS, its entrepreneurs are provided with a good opportunity to take advantage of the growing affluence and dynamism in the region. The interest from China also gives Thailand an advantage relative to the rest of the major ASEAN economies.

Table 3: Thailand Forecasts

	2009	2010	2011	2012	2013
GDP growth	0.5	7.8	0.1	3.5	5.6
Inflation	2.8	3.3	3.8	3.4	4.2
Current Account/GDP %	-0.5	4.1	2.2	1.3	4.4
Currency/USD (end period)	37.5	30.09	31.17	31.00	28.00

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

INDONESIA

2011 was another stellar year for Indonesia, expanding 6.5% from 2010, the only major Asian economy to enjoy acceleration over the past year. Strong commodity prices, an improving investor climate, and continued economic and political stability have built on the strong Indonesian story that began following the 2009 re-election of President Yudhoyono.

Looking ahead, several developments make us confident the positive trends in Indonesia are likely to continue in the near-term:

- **First, the long-awaited land reform bill was passed.** The reform bill gives the Indonesian government more powers to acquire land for infrastructure development, speeding up land acquisition, which has been a major impediment to infrastructure development.

3 *People's Republic of China (PRC) has been represented geographically in the GMS by Yunnan Province since 1992. In Dec 04, Guangxi Zhuang Autonomous Region was formally added as part of the GMS.*

ECONOMIC ASSESSMENT OF SOUTHEAST ASIA

- **Second, Fitch and Moody's have upgraded Indonesia to investment grade** - after it lost investment grade in the 1997 crisis. The upgrade, along with the new land acquisition bill, would likely see more sustained, and higher quality investment flows into Indonesian in 2012.
- **Third, economic resilience in Indonesia continues to improve**, helped by a surge in international reserves, lower public debt, more credible monetary policy, and a significantly improved banking and financial system. This resilience will augment Indonesia's ability to cope with external shocks.

Strong domestic demand, which was a significant driver of growth in 2011, is likely to support economic growth in 2012-2013, with private consumption and gross fixed capital formation (investment) contributing over 70% of total GDP growth. Still this does not imply that Indonesia will enjoy a trouble-free 2012. Despite Indonesia's improving resilience, adverse global conditions will probably reduce growth in 2012 through both trade and investment linkages.

- **Exports will weaken in 2012:** Exports have played a significant role in Indonesia's recent success, contributing over a fifth of growth in 2011. With exports to the G-3 economies comprising over a third of Indonesia's total exports, we expect weaker G-3 final demand to shave off 0.5%-1.0% of growth from Indonesia.
- **Volatile capital flows:** Despite Indonesia's relative resilience during the worst of the 2008 crisis, 2011 showed that portfolio capital flows remain susceptible to significant reversals. Indonesia suffered an outflow of USD10.9bn or 1.3% GDP in the second half of 2011 - even larger than the outflow at the peak of the 2008 crisis.

In addition, the recent decision by authorities to raise fuel subsidies will likely impact both domestic growth and inflation adversely.

- **Inflation**: The impact of a one off hike in subsidized fuel in April 2012 at the expected rate of IDR1,500 will see an approximate 17% surge in the transport component of CPI, raising overall consumer prices by an additional 2.1% y/y in 2012 and 0.6% y/y in 2013. Given the increasing prominence of trade unions, as well as the dovish monetary policy stance since last year, we believe second round effects could become quite large and send inflation rates over 7% y/y in 2012 and keep inflation persistent over 2013.
- **Growth**: First, a one-time hike in subsidized fuel will see a significant impact on consumers' purchasing power, reducing private consumption by around 0.5%-0.9% in 2012. Second, higher inflation could undermine some of the credibility Indonesia has been garnering in recent years and increase the volatility of capital flows in Indonesia. Already 2011 showed that despite the recent progress, portfolio capital flows remain susceptible to significant reversals. In the second half of 2011, Indonesia suffered an outflow of USD10.9bn or 1.3% GDP - an even larger than the outflow at the peak of the 2008 crisis.

Still, we expect growth in Indonesia to remain firm over 2012 and 2013 given strong domestic demand and economic resilience. Looking ahead, Indonesia is set to achieve at least 6% average growth over the next few years. If Indonesia can address the following challenges, it could even enjoy a more substantial acceleration in economic dynamism:

- **First, persistent corruption hampers businesses:** The World Bank's 2012 Doing Business survey of 183 countries showed Indonesia's ranking falling from a poor 126th to 129th. Not surprisingly, corruption-related bottlenecks, such as "paying taxes", "registering property", "enforcing contracts", and "resolving insolvency", performed poorly.
- **Second, weak disbursement of budgeted government spending unnecessarily reduces demand.** The prevalent corruption and inefficiency seen across all levels of policy making in Indonesia will delay the vital expenditure on public infrastructure and capital needed for Indonesia to achieve steady and high long-term growth.
- **Third, Indonesia is at risk of turning more inward.** As Indonesia grows in stature, policy makers have begun to emphasize self-sufficiency and import substitution strategies. In the long-term, such a move will undermine the competitiveness of Indonesia's domestic enterprises and make them unable to compete at the world stage.

Indonesia's domestic strength will continue to see it outperform its peers in the near-term. Looking ahead however, structural indicators, such as quality of policy and governance, competitiveness and productivity, and economic stability and resilience remain weak. A failure to address these weaknesses could see huge opportunity costs for Indonesia and threatens scenarios such as the middle income trap[4] forming.

Table 4: Indonesia Forecasts

	2009	2010	2011	2012	2013
GDP growth	4.6	6.3	6.5	5.5	6.8
Inflation	4.9	5.1	5.4	7.2	6.4
Current Account/GDP %	0.0	0.9	-1.0	-0.4	0.2
Currency/USD (end period)	9,400	9,023	9,088	9,100	8,500

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

4 *The middle income trap refers to a recurring phenomenon in development economics where once fast-growing countries lose momentum and enter long periods of stagnation.*

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 2011, 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 framework of internal controls and risk management procedures and monitors standards of performance.

To assist the Board in the execution of its responsibilities, Board committees, namely the Audit Committee and the Executive Resource and Compensation Committee, have been constituted with clear terms of reference. The Board also appointed the Credit Committee, comprising of Chief Executive Officer and senior officers of the Company, which 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 2011, the Board of Directors held five meetings.

1.4 The attendance of the Board members at the Board meetings and meetings of the Audit Committee and the Executive Resource and Compensation Committee during the financial year ended 31 December 2011 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	5	5	NA	NA	2	2
Gabriel Teo Chen Thye	5	5	4	4	2	2
Law Song Keng (1)	5	5	4	4	NA	NA
Manu Bhaskaran (2)	5	5	4	4	2	2
Lee Soon Kie	5	5	NA	NA	NA	NA
Kwah Thiam Hock	5	5	NA	NA	NA	NA
Lim How Teck (3)	2	1	1	0	2	2

ERCC Executive Resource and Compensation Committee

NA Not applicable

(1) Mr Law Song Keng was appointed as a director of the Company and a member of the Audit Committee with effect from 31 January 2011.

(2) Mr Manu Bhaskaran was appointed as a member of the ERCC on 31 January 2011 and took over as Chairman of ERCC on 27 April 2011 following the retirement of Mr Lim How Teck.

(3) Mr Lim How Teck retired as a director of the Company and ceased to be Chairman of ERCC and a member of the Audit Committee with effect from 27 April 2011.

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

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 2011, the Board comprises 6 directors of whom 3 are independent directors. The nature of the directors' appointments on the Board is set out as follows:

Directors	**Board Membership**
Lim Hua Min	Non-Executive, Non-Independent, Chairman
Gabriel Teo Chen Thye	Independent
Law Song Keng	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 an independent director of the Company on 31 January 2011. Mr Lim How Teck retired as an independent director of the Company on 27 April 2011.

During the financial year ended 31 December 2011, there were some changes to the Board members. Mr Law Song Keng was appointed as an independent director of the Company on 31 January 2011 and Mr Lim How Teck retired as an independent director of the Company on 27 April 2011.

2.2 Details of the directors' academic and professional qualifications, appointment dates on the Board and other appointments are set out on pages 29 to 30.

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

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

<u>Principle 3</u>: 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 business of the Company, implements the Board's decisions and is responsible for the day to-day operations of the Company.

4. BOARD MEMBERSHIP

<u>Principle 4</u>: 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 2011, the Executive Resource and Compensation Committee comprises 3 members, the majority of whom are independent:

Manu Bhaskaran	Chairman, Independent
Lim Hua Min	Member, Non-Independent
Gabriel Teo Chen Thye	Member, Independent

<u>Note</u>:

Mr Manu Bhaskaran was appointed as a member of the Executive Resource and Compensation Committee on 31 January 2011 and as Chairman of the Committee on 27 April 2011. Mr Lim How Teck ceased to be Chairman of the Executive Resource and Compensation Committee on 27 April 2011.

During the financial year ended 31 December 2011, Mr Lim How Teck ceased to be Chairman of the Executive Resource and Compensation Committee with effect from 27 April 2011 when Mr Lim retired as a director of the Company. Mr Manu Bhaskaran, who was appointed as a member of the Executive Resource and Compensation Committee on 31 January 2011, took over as Chairman of the Committee with effect from 27 April 2011 to replace Mr Lim How Teck. Mr Manu Bhaskaran is an independent Non-Executive Director and is not associated with a substantial shareholder.

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 variances 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 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 The remuneration package of the Chief Executive Officer/Executive Director comprises of a fixed component which is benchmarked against the financial services industry and a variable component which is linked to the performance of the Group as well as the individual performance. An annual performance incentive plan implemented by the Group links rewards purely to corporate and individual performance.

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

8.3 The directors' fees payable to the Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting. The Chief Executive Officer/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 had in place two non-cash benefit schemes in the form of a share option scheme and a performance share plan which were administered by the Executive Resource and Compensation Committee.

These two schemes have since 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 continued to be valid and subject to the terms and conditions of the schemes. As at 31 December 2011, there are no outstanding options and awards.

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 2011 is as follows:

	Number of Directors	
Remuneration band	**FYE 31 Dec 2011**	**FYE 31 Dec 2010**
$500,000 and above	1	1
$250,000 to below $500,000	0	0
Below $250,000	6	5
Total	**7***	**6**

**includes 1 director who retired during the course of the financial year ended 31 December 2011*

Remuneration Band/ Directors of Company		Directors' Fees [4] %	Fixed Pay %	Annual Wage Supplement and Variable Bonus %	Allowances & Others %	Total %
(i)	**$500,000 to below $750,000**					
	Mr Lee Soon Kie	-	58	35	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 Law Song Keng [1]	100	-	-	-	100
	Mr Manu Bhaskaran [2]	100	-	-	-	100
	Mr Kwah Thiam Hock	100	-	-	-	100
	Mr Lim How Teck [3]	100	-	-	-	100

(1) *Mr Law Song Keng was appointed as a director of the Company and a member of the Audit Committee with effect from 31 January 2011.*

(2) *Mr Manu Bhaskaran was appointed as a member of the ERCC on 31 January 2011 and took over as Chairman of ERCC on 27 April 2011 following the retirement of Mr Lim How Teck.*

(3) *Mr Lim How Teck retired as a director of the Company and ceased to be Chairman of ERCC and a member of the Audit Committee with effect from 27 April 2011.*

(4) *Directors' Fees refer to fees for financial year ended 31 December 2011, subject to approval by shareholders at the forthcoming AGM.*

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

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

Remuneration band	FYE 31 Dec 2011	FYE 31 Dec 2010
$500,000 and above	0	0
$250,000 to below $500,000	3	1
Below $250,000	2	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 2011, the Audit Committee comprises 3 members, all of whom are independent Non-Executive Directors:

Gabriel Teo Chen Thye	Chairman, Independent
Law Song Keng	Member, Independent
Manu Bhaskaran	Member, Independent

Note:
Mr Law Song Keng was appointed as a member of the Audit Committee on 31 January 2011. Mr Lim How Teck ceased to be a member of the Audit Committee on 27 April 2011.

During the financial year ended 31 December 2011, Mr Lim How Teck ceased to be a member of the Audit Committee with effect from 27 April 2011 when Mr Lim retired as a director of the Company. Mr Law Song Keng was appointed as an independent member of the Audit Committee on 31 January 2011.

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-ST 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 undertook the annual review of the independence of external auditors through discussions with the external auditors as well as reviewing all the non-audit services provided by the external auditors and the fees payable to them. The Audit Committee is satisfied that the non-audit services performed by them would not affect the independence of the external auditors and has recommended the re-appointment of the external auditors at the Company's forthcoming Annual General Meeting.

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 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. Any significant internal control weaknesses noted during their audits are highlighted to the Audit Committee and the internal auditors assist in monitoring 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 no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities. Hence, the system of internal controls can only provide reasonable, but not absolute, assurance against material financial misstatement or loss.

Based on the information furnished to the Board and the internal and external audits conducted, the Board, with the concurrence of the Audit Committee, is satisfied that the Group's system of internal controls which includes addressing financial operational and compliance risks currently maintained by management is adequate to meet the Group's current business objectives.

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 "Internal 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 in line with the best practices set out in Rule 1207(19) of the SGX-ST Listing Manual. The guidelines under the Internal 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 weeks 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
Gabriel Teo Chen Thye	- Bachelor of Business Administration, University of Singapore (1975) - Masters in Business Administration, Cranfield School of Management (UK) (1980)	(a) 02.11.1999 (b) 27.04.2011	(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
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) 27.04.2011	(a) - (b) Member, Central Provident Fund Board Member, Board of Directors, Manulife (Singapore) Pte Ltd Member, Board of Directors, Asia Capital Reinsurance Group Pte Ltd

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
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
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) -

FINANCIAL REPORT

DIRECTOR'S 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 2011.

Directors

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

Lim Hua Min
Gabriel Teo Chen Thye
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	60,761,657	60,761,657
Lee Soon Kie		
IFS Capital Limited		
- ordinary shares		
- interest held	955,900	1,172,900
IFS Capital (Thailand) Public Company Limited	400,000	400,000
IFS Factors (Malaysia) Sdn. Bhd.	1	1
Kwah Thiam Hock		
IFS Capital Limited		
- ordinary shares		
- interest held	508,200	508,200

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 begining of the financial year, or date of appointment if later, 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 2012.

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 38 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 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, shall not exceed 15% of the issued shares in the capital of the Company on the day preceding the relevant grant date.

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

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

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

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

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

(vii) The 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.

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. As at 31 December 2011, there was no outstanding unissued share under the IFS (2000) Share Option Scheme due to expiry of the exercise period on 10 May 2011. 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.

Audit Committee

The Audit Committee comprises the following Non-Executive Directors:

Gabriel Teo Chen Thye (Chairman)	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.

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.

In appointing the audit firm for the Group, the Audit Committee is satisfied that the Company has complied with the Listing Rules 712, 715 and 716.

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 2012

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 38 to 114 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 2011 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 2012

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 statement of financial position of the Group and the Company as at 31 December 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 114.

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.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position 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 2011 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 2012

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-current assets					
Property, plant and equipment	4	**19,226**	20,167	**16,655**	17,274
Intangible assets	5	**1,912**	2,943	**311**	463
Subsidiaries	6	**-**	-	**75,679**	60,928
Other investments	7	**33,293**	37,874	**6,579**	7,226
Loans, advances, hire purchase and leasing receivables	8	**64,248**	31,596	**44,298**	24,439
Deferred tax assets	10	**2,792**	3,135	**25**	-
		121,471	95,715	**143,547**	110,330
Current assets					
Derivative financial instruments	11	**-**	938	**-**	938
Reinsurers' share of insurance contract provisions	12	**9,333**	10,690	**-**	-
Insurance receivables	13	**680**	663	**-**	-
Trade and other receivables	14	**212,944**	168,378	**124,736**	87,918
Other investments	7	**19,442**	15,662	**-**	1,243
Cash and cash equivalents	17	**29,650**	33,691	**7,504**	8,825
		272,049	230,022	**132,240**	98,924
Total assets		**393,520**	325,737	**275,787**	209,254
Equity					
Share capital	19	**88,032**	88,032	**88,032**	88,032
Other reserves	21	**(3,132)**	(539)	**(20)**	231
Accumulated profits		**49,653**	45,183	**22,511**	21,012
Equity attributable to owners of the Company		**134,553**	132,676	**110,523**	109,275
Non-controlling interests		**9,114**	9,194	**-**	-
Total equity		**143,667**	141,870	**110,523**	109,275
Non-current liabilities					
Interest-bearing borrowings	22	**34,306**	16,938	**26,762**	11,588
Employee benefits	23	**758**	666	**-**	-
Deferred tax liabilities	10	**32**	126	**-**	10
		35,096	17,730	**26,762**	11,598
Current liabilities					
Trade and other payables	24	**13,103**	15,007	**18,917**	21,782
Insurance payables	26	**2,764**	2,067	**-**	-
Interest-bearing borrowings	22	**181,061**	129,007	**118,867**	66,265
Insurance contract provisions for					
- gross unexpired risks	12	**12,530**	12,814	**-**	-
- gross insurance claims	12	**3,075**	5,110	**-**	-
Bank overdraft	17	**-**	34	**-**	34
Current tax payable		**2,224**	2,098	**718**	300
		214,757	166,137	**138,502**	88,381
Total liabilities		**249,853**	183,867	**165,264**	99,979
Total equity and liabilities		**393,520**	325,737	**275,787**	209,254

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Note	2011 $'000	2010 $'000
Interest income	27	**21,949**	23,568
Interest expense	28	**(5,038)**	(4,443)
Net interest income		**16,911**	19,125
Gross written premiums		**8,909**	9,108
Change in gross provision for unexpired risks	12	**284**	493
Gross earned premium revenue		**9,193**	9,601
Written premiums ceded to reinsurers		**(5,940)**	(5,566)
Reinsurers' share of change in the provision for unexpired risks	12	**(411)**	(537)
Reinsured premium expense		**(6,351)**	(6,103)
Net earned premium revenue	29	**2,842**	3,498
Fee and commission income	30	**9,571**	7,463
Investment income	31	**1,609**	977
Other income	32	**614**	820
Non-interest income		**11,794**	9,260
Income before operating expenses		**31,547**	31,883
Business development expenses		**(912)**	(808)
Commission expenses		**(317)**	(247)
Staff costs		**(11,328)**	(10,630)
General and administrative expenses		**(6,885)**	(6,433)
Operating expenses		**(19,442)**	(18,118)
Change in provision for insurance claims		**2,036**	22
Reinsurers' share of change in provision for insurance claims		**(946)**	242
Gross claims recovered/(paid)	12	**432**	(27)
Reinsurers' share of claims (recovered)/paid	12	**(179)**	1
Net claims - reversal/(incurred)		**1,343**	238
Operating profit before allowances		**13,448**	14,003
Allowances for loan losses and impairment of investments	33	**(4,617)**	(7,467)
Profit before income tax	34	**8,831**	6,536
Tax (expense)/credit	35	**(1,128)**	1,336
Profit for the year		**7,703**	7,872
Profit attributable to:			
Owners of the Company		**6,956**	7,104
Non-controlling interests		**747**	768
Profit for the year		**7,703**	7,872
Earnings per share			
Basic earnings per share (cents)	36	**4.6**	4.7
Diluted earnings per share (cents)	36	**4.6**	4.7

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011 $'000	2010 $'000
Profit for the year		**7,703**	7,872
Other comprehensive (loss)/income			
Net change in fair value of available-for-sale financial assets		**(2,040)**	2,240
Foreign currency translation differences of foreign operations		**(1,513)**	295
Tax on other comprehensive income	35	**346**	(381)
Other comprehensive(loss)/income for the year, net of tax		**(3,207)**	2,154
Total comprehensive income for the year		**4,496**	10,026
Attributable to :			
Owners of the Company		**4,133**	9,133
Non-controlling interests		**363**	893
Total comprehensive income for the year		**4,496**	10,026

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total $'000
		Attributable to owners of the Company							
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
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	21	-	-	-	-	(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 from an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

Year ended 31 December 2011

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total $'000
		Attributable to owners of the Company							
At 1 January 2011		88,032	(816)	1,230	(953)	45,183	132,676	9,194	141,870
Total comprehensive (loss)/income for the year									
Profit for the year		-	-	-	-	6,956	6,956	747	7,703
Other comprehensive loss									
Foreign currency translation differences		-	-	-	(1,129)	-	(1,129)	(384)	(1,513)
Net change in fair value of available-for-sale financial assets		-	-	(2,040)	-	-	(2,040)	-	(2,040)
Tax on other comprehensive loss		-	-	346	-	-	346	-	346
Total other comprehensive loss		-	-	(1,694)	(1,129)	-	(2,823)	(384)	(3,207)
Total comprehensive (loss)/income for the year		-	-	(1,694)	(1,129)	6,956	4,133	363	4,496
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		-	230	-	-	(230)	-	-	-
Dividends to owners of the Company	21	-	-	-	-	(2,256)	(2,256)	-	(2,256)
Total contributions by and distributions to owners of the Company		-	230	-	-	(2,486)	(2,256)	-	(2,256)
Changes in ownership interests in subsidiaries									
Dividends paid by a subsidiary company to non-controlling interests		-	-	-	-	-	-	(443)	(443)
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	(443)	(443)
Total transactions with owners of the Company		-	230	-	-	(2,486)	(2,256)	(443)	(2,699)
At 31 December 2011		88,032	(586)	(464)	(2,082)	49,653	134,553	9,114	143,667

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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2011

	2011 $'000	2010 $'000
Cash flows from operating activities		
Profit for the year	**7,703**	7,872
Adjustments for:		
Amortisation of		
- intangible assets	**1,025**	960
- held-to-maturity debt securities	**(65)**	(210)
Net foreign exchange loss	**81**	284
Depreciation of property, plant and equipment	**1,137**	1,181
Employee benefits	**-**	666
Gain on disposal of equity securities	**(212)**	(231)
Gain on disposal of property, plant and equipment	**(27)**	-
Net change in fair value of financial assets through profit or loss	**7**	1,038
Net change in fair value of derivatives	**938**	(938)
Property, plant and equipment written off	**1**	3
Allowance for impairment of investments	**372**	2,501
Provisions for/(reversals of), net of reinsurers' share		
- unexpired risks	**127**	44
- insurance claims	**(1,090)**	(264)
Interest income	**(21,949)**	(23,568)
Interest income from investments and fixed deposits	**(1,309)**	(1,560)
Dividend income from investment	**(30)**	(14)
Interest expense	**5,038**	4,443
Bad debts written off	**-**	141
Tax expense/(credit)	**1,128**	(1,336)
Operating cashflows before changes in working capital	**(7,125)**	(8,988)
Changes in working capital:		
Factoring receivables	**(17,221)**	4,719
Factoring amounts due to clients	**(3,850)**	(2,594)
Loans, advances, hire purchase and leasing receivables	**(63,417)**	34,815
Insurance and other receivables	**(338)**	2,303
Trade, other and insurance payables	**2,788**	(4,853)
Cash (used in)/generated from operations	**(89,163)**	25,402
Interest received	**23,356**	25,104
Interest paid	**(5,007)**	(4,365)
Taxes paid, net	**(2,197)**	(2,763)
Tax refund	**1,748**	1,401
Net cash (used in)/from operating activities	**(71,263)**	44,779

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2011

	2011 $'000	2010 $'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**37**	2
Purchase of property, plant and equipment	**(282)**	(751)
Purchase of intangible assets	**(130)**	(1,768)
Purchase of investments	**(26,742)**	(24,439)
Proceeds from disposal of investments	**25,390**	21,719
Dividends received from investments and associate	**30**	14
Net cash used in investing activities	**(1,697)**	(5,223)
Cash flows from financing activities		
Dividends paid	**(2,699)**	(2,076)
Proceeds from listing and offering of a subsidiary	**-**	6,495
Proceeds from/(repayments) of interest-bearing borrowings	**71,874**	(37,046)
Net cash from/(used in) financing activities	**69,175**	(32,627)
Net (decrease)/increase in cash and cash equivalents	**(3,785)**	6,929
Cash and cash equivalents at beginning of year	**33,657**	26,652
Effect of exchange rate fluctuations on cash held	**(222)**	76
Cash and cash equivalents at end of year (Note 17)	**29,650**	33,657

The accompanying notes from 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 2012.

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 2011 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").

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

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.

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 40.

2.5 Changes in accounting policies

(i) Measurement of non-controlling interests in business combinations

From 1 January 2011, the Group has applied the amendments to FRS 103 *Business Combinations resulting from the Improvements to FRSs 2010* in measuring at the acquisition date, non-controlling interests that are not present ownership interests and do not entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Such non-controlling interests are now measured at fair value (see note 3.1).

2 Basis of preparation (cont'd)

2.5 Changes in accounting policies (cont'd)

Previously, the Group has elected on a transaction-by-transaction basis whether to measure non-controlling interests that are not present ownership interests and do not entitle holders to proportionate share of the acquiree's net assets on liquidation at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date.

This 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) Identification of related party relationships and related party disclosures
From 1 January 2011, the Group has applied the revised FRS 24 *Related Party Disclosures (2010)* to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances; including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) 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.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Where share-based payment awards (replacement awards) are 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 the 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 (equity-accounted investees) 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 the carrying amounts of assets and liabilities are not changed and goodwill is not 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. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

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 equity-accounted investees 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 statement of financial position 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 Significant accounting policies (cont'd)

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 or 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.

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 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 and political risk 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, hospitalisation 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 risks

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

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

For bonds and guarantees 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 reporting 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 profit or loss 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.

3 Significant accounting policies (cont'd)

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

Provision for insurance claims comprises provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting 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.

Changes in estimates

With effect from 1 January 2011, for the credit insurance business, the management has changed the basis for the estimation of provision for insurance claims from an underwriting year basis to an accident year basis in the current financial year in accordance with the statutory reporting requirement.

While the impact of the change in estimate does not have any material financial effect on the results and financial position of the Group for the current financial year, it is impracticable to estimate the effect of this change on future periods.

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 profit or loss and statement of financial position 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 statement of financial position.

Reinsurance assets are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the 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 statement of financial position 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.

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 classified as 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 as 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 financial assets

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

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

3 Significant accounting policies (cont'd)

3.6 Financial instruments (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 statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets.

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3.10) 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 gain or loss accumulated in other comprehensive income is reclassified 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 expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position 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.

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.

3 Significant accounting policies (cont'd)

3.6 Financial instruments (cont'd)

Separable embedded derivatives

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

Other non-trading derivatives

When a financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately to profit or loss.

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 is 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.

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 profit or loss 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.

3 Significant accounting policies (cont'd)

3.7 Property, plant and equipment (cont'd)

The estimated useful lives are as follows:

• Leasehold land	99 years
• Leasehold building	30 years
• Freehold residential properties	50 years
• 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 that arises upon the acquisition of subsidiaries is included in intangible assets and 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.

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

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

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

Amortisation is recognised in profit or loss on a straight-line and reducing balance 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 to 5 years
• customer lists	5 years
• copyrights	5 years

During the year, the Group changed its amortisation method of recognising its copyright from straight-line method to reducing balance method to better reflect its economic useful life. The effect of the revision resulted in the increase in amortisation expense by $191,000 and a reduction on profit before and after tax by the same amount.

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 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. 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.

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 provisions 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.

3 Significant accounting policies (cont'd)

3.10 Impairment (cont'd)

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

The Group's corporate assets do not generate separate cash inflows and are utilised 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.

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.

3.11 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised 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)

3.11 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 an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.12 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 profit or loss 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 the profit or loss in the period to which they are related. The costs associated with providing these benefits are charged to profit or loss 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.

3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3 Significant accounting policies (cont'd)

3.14 Revenue recognition

Interest income

Interest income on loans, advances, hire purchase, leasing receivables and factoring accounts is recognised on the accrual basis, taking into account 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.

Dividend income

Dividend income is recognised in profit or loss 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.

3.15 Dividends

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

3.16 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly to equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent it is probable that they will not reverse in the foreseeable future; and
- 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 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)

3.16 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 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.

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

3.17 Deposits relating to collaterals of clients

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

3.18 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, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.19 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 to 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 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 intangible assets other than goodwill.

3.20 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 2011, 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 and the Company.

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 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
At 1 January 2011	**12,822**	**10,510**	**183**	**2,551**	**766**	**2,289**	**1,804**	**548**	**31,473**
Additions	**-**	**-**	**-**	**-**	**1**	**63**	**88**	**130**	**282**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(28)**	**(67)**	**(95)**
Write-off	**-**	**-**	**-**	**-**	**-**	**(29)**	**(43)**	**-**	**(72)**
Effect of movements in exchange rates	**-**	**-**	**-**	**(74)**	**(1)**	**(39)**	**(33)**	**(13)**	**(160)**
At 31 December 2011	**12,822**	**10,510**	**183**	**2,477**	**766**	**2,284**	**1,788**	**598**	**31,428**
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
At 1 January 2011	**2,028**	**4,356**	**93**	**731**	**676**	**1,708**	**1,383**	**331**	**11,306**
Depreciation for the year	**140**	**397**	**4**	**70**	**42**	**191**	**194**	**99**	**1,137**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**(28)**	**(57)**	**(85)**
Write-off	**-**	**-**	**-**	**-**	**-**	**(29)**	**(42)**	**-**	**(71)**
Effect of movements in exchange rates	**-**	**-**	**-**	**(28)**	**-**	**(22)**	**(25)**	**(10)**	**(85)**
At 31 December 2011	**2,168**	**4,753**	**97**	**773**	**718**	**1,848**	**1,482**	**363**	**12,202**
Carrying amount									
At 1 January 2010	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
At 31 December 2011	**10,654**	**5,757**	**86**	**1,704**	**48**	**436**	**306**	**235**	**19,226**

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 2010	12,822	10,510	183	611	1,040	543	10	25,719
Additions	-	-	-	-	3	42	-	45
Disposals	-	-	-	-	(2)	(13)	-	(15)
Write-off	-	-	-	-	-	(7)	-	(7)
At 31 December 2010	12,822	10,510	183	611	1,041	565	10	25,742
At 1 January 2011	**12,822**	**10,510**	**183**	**611**	**1,041**	**565**	**10**	**25,742**
Additions	**-**	**-**	**-**	**-**	**22**	**46**	**-**	**68**
Disposal	**-**	**-**	**-**	**-**	**(29)**	**(12)**	**-**	**(41)**
Write-off	**-**	**-**	**-**	**-**	**-**	**(43)**	**-**	**(43)**
At 31 December 2011	**12,822**	**10,510**	**183**	**611**	**1,034**	**556**	**10**	**25,726**
Accumulated depreciation								
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
At 1 January 2011	**2,028**	**4,356**	**93**	**589**	**964**	**428**	**10**	**8,468**
Depreciation for the year	**140**	**397**	**4**	**21**	**57**	**67**	**-**	**686**
Disposals	**-**	**-**	**-**	**-**	**-**	**(12)**	**-**	**(12)**
Write-off	**-**	**-**	**-**	**-**	**(29)**	**(42)**	**-**	**(71)**
At 31 December 2011	**2,168**	**4,753**	**97**	**610**	**992**	**441**	**10**	**9,071**
Carrying amount								
At 1 January 2010	10,934	6,551	94	43	130	163	-	17,915
At 31 December 2010	10,794	6,154	90	22	77	137	-	17,274
At 31 December 2011	**10,654**	**5,757**	**86**	**1**	**42**	**115**	**-**	**16,655**

4. Property, plant and equipment (cont'd)

The Group and Company's properties consist of the following:

Location	Title	Description of properties
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 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
At 1 January 2011	**5,732**	**1,131**	**23**	**1,310**	**8,196**
Additions	**130**	**-**	**-**	**-**	**130**
Disposals	**-**	**-**	**-**	**-**	**-**
Write-off	**(2,879)**	**-**	**-**	**-**	**(2,879)**
Effect of movements in exchange rates	**(13)**	**-**	**(1)**	**(130)**	**(144)**
At 31 December 2011	**2,970**	**1,131**	**22**	**1,180**	**5,303**
Accumulated amortisation					
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
At 1 January 2011	**4,857**	**396**	**-**	**-**	**5,253**
Amortisation charge for the year	**542**	**226**	**-**	**257**	**1,025**
Disposals	**-**	**-**	**-**	**-**	**-**
Write-off	**(2,878)**	**-**	**-**	**-**	**(2,878)**
Effect of movements in exchange rates	**(9)**	**-**	**-**	**-**	**(9)**
At 31 December 2011	**2,512**	**622**	**-**	**257**	**3,391**
Carrying amount					
At 1 January 2010	844	1,131	23	-	1,998
At 31 December 2010	875	735	23	1,310	2,943
At 31 December 2011	**458**	**509**	**22**	**923**	**1,912**

5 Intangible assets (cont'd)

	Computer software $'000	Total $'000
Company		
Cost		
At 1 January 2010	3,681	3,681
Additions	545	545
At 31 December 2010	4,226	4,226
At 1 January 2011	**4,226**	**4,226**
Additions	**74**	**74**
Write-off	**(2,878)**	**(2,878)**
At 31 December 2011	**1,422**	**1,422**
Accumulated amortisation		
At 1 January 2010	3,567	3,567
Amortisation charge for the year	196	196
At 31 December 2010	3,763	3,763
At 1 January 2011	**3,763**	**3,763**
Amortisation charge for the year	**226**	**226**
Write-off	**(2,878)**	**(2,878)**
At 31 December 2011	**1,111**	**1,111**
Carrying amount		
At 1 January 2010	114	114
At 31 December 2010	463	463
At 31 December 2011	**311**	**311**

The amortisation charge for the year is included in the "General and administrative expenses" in the consolidated income statement.

6 Subsidiaries

	Group		Company	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Quoted ordinary shares, at cost	-	-	7,898	7,898
Unquoted ordinary shares, at cost	-	-	67,781	53,030
	-	-	75,679	60,928

6 Subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Company name	Country of incorporation	Proportion of Ownership Interest at beginning and end of the year		
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
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.

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
[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 15 March 2011 and 7 September 2011, IFS Capital (Malaysia) Sdn. Bhd. increased its paid-up share capital by 5 million preference shares and 10 million preference shares respectively. The Company subscribed for the 5 million preference shares and 10 million preference shares in the capital of its subsidiary. The Company's percentage shareholdings remained unchanged.

On 15 March 2011, PT. IFS Capital Indonesia also increased its paid-up share capital by 700,000 ordinary shares and the Company subscribed for its proportionate share of 595,000 new ordinary shares. 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.

The Company complies with SGX-ST listing rule 716 as the Board and Audit Committee are satisfied that the appointment of different auditors for its listed significant Thailand-incorporated subsidiary would not compromise the standard and effectiveness of the Company's audit.

7 Other investments

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-current investments					
Held-to-maturity debt securities	(a)	**19,974**	25,644	**1,497**	1,495
Available-for-sale debt securities					
- Unquoted		**1,836**	-	**-**	-
Available-for-sale equity securities					
- Quoted and unquoted		**15,916**	19,320	**8,305**	8,582
Loans and receivables	(b)	**3,000**	-	**-**	-
		40,726	44,964	**9,802**	10,077
Allowance for impairment loss		**(7,433)**	(7,090)	**(3,223)**	(2,851)
		33,293	37,874	**6,579**	7,226
Current investments					
Held-to-maturity debt securities	(a)	**16,191**	15,476	**-**	1,243
Available-for-sale debt securities					
- Unquoted		**-**	4,157	**-**	-
Held-for-trading equity securities		**3**	186	**-**	-
Loans and receivables	(b)	**3,248**	-	**-**	-
		19,442	19,819	**-**	1,243
Allowance for impairment loss		**-**	(4,157)	**-**	-
		19,442	15,662	**-**	1,243
Total		**52,735**	53,536	**6,579**	8,469

(a) Held-to-maturity debt securities have interest rates of 1.45% to 4.50% (2010: 2.10% to 4.75%) per annum and mature in 1 to 5 years.

(b) Loans and receivables comprise mainly variables rate notes bearing interest rates ranging from 1.05% to 1.55% and certificate of deposit bearing interest rates ranging from 0.95% to 1.28%.

7 Other investments (cont'd)

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 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
At 1 January		**11,247**	8,799	**2,851**	-
Allowance made during the year (net)	33	**372**	2,501	**372**	2,851
Allowance utilised during the year		**(4,186)**	(53)	**-**	-
At 31 December		**7,433**	11,247	**3,223**	2,851

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 $'000	Fixed interest rate maturing in 1 to 5 years $'000	Total $'000
Group				
2011				
Held-to-maturity debt securities	**3.05**	**16,191**	**19,974**	**36,165**
Available-for-sale debt securities	**4.56**	**-**	**1,836**	**1,836**
Variable rate note	**1.06**	**-**	**3,000**	**3,000**
Certificate of deposit	**1.26**	**3,248**	**-**	**3,248**
		19,439	**24,810**	**44,249**
2010				
Held-to-maturity debt securities	3.44	15,476	25,644	41,120
Company				
2011				
Held-to-maturity debt securities	**4.50**	**-**	**1,497**	**1,497**
2010				
Held-to-maturity debt securities	3.95	1,243	1,495	2,738

8 Loans, advances, hire purchase and leasing receivables

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Hire purchase and leasing receivables	9	**41,674**	28,911	**6,863**	10,298
Less: Deposits on leasing receivables		**(5,218)**	(2,277)	**-**	-
		36,456	26,634	**6,863**	10,298
Loans and advances		**129,235**	73,764	**110,733**	64,827
		165,691	100,398	**117,596**	75,125
Allowance for impairment of doubtful receivables					
- hire purchase receivables		**(1,218)**	(1,728)	**(315)**	(867)
- leasing receivables		**(580)**	(545)	**-**	-
- loans and advances		**(6,869)**	(4,127)	**(4,446)**	(3,967)
		(8,667)	(6,400)	**(4,761)**	(4,834)
	39	**157,024**	93,998	**112,835**	70,291
Due within 12 months	14	**92,776**	62,402	**68,537**	45,852
Due after 12 months		**64,248**	31,596	**44,298**	24,439
		157,024	93,998	**112,835**	70,291

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

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
At 1 January		**6,400**	9,564	**4,834**	7,909
Translation adjustment		**(24)**	-	**-**	-
Allowance made during the year (net)	33	**4,035**	2,710	**1,671**	2,380
Allowance utilised during the year		**(1,744)**	(5,874)	**(1,744)**	(5,455)
At 31 December		**8,667**	6,400	**4,761**	4,834

8 Loans, advances, hire purchase and leasing receivables (cont'd)

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Floating rate	Fixed interest rate maturing within 1 year	Fixed interest rate maturing in 1 to 5 years	Total
	%	$'000	$'000	$'000	$'000
Group					
2011					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	**11.0**	**-**	**17,857**	**13,649**	**31,506**
- variable rate	**8.8**	**125,518**	**-**	**-**	**125,518**
		125,518	**17,857**	**13,649**	**157,024**
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
Company					
2011					
Loans, advances , hire purchase and leasing receivables					
- fixed rate	**7.4**	**-**	**7,177**	**2,579**	**9,756**
- variable rate	**8.6**	**103,079**	**-**	**-**	**103,079**
		103,079	**7,177**	**2,579**	**112,835**
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

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 2011	Group 2010	Company 2011	Company 2010
		$'000	$'000	$'000	$'000
Gross receivables		**46,640**	30,807	**6,863**	10,298
Unearned income		**(4,966)**	(1,896)	**-**	-
	8	**41,674**	28,911	**6,863**	10,298
Within 1 year		**16,386**	17,302	**4,140**	7,347
After 1 year but within 5 years		**25,288**	11,609	**2,723**	2,951
		41,674	28,911	**6,863**	10,298

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		Liabilities	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Loans, advances, hire purchase and leasing receivables	**(980)**	(957)	**-**	-
Factoring receivables	**(738)**	(1,033)	**-**	-
Other investments	**(103)**	(791)	**-**	-
Others	**(1,209)**	(984)	**-**	-
Property, plant and equipment	**-**	-	**143**	306
Trade and other receivables	**-**	-	**1**	60
Trade and other payables	**-**	-	**4**	4
Dividend not remitted to Singapore	**-**	-	**114**	114
Other investments	**-**	-	**8**	272
Deferred tax (assets)/liabilities	**(3,030)**	(3,765)	**270**	756
Set off of tax	**238**	630	**(238)**	(630)
Net deferred tax (assets)/liabilities	**(2,792)**	(3,135)	**32**	126
Company				
Loans, advances, hire purchase and leasing receivables	**(94)**	(137)	**-**	-
Factoring receivables	**(4)**	(15)	**-**	-
Other investments	**(4)**	-	**-**	47
Property, plant and equipment	**-**	-	**77**	115
Deferred tax (assets)/liabilities	**(102)**	(152)	**77**	162
Set off of tax	**77**	152	**(77)**	(152)
Net deferred tax (assets)/liabilities	**(25)**	-	**-**	10

10 Deferred tax assets and liabilities (cont'd)

Movements in temporary differences during the year are as follows:

	At 1/1/2011 $'000	Recognised in income statement (Note 35) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31/12/2011 $'000
Group					
Deferred tax liabilities					
Property, plant and equipment	306	(161)	-	(2)	143
Trade and other receivables	60	(59)	-	-	1
Trade and other payables	4	-	-	-	4
Dividend not remitted to Singapore	114	-	-	-	114
Other investments	272	-	(264)	-	8
	756	(220)	(264)	(2)	270
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	(957)	(54)	-	31	(980)
Factoring receivables	(1,033)	254	-	41	(738)
Other investments	(791)	770	(82)	-	(103)
Others	(984)	(239)	-	14	(1,209)
	(3,765)	731	(82)	86	(3,030)
Total	(3,009)	511	(346)	84	(2,760)

	At 1/1/2010 $'000	Recognised in income statement (Note 35) $'000	Recognised in other comprehensive 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)

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

	At 1/1/2011 $'000	Recognised in income statement $'000	Recognised in other comprehensive income $'000	At 31/12/2011 $'000
Company				
Deferred tax liabilities				
Property, plant and equipment	**115**	**(38)**	**-**	**77**
Deferred tax assets				
Loans, advances, hire purchase and leasing receivables	**(137)**	**43**	**-**	**(94)**
Factoring receivables	**(15)**	**11**	**-**	**(4)**
Other investments	**47**	**-**	**(51)**	**(4)**
	(105)	**54**	**(51)**	**(102)**
Total	**10**	**16**	**(51)**	**(25)**

	At 1/1/2010 $'000	Recognised in income statement $'000	Recognised in other comprehensive income $'000	At 31/12/2010 $'000
Company				
Deferred tax liabilities				
Property, plant and equipment	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

11 Derivative financial instruments

As at 31 December 2011, there were no foreign exchange forward contract entered by the Group and Company. In 2010, the Group and Company entered into foreign exchange forward contract of a notional amount of US$10,959,000 and the fair value of this hedging instrument amounted to $938,000.

12 Insurance contract provisions

	Group	
	2011	2010
	$'000	$'000
Gross		
Provision for unexpired risks	**12,530**	12,814
Provision for claims	**3,075**	5,110
	15,605	17,924
Reinsurance		
Provision for unexpired risks	**7,740**	8,151
Provision for claims	**1,593**	2,539
	9,333	10,690
Net		
Provision for unexpired risks	**4,790**	4,663
Provision for claims	**1,482**	2,571
	6,272	7,234

Analysis of movements in provision for unexpired risks

	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
At 1 January	**12,814**	**(8,151)**	**4,663**	13,307	(8,688)	4,619
Change during the year	**(284)**	**411**	**127**	(493)	537	44
At 31 December	**12,530**	**(7,740)**	**4,790**	12,814	(8,151)	4,663

Analysis of movements in provisions for insurance claims

	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
At 1 January	**5,110**	**(2,539)**	**2,571**	5,132	(2,297)	2,835
Change in specific reserves for reported claims	**(180)**	**86**	**(94)**	(127)	71	(56)
Change in incurred-but-not-reported losses	**(1,855)**	**860**	**(995)**	105	(313)	(208)
At 31 December	**3,075**	**(1,593)**	**1,482**	5,110	(2,539)	2,571
Claims paid	**2,279**	**(1,588)**	**691**	313	(164)	149
Claims recovered	**(2,711)**	**1,767**	**(944)**	(286)	163	(123)
Net claims (recovered)/paid	**(432)**	**179**	**(253)**	27	(1)	26

12 Insurance contract provisions (cont'd)

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

	Group	
	2011	2010
	$'000	$'000
Less than 1 year	**1,025**	1,497
Between 1-2 years	**351**	720
Between 2-3 years	**94**	296
Between 3-4 years	**12**	58
	1,482	2,571

13 Insurance receivables

	Group	
	2011	2010
	$'000	$'000
Receivables arising from insurance contracts	**930**	1,045
Reinsurance contract receivables	**10**	9
	940	1,054
Allowance for doubtful receivables	**(260)**	(391)
	680	663

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:

		Group	
	Note	2011	2010
		$'000	$'000
At 1 January		**391**	258
Allowance (reversed)/made during the year (net)	33	**(51)**	141
Allowance utilised during the year		**(80)**	(8)
At 31 December		**260**	391

14 Trade and other receivables

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Loans, advances, hire purchase and leasing receivables	8	**92,776**	62,402	**68,537**	45,852
Factoring receivables	15	**117,859**	103,864	**16,136**	18,626
Amount owing by non-controlling shareholders		**96**	96	**2,487**	969
Loan owing by subsidiaries					
- trade		**-**	-	**36,729**	21,905
- non-trade		**-**	-	**333**	294
Deposits and other receivables	16	**1,629**	1,568	**390**	148
Loans and receivables		**212,360**	167,930	**124,612**	87,794
Prepayment		**584**	448	**124**	124
		212,944	168,378	**124,736**	87,918

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. The loans owing by subsidiaries (non-trade) are unsecured, non-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 2011 $'000	Weighted average effective interest rate %	Total 2010 $'000
Company				
Loans owing by subsidiaries				
- variable rate	**5.4**	**36,729**	3.1	21,905
- non interest-earning	**-**	**333**	-	294
		37,062		22,199

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 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Factoring receivables	39	**159,269**	142,365	**24,112**	24,784
Less:					
Factoring amounts owing to clients		**(36,926)**	(34,191)	**(7,697)**	(5,867)
		122,343	108,174	**16,415**	18,917
Allowance for doubtful receivables		**(4,484)**	(4,310)	**(279)**	(291)
	14	**117,859**	103,864	**16,136**	18,626

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

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
At 1 January		**4,310**	14,503	**291**	10,825
Translation adjustment		**(140)**	38	**-**	-
Allowance made during the year (net)	33	**401**	70	**40**	(523)
Allowance utilised during the year		**(87)**	(10,301)	**(52)**	(10,011)
At 31 December		**4,484**	4,310	**279**	291

The weighted average interest rates of factoring receivables net of factoring amounts owing to clients included in Trade and Other Payables of $3,292,649 for the Group and Company (2010: Group and Company: $7,142,768) (refer to Note 24) and allowance for doubtful receivables at the reporting date and the periods in which they reprice are as follows:

	Weighted average effective interest rate %	Total 2011 $'000	Weighted average effective interest rate %	Total 2010 $'000
Group				
Factoring receivables, net				
- fixed rate	**5.0**	**197**	5.0	208
- variable rate	**10.0**	**114,369**	9.5	96,513
		114,566		96,721

15 Factoring receivables (cont'd)

	Weighted average effective interest rate %	Total 2011 $'000	Weighted average effective interest rate %	Total 2010 $'000
Company				
Factoring receivables, net				
- fixed rate	**5.0**	**197**	5.0	208
- variable rate	**8.4**	**12,646**	7.7	11,275
		12,843		11,483

16 Deposits and other receivables

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Deposits					
- own deposits		**53**	53	**8**	8
- deposits lodged with Monetary Authority of Singapore		**-**	500	**-**	-
		53	553	**8**	8
Tax recoverable		**23**	42	**-**	-
Accrued interest receivable		**331**	429	**13**	86
Other receivables:					
Gross receivables		**3,319**	2,891	**496**	441
Allowance for doubtful receivables		**(2,097)**	(2,347)	**(127)**	(387)
Other receivables, net		**1,222**	544	**369**	54
	14	**1,629**	1,568	**390**	148

The deposit with Monetary Authority of Singapore ("MAS") consists of a fixed deposit lodged with the MAS under the Insurance Act, Chapter 142. In 2011, the requirement to maintain the deposit has been removed by MAS.

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

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
At 1 January		**2,347**	1,618	**387**	1,616
(Reversal)/allowance made during the year (net)	33	**(146)**	1,827	**(158)**	(131)
Allowance utilised during the year		**(104)**	(1,098)	**(102)**	(1,098)
At 31 December		**2,097**	2,347	**127**	387

17 Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash at banks and in hand	**9,709**	11,499	**2,263**	3,657
Fixed deposits	**19,941**	22,192	**5,241**	5,168
	29,650	33,691	**7,504**	8,825
Bank overdrafts used for cash management purposes	**-**	(34)	**-**	(34)
Cash and cash equivalents in the consolidated statement of cash flows	**29,650**	33,657	**7,504**	8,791

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					
2011					
Cash at banks and in hand	**0.8**	**5,174**	**-**	**4,535**	**9,709**
Fixed deposits	**0.6**	**-**	**19,941**	**-**	**19,941**
		5,174	**19,941**	**4,535**	**29,650**
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
Company					
2011					
Cash at banks and in hand	**-**	**-**	**-**	**2,263**	**2,263**
Fixed deposits	**0.3**	**-**	**5,241**	**-**	**5,241**
		-	**5,241**	**2,263**	**7,504**
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

18 Deposits relating to collateral of clients

The Group has fixed deposits of $6,630,939 (2010: $10,260,739) held as collateral for guarantees issued on behalf of policyholders. The fair value of the cash collateral as at reporting date approximate their carrying amounts. These amounts have been excluded from both cash at bank and other payables in the statement of financial position.

19 Share capital

	Group and Company No. of shares 2011	2010
At 1 January	**150,387,866**	136,716,262
Issue of bonus shares	**-**	13,671,604
At 31 December	**150,387,866**	150,387,866

There were no shares issued during the year (2010: 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.

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 (resigned on 27 April 2011)
Lim Hua Min	Non-Independent
Gabriel Teo Chen Thye	Independent
Manu Bhaskaran (Chairman)	Independent (appointed as member and chairman of the Committee on 31 January 2011 and 27 April 2011 respectively)

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 1/1/2011	Options granted	Options exercised	Options cancelled/ lapsed	balance as at 31/12/2011	Options exercisable as at 1/1/2011	Options exercisable as at 31/12/2011	Options 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												
11/05/2001	11,800	-	-	11,800	-	11,800	-	$0.50	-	-	-	12/05/2002-10/05/2011
	11,800	-	-	11,800	-	11,800	-	-	-	-	-	

No options were exercised in 2011.

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.

21 Other reserves

Other reserves comprise:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Fair value reserve	**(464)**	1,230	**(20)**	231
Capital reserve	**910**	680	**-**	-
Currency translation reserve	**(2,082)**	(953)	**-**	-
Other equity	**(1,496)**	(1,496)	**-**	-
	(3,132)	(539)	**(20)**	231

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 shareholding interest in IFS Capital (Thailand) Public Company Limited 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.

Dividends

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

For the year ended 31 December	Group and Company	
	2011	**2010**
	$'000	**$'000**
Final one-tier tax exempt dividend of 1.50 cents (2010: 1.50 cents) per share in respect of year 2010/2009	**2,256**	2,051

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	
	2011	**2010**
	$'000	**$'000**
First and final one-tier tax exempt dividend of 1.75 cents (2010: 1.50 cents) per share in respect of year 2011/2010	**2,632**	2,256

22 Interest-bearing borrowings

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Payable:				
Within 12 months	**181,061**	129,007	**118,867**	66,265
After 12 months	**34,306**	16,938	**26,762**	11,588
	215,367	145,945	**145,629**	77,853

The interest-bearing borrowings comprise:

	Note	2011		2010	
		Face value	Carrying amount	Face value	Carrying amount
Group		$'000	$'000	$'000	$'000
Unsecured short-term bank loans	(a)	**164,153**	**164,153**	102,226	102,226
Unsecured long-term bank loans	(b)	**45,744**	**45,744**	19,130	19,130
Unsecured SPRING and IES loans	(c)	**5,470**	**5,470**	9,589	9,589
Medium term notes	(d)	**-**	**-**	15,000	15,000
		215,367	**215,367**	145,945	145,945
Company					
Unsecured short-term bank loans	(a)	**110,159**	**110,159**	43,764	43,764
Unsecured long-term bank loans	(b)	**30,000**	**30,000**	9,500	9,500
Unsecured SPRING and IES loans	(c)	**5,470**	**5,470**	9,589	9,589
Medium term notes	(d)	**-**	**-**	15,000	15,000
		145,629	**145,629**	77,853	77,853

(a) Unsecured short-term bank loans bear nominal interest rates ranging from 1.4% to 9.0% (2010: 1.4% to 12.9%) per annum and are repayable in 2012. 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 1.5% to 5.6% (2010: 1.4% to 3.9%) per annum and are repayable by quarterly/semi-annual/bullet repayments between 2012 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") 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% (2010: 2.8% to 2.9%) 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. In 2010, the Company issued a one year debt of $15 million under the MTN Programme, which matured 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 $34,180,856 (2010: $15.951,520) 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					
2011					
Unsecured short-term bank loans	**3.0**	**164,153**	**-**	**-**	**164,153**
Unsecured long-term bank loans	**3.0**	**45,744**	**-**	**-**	**45,744**
Unsecured SPRING and IES loans	**2.9**	**-**	**3,208**	**2,262**	**5,470**
		209,897	**3,208**	**2,262**	**215,367**
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
Company					
2011					
Unsecured short-term bank loans	**2.4**	**110,159**	**-**	**-**	**110,159**
Unsecured long-term bank loans	**1.8**	**30,000**	**-**	**-**	**30,000**
Unsecured SPRING and IES loans	**2.9**	**-**	**3,208**	**2,262**	**5,470**
		140,159	**3,208**	**2,262**	**145,629**
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

23 Employee benefits

A foreign subsidiary of the Group provides for severance pay under the Thai Labor Protection Act and long service awards 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 2011	Group 2010
Discount rate at 31 December	**4%**	4%
Resignation rate based on age group of employees	**2%, 6% & 11%**	2%,6% &11%
Future salary increases	**9%**	9%
Retirement age	**60 years**	60 years

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

	Group 2011 $'000	Group 2010 $'000
At 1 January	**666**	-
Provision for severance pay and long service awards (Note 34)	**129**	671
Benefits paid during the year	**(10)**	(3)
Translation adjustments	**(27)**	(2)
At 31 December	**758**	666

The amount of $129,000 was recognised in the "General and administrative expenses" in the consolidated income statement for the year ended 31 December 2011.

24 Trade and other payables

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Factoring amounts owing to clients		**3,293**	7,143	**3,293**	7,143
Trade payables		**157**	160	**151**	121
Amounts and loans due to subsidiary					
- interest-bearing loans		**-**	-	**11,291**	12,073
Other payables and accruals	25	**9,653**	7,704	**4,182**	2,445
		13,103	15,007	**18,917**	21,782

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 2011 was 2.1% (2010: 2.7%) per annum.

25 Other payables and accruals

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Accrued operating expenses		**7,016**	6,331	**3,641**	1,811
Deferred income		**79**	9	**-**	-
Clients' security deposits		**1,975**	812	**170**	301
Accrued interest payable		**583**	552	**371**	333
	24	**9,653**	7,704	**4,182**	2,445

26 Insurance payables

	Group 2011 $'000	Group 2010 $'000
Payables arising from insurance contracts	**1,360**	1,080
Reinsurance contract payables	**1,404**	987
	2,764	2,067

27 Interest income

	Group 2011 $'000	Group 2010 $'000
Third parties	**21,949**	23,568

28 Interest expense

	Group 2011 $'000	Group 2010 $'000
Banks	**5,038**	4,443

29 Income statement of insurance subsidiary - ECICS Limited

	Note	Group 2011 $'000	Group 2010 $'000
Revenue			
Gross written premiums		**8,909**	9,108
Change in gross provision for unexpired risks	12	**284**	493
Gross earned premium revenue		**9,193**	9,601
Written premiums ceded to reinsurers		**(5,940)**	(5,566)
Reinsurers' share of change in the provision for unexpired risks	12	**(411)**	(537)
Reinsured premium expenses		**(6,351)**	(6,103)
Net earned premium revenue		**2,842**	3,498
Other revenue			
Commission income		**2,065**	2,064
Investment income		**978**	1,466
Other operating income		**-**	192
		3,043	3,722
Net income before claims and expenses		**5,885**	7,220
Claims and expenses			
Change in provision for insurance claims		**2,036**	22
Reinsurers' share of change in provision for insurance claims		**(946)**	242
Gross claims recovered/(paid)	12	**432**	(27)
Reinsurers' share of claims (recovered)/paid	12	**(179)**	1
Net claims reversal		**1,343**	238
Commission expenses		**(317)**	(247)
Investment expenses		**(5)**	(4)
Distribution expenses		**(80)**	(63)
Administration expenses		**(888)**	(1,017)
Staff costs		**(2,137)**	(1,712)
Reversal/(allowance made) for insurance receivables and investments		**51**	(141)
Total claims and expenses		**(2,033)**	(2,946)
Net profit before tax for the year		**3,852**	4,274

The income statement reflects the 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 2011 $'000	Group 2010 $'000
Fee income	**7,506**	5,399
Underwriting commission income	**2,065**	2,064
	9,571	7,463

31 Investment income

	Group 2011 $'000	Group 2010 $'000
Dividend income	**30**	14
Gain on disposal of equity securities	**212**	231
Net change in fair value of financial assets through profit or loss		
- held-for-trading	**-**	(35)
- designated as fair value through profit or loss	**(7)**	(1,003)
Interest income from bonds, fixed deposits and others	**1,309**	1,560
Amortisation of held-to-maturity debt securities	**65**	210
	1,609	977

32 Other income

	Group 2011 $'000	Group 2010 $'000
Recoveries - loans and advances and receivables	**488**	566
Gain on disposal of property, plant and equipment	**27**	-
Others	**99**	254
	614	820

33 Allowances for/(reversal of) loan losses and impairment of investments

	Note	Group 2011 $'000	Group 2010 $'000
In respect of:			
Trade and other receivables			
- loans, advances, hire purchase, leasing and factoring receivables (net)	8,15	**4,436**	2,780
- insurance and other receivables	13,16	**(197)**	1,968
- non-trade receivables		**6**	77
- bad debts written off		**-**	141
Available-for-sale equity and debt securities	7	**372**	2,501
		4,617	7,467

34 Profit before tax

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

	Note	Group 2011 $'000	Group 2010 $'000
Amortisation of intangible assets	5	**1,025**	960
Depreciation of property, plant and equipment	4	**1,137**	1,181
Property, plant and equipment written off		**1**	3
Exchange loss/(gain), net		**204**	(132)
Audit fees			
- auditors of the Company		**348**	337
- other auditors		**87**	91
Non-audit fees			
- auditors of the Company		**128**	113
- other auditors		**3**	4
Directors' fees		**397**	386
Fees paid to corporations in which the directors have interests		**14**	15
Contributions to defined contribution plans included in staff costs		**850**	735
Provision for severance pay and long service awards	23	**129**	671

35 Tax (expense)/credit

	Note	Group 2011 $'000	Group 2010 $'000
Current tax (expense)/credit			
Current year		**(2,885)**	(2,721)
Overprovided in prior years		**2,268**	2,705
		(617)	(16)
Deferred tax credit/(expense)			
Movements in temporary differences		**235**	629
(Over)/underprovided in prior years		**(746)**	723
	10	**(511)**	1,352
		(1,128)	1,336
Reconciliation of effective tax rate			
Profit before tax		**8,831**	6,536
Tax using Singapore tax rates of 17% (2010:17%)		**(1,501)**	(1,111)
Effect of different tax rates in other countries		**(762)**	(584)
Effect of change in the tax rate		**(310)**	-
Expenses not deductible for tax purposes		**(339)**	(427)
Tax benefit		**153**	-
Tax exempt revenues		**51**	30
Reversal of temporary differences		**58**	-
Overprovided in prior years		**1,522**	3,428
		(1,128)	1,336

Income tax recognised in other comprehensive income

For the year ended 31 December

	2011 Before tax $'000	2011 Tax expense $'000	2011 Net of tax $'000	2010 Before tax $'000	2010 Tax expense $'000	2010 Net of tax $'000
Group						
Foreign currency translation differences for foreign operations	**(1,513)**	**-**	**(1,513)**	295	-	295
Net change in fair value of available-for-sale financial assets	**(2,040)**	**346**	**(1,694)**	2,240	(381)	1,859
	(3,553)	**346**	**(3,207)**	2,535	(381)	2,154

36 Earnings per share

	Group 2011 $'000	Group 2010 $'000
Basic earnings per share		
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	**6,956**	7,104
	No. of Shares '000	**No. of Shares '000**
Issued ordinary shares at beginning of the year	**150,389**	136,717
Effect of bonus shares issued	**-**	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	**6,956**	7,104

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

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

	Group 2011 No. of Shares '000	Group 2010 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

37 Contingent liabilities and commitments

Contingent liabilities

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Letters of credit	**3,484**	718	**275**	718
Bankers guarantee	**2,758**	-	**-**	-
	6,242	718	**275**	718

Commitments

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

	Group	
	2011	**2010**
	$'000	**$'000**
Within 1 year	**130**	207
After 1 year but within 5 years	**62**	196
	192	403

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.

38 Significant related parties transactions

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

Key management personnel compensation

Key management personnel refers to 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 $2,746,000 (2010: $2,467,000).

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

38 Significant related parties transactions (cont'd)

Other related parties transactions

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

	Group	
	2011	**2010**
	$'000	**$'000**
Affiliated Corporations		
Professional and brokerage fees incurred	**(5)**	62
Software development fees incurred	**2**	2
Fund management fees incurred	**4**	4
Commission received	**-**	(13)
Rental	**3**	4
Interest received	**-**	(10)
Director of Company		
Professional Fees	**4**	4

39 Financial and insurance risk management

Accepting and managing risk is central to the business of being a financial services provider and is an important part of the Group's overall business strategy. The Group has adopted formal risk management policies and procedures which are approved by the Board. These risks management guidelines set out both procedures as well as quantitative limits to minimise risks arising from the Group's exposures to such factors. The main financial risks that the Group is exposed to and how they are being managed are set out below.

Credit risk

The principal risk to which the Group is exposed is credit risk in connection with its loans, factoring, credit insurance, bond, guarantee and insurance activities. Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due. Management has established credit and insurance processes and limits to manage these risks including performing credit reviews of its customers and counterparties, risk-sharing and obtaining collaterals as security where considered necessary.

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

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

39 Financial and insurance risk management (cont'd)

Credit risk (cont'd)

Credit risk arising on loans to customers under the LEFS 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.

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		Company	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Collectively assessed					
Neither past due nor impaired (i)		**154,808**	79,937	**111,206**	57,714
Past due but not impaired (ii)		**2,369**	3,164	**1,771**	2,203
Gross amount		**157,177**	83,101	**112,977**	59,917
Collective impairment		**(2,528)**	(972)	**(2,343)**	(914)
Carrying amount		**154,649**	82,129	**110,634**	59,003
Individually impaired (iii)		**8,514**	17,297	**4,619**	15,208
Allowance for impairment		**(6,139)**	(5,428)	**(2,418)**	(3,920)
Carrying amount		**2,375**	11,869	**2,201**	11,288
Total carrying amount	8	**157,024**	93,998	**112,835**	70,291

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Grades 1 to 5 (gross amount)	**154,808**	79,937	**111,206**	57,714
includes accounts with renegotiated terms	**13,142**	6,733	**12,612**	5,828
includes accounts that are unsecured	**49,805**	22,002	**41,958**	19,613

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Grades 1 to 5 (gross amount)	**68**	-	**-**	-
Grades 6 to 9 (gross amount)	**2,301**	3,164	**1,771**	2,203
	2,369	3,164	**1,771**	2,203
Past due comprises:				
1 - 30 days	**1,258**	2,104	**1,257**	2,104
31 - 60 days	**81**	150	**47**	49
61 - 90 days	**80**	30	**47**	30
91 - 180 days	**140**	20	**140**	20
More than 180 days	**810**	860	**280**	-
Gross amount	**2,369**	3,164	**1,771**	2,203

39 Financial and insurance risk management (cont'd)

Credit risk (cont'd)

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

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

	Group		Company	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Grades 1 to 5	**-**	119	**-**	-
Grade 7	**127**	640	**-**	524
Grade 8	**6,306**	14,030	**2,538**	12,176
Grade 9	**2,081**	2,508	**2,081**	2,508
Gross amount	**8,514**	17,297	**4,619**	15,208
Allowance for impairment	**(6,139)**	(5,428)	**(2,418)**	(3,920)
Carrying amount	**2,375**	11,869	**2,201**	11,288

(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	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**
Carrying amount	15	**159,269**	142,365	**24,112**	24,784
Recourse		**151,069**	129,463	**15,912**	11,882
Non-recourse		**8,200**	12,902	**8,200**	12,902
		159,269	142,365	**24,112**	24,784

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	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Past due but not impaired receivables				
More than 180 days	**1,771**	1,789	**769**	597

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

(c) Insurance receivables

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

	Group	
	2011 $'000	**2010 $'000**
1 - 180 days	**15**	1
More than 180 days	**59**	80
	74	81

39 Financial and insurance risk management (cont'd)

Credit risk (cont'd)

(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 categorised 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.

(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 exists, the cumulative loss measured as the difference between the acquisition cost net of any principal repayments and current fair value, less any impairment loss on that investment previously recognised in profit or loss, is removed from the fair value reserve within the equity and recognised in profit or loss. Impairment losses recognised in 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 of.

(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.

39 Financial and insurance risk management (cont'd)

Credit risk (cont'd)

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

(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.

	2011		2010	
	Gross $'000	**Net $'000**	**Gross $'000**	**Net $'000**
Group				
Loans, advances, hire purchase and leasing receivables				
Grades 1 to 5	**-**	**-**	119	-
Grade 7	**127**	**65**	640	340
Grade 8	**6,306**	**1,866**	14,030	11,402
Grade 9	**2,081**	**444**	2,508	127
Total	**8,514**	**2,375**	17,297	11,869
Company				
Loans, advances, hire purchase and leasing receivables				
Grade 7	**-**	**-**	523	340
Grade 8	**2,538**	**1,757**	12,177	10,821
Grade 9	**2,081**	**444**	2,508	127
Total	**4,619**	**2,201**	15,208	11,288

39 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 2011 or 2010.

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Against individually impaired				
Properties	**-**	8,700	**-**	8,000
Equipment	**330**	534	**263**	507
Motor vehicles/vessels	**-**	1,640	**-**	1,640
Subtotal	**330**	10,874	**263**	10,147
Against past due but not impaired				
Accounts receivable	**79**	-	**-**	-
Vessels	**1,448**	-	**1,448**	-
Equipment	**505**	1,888	**-**	1,000
Subtotal	**2,032**	1,888	**1,448**	1,000
Against neither past due nor impaired				
Accounts receivable	**4,812**	-	**824**	-
Fixed/cash deposits	**1,220**	250	**1,220**	250
Properties	**36,100**	15,125	**36,100**	15,125
Equipment	**51,532**	59,865	**22,067**	32,640
Shares	**6,330**	11,986	**6,330**	11,986
Vessels	**48,036**	19,519	**48,036**	19,519
Subtotal	**148,030**	106,745	**114,577**	79,520
Total	**150,392**	119,507	**116,288**	90,667

39 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Group				
Carrying amount	**157,024**	93,998	**52,735**	53,536
Concentration by sector				
Manufacturing	**90,833**	34,975	**1,997**	5,994
Services	**49,900**	38,032	**23,268**	20,201
Holding and investment companies	**16,270**	12,058	**963**	3,717
Property	**-**	6,901	**15,336**	10,500
Multi-Industry	**-**	-	**5,686**	9,649
Others	**21**	2,032	**5,485**	3,475
Total	**157,024**	93,998	**52,735**	53,536
Company				
Carrying amount	**112,835**	70,291	**6,579**	8,469
Concentration by sector				
Manufacturing	**57,537**	20,858	**1,497**	1,494
Services	**39,007**	28,442	**5,082**	5,732
Holding and investment companies	**16,270**	12,058	**-**	-
Property	**-**	6,901	**-**	-
Multi-Industry	**-**	-	**-**	1,243
Others	**21**	2,032	**-**	-
Total	**112,835**	70,291	**6,579**	8,469

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

	Factoring receivables			
	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Carrying amount	**159,269**	142,365	**24,112**	24,784
Concentration by sector				
Manufacturing	**91,108**	99,937	**13,152**	17,019
Services	**65,304**	40,153	**8,103**	5,490
Holding and investment companies	**125**	87	**125**	87
Property	**68**	342	**68**	342
Others	**2,664**	1,846	**2,664**	1,846
Total	**159,269**	142,365	**24,112**	24,784

39 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 loans, advances, hire purchase and leasing receivables at the reporting date by geographical region was:

	Loans, advances, hire purchase and leasing receivables			
	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Singapore	**84,891**	62,543	**84,790**	59,614
Southeast Asia	**44,088**	20,778	**-**	-
Rest of Asia	**18,896**	1,133	**18,896**	1,133
Others	**9,149**	9,544	**9,149**	9,544
Total	**157,024**	93,998	**112,835**	70,291

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

	Factoring receivables			
	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Singapore	**24,112**	24,784	**24,112**	24,784
Southeast Asia	**135,157**	117,581	**-**	-
Total	**159,269**	142,365	**24,112**	24,784

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

	Investments			
	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Singapore	**35,352**	34,021	**2,734**	4,623
Southeast Asia	**3,847**	3,848	**3,844**	3,844
Rest of Asia	**5,832**	7,965	**-**	-
Others	**7,704**	7,702	**1**	1
Total	**52,735**	53,536	**6,579**	8,468

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.

39 Financial and insurance risk management (cont'd)

Interest rate risk (cont'd)

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 2011, it is estimated that a general increase of 100 basis point (bp) in interest rates would have increased the Group's profit after tax by approximately $295,000 and the Company's profit after tax by approximately $8,000 (2010: Group: $446,000; Company: $210,000). 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.

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
Group						
2011						
Non-derivative financial liabilities						
Trade and other payables	**13,103**	**13,103**	**13,103**	**-**	**-**	**-**
Insurance payables	**2,764**	**2,764**	**2,764**	**-**	**-**	**-**
Interest-bearing borrowings	**215,367**	**218,207**	**172,216**	**11,492**	**29,589**	**4,910**
Letters of credit	**-**	**3,484**	**3,484**	**-**	**-**	**-**
Bankers guarantee	**-**	**2,758**	**2,758**	**-**	**-**	**-**
	231,234	**240,316**	**194,325**	**11,492**	**29,589**	**4,910**
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

39 Financial and Insurance Risk Management (cont'd)

Liquidity (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						
2011						
Non-derivative financial liabilities						
Trade and other payables	**18,917**	**18,917**	**18,917**	**-**	**-**	**-**
Interest-bearing borrowings	**145,629**	**147,640**	**113,668**	**7,283**	**24,241**	**2,448**
Letters of credit	**-**	**275**	**275**	**-**	**-**	**-**
	164,546	**166,832**	**132,860**	**7,283**	**24,241**	**2,448**
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

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.

39 Financial and insurance risk management (cont'd)

Currency risk (cont'd)

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

	USD $'000	THB $'000	RM $'000	GBP $'000	AUD $'000	SGD $'000
Group						
2011						
Loans & advances, trade and other receivables	**36,550**	**-**	**-**	**60**	**15,928**	**-**
Other investments	**218**	**3,844**	**-**	**963**	**457**	**-**
Cash and cash equivalents	**1,260**	**4**	**-**	**17**	**1,175**	**-**
Other financial assets	**105**	**-**	**-**	**-**	**-**	**-**
Trade and other payables	**(243)**	**-**	**-**	**-**	**(1,175)**	**(11,587)**
Interest-bearing borrowings	**(36,100)**	**-**	**-**	**-**	**(17,024)**	**-**
Other financial liabilities	**(74)**	**-**	**-**	**-**	**-**	**-**
Net currency exposure	**1,716**	**3,848**	**-**	**1,040**	**(639)**	**(11,587)**
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)

	USD $'000	THB $'000	RM $'000	GBP $'000	AUD $'000
Company					
2011					
Loans & advances, trade and other receivables	**37,143**	**18**	**75**	**-**	**17,389**
Other investments	**-**	**3,844**	**-**	**-**	**-**
Cash and cash equivalents	**305**	**4**	**-**	**17**	**1,175**
Trade and other payables	**(239)**	**-**	**-**	**(41)**	**(1,175)**
Interest-bearing borrowings	**(36,100)**	**-**	**-**	**-**	**(17,024)**
Net currency exposure	**1,109**	**3,866**	**75**	**(24)**	**365**
2010					
Loans & advances, trade and other receivables	32,988	18	88	-	2,492
Other investments	-	3,844	-	-	-
Cash and cash equivalents	2,045	4	-	418	148
Trade and other payables	(106)	-	-	(110)	-
Interest-bearing borrowings	(20,473)	-	-	-	(2,486)
Currency exposure	14,454	3,866	88	308	154
Currency forward contract	(14,062)	-	-	-	-
Net currency exposure	392	3,866	88	308	154

39 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 2011				
USD	**(21)**	**(125)**	**-**	**(92)**
THB	**(385)**	**-**	**(384)**	**(2)**
RM	**-**	**-**	**-**	**(6)**
GBP	**(96)**	**(6)**	**-**	**2**
AUD	**(46)**	**90**	**-**	**(30)**
SGD	**1,159**	**-**	**-**	**-**
31 December 2010				
USD	(43)	267	-	(33)
THB	(385)	-	(384)	(2)
RM	-	-	-	(7)
GBP	(372)	(26)	-	(26)
AUD	(45)	100	-	(13)
SGD	1,137	-	-	-

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

Equity 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.

39 Financial and insurance risk management (cont'd)

Equity price risk (cont'd)

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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Equity	**228**	398	**59**	74
Profit or loss	**3**	25	**3**	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.

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.

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.

39 Financial and insurance risk management (cont'd)

Insurance contract risk (cont'd)

Concentration risk (cont'd)

The main exposures 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 2011. 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, counterparty and foreign currency limits in relation to its investment activities to ensure that there is no over-concentration to any one class of investment.

Recognised financial assets

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.

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 accident 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 statement of financial posstion 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 2011 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 accident years below is based on the following:

Accident year:

- 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
- 2011 - 12 months ended 31 December 2011

39 **Financial and insurance risk management (cont'd)**

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

Analysis of claims development - net of reinsurance basis

Total business
Net loss development tables as at 31 December 2011
Unit: $'000s

Estimate of cumulative claims Accident year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
At end of accident year	2,012	1,462	1,837	2,484	859	1,344	588	227	
One year later	1,737	970	1,283	2,266	1,079	1,437	459		
Two years later	1,583	980	4,237	1,570	1,103	1,151			
Three years later	2,328	520	3,750	1,014	520				
Four years later	2,303	515	3,750	743					
Five years later	2,280	514	3,750						
Six years later	2,280	514							
Seven years later	2,280								
Current estimate of ultimate claims	2,280	514	3,750	743	520	1,151	459	227	9,644
Cumulative payments	(2,280)	(514)	(3,525)	(743)	(518)	(863)	(7)	(15)	(8,465)
Net estimate of outstanding claim liability	-	-	225	-	2	288	452	212	1,179
Unallocated loss adjustment expenses	-	-	11	-	-	32	50	21	114
Effect of discounting	-	-	-	-	-	(1)	(2)	(1)	(4)
Best estimate of outstanding claim liability	-	-	236	-	2	319	500	232	1,289
Provision for adverse deviation									193
Net provision for insurance claims (note 12)									**1,482**

39 Financial and insurance risk management (cont'd)

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

Analysis of claims development - net of reinsurance basis (cont'd)

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

Estimate of cumulative claims Accident year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**Total**
At end of accident year	2,012	1,551	1,899	2,594	998	1,464	616	
One year later	1,774	996	1,392	2,405	1,199	1,465		
Two years later	1,594	1,013	4,377	1,690	1,132			
Three years later	2,328	520	3,750	1,014				
Four years later	2,303	515	3,750					
Five years later	2,280	514						
Six years later	2,280							
Seven years later								
Current estimate of ultimate claims	2,280	514	3,750	1,014	1,132	1,465	616	10,771
Cumulative payments	(2,280)	(514)	(3,525)	(1,014)	(518)	(863)	(3)	(8,717)
Net estimate of outstanding claim liability	-	-	225	-	614	602	613	2,054
Unallocated loss adjustment expenses	-	-	11	-	62	61	61	195
Effect of discounting	-	-	(1)	-	(4)	(4)	(4)	(13)
Best estimate of outstanding claim liability	-	-	235	-	672	659	670	2,236
Provision for adverse deviation								335
Outstanding claim liability in accounts (note 12)								2,571

39 Financial and insurance risk management (cont'd)

Estimation of fair value

Investments in equity and debt securities

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

Loans, advances, hire purchase, leasing and receivables

The fair values of loans, advances, hire purchase, leasing and receivables that reprice within six months of reporting 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 reporting date. The fair values of the unquoted corporate bonds, unquoted unit trusts and money market funds are their indicative prices at the reporting date.

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				
2011				
Available-for-sale equity securities	**1,024**	**-**	**3,264**	**4,288**
Available-for-sale debt securities	**1,836**	**-**	**-**	**1,836**
Financial assets held-for-trading	**3**	**-**	**-**	**3**
	2,863	**-**	**3,264**	**6,127**
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
Company				
2011				
Available-for-sale equity securities	**61**	**-**	**1,177**	**1,238**
2010				
Available-for-sale equity securities	407	-	1,480	1,887

39 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 a significant effect on the Level 3 fair value measurements.

During the financial year ended 31 December 2011, 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 year is as follows:

	Group $'000	Company $'000
At 1 January 2011	**4,262**	**1,480**
Redemption	**(166)**	**-**
Gain recognised in other comprehensive income	**(820)**	**(303)**
Gain recognised in profit or loss	**(12)**	**-**
At 31 December 2011	**3,264**	**1,177**
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

Summary

The aggregate net fair values of recognised financial assets and liabilities which are not carried at fair values in the statement of financial position at 31 December are represented in the following table:

	2011		2010	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Group				
Financial assets				
Loans, advances, hire purchase and leasing receivables	**157,024**	**157,024**	93,998	93,998
Held-to-maturity investments	**36,165**	**36,237**	41,120	41,425
	193,189	**193,261**	135,118	135,423
Financial liabilities				
Interest-bearing borrowings (unsecured)	**215,367**	**215,367**	145,945	145,945
Net	**(22,178)**	**(22,106)**	(10,827)	(10,522)
Unrecognised (gain)		**(72)**		(305)
Company				
Financial assets				
Loans, advances, hire purchase and leasing receivables	**112,835**	**112,835**	70,291	70,291
Held-to-maturity investments	**1,497**	**1,497**	2,738	2,757
	114,332	**114,332**	73,029	73,048
Financial liabilities				
Interest-bearing borrowings (unsecured)	**145,629**	**145,629**	77,853	77,853
Net	**(31,297)**	**(31,297)**	(4,824)	(4,805)
Unrecognised (gain)		**-**		(19)

40 Accounting judgements and estimates

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

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

Critical accounting judgements

Impairment losses on loans, advances, hire purchase, leasing and receivables

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

Held-to-maturity financial assets

The Group has the intention and ability to hold the debt securities, which 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 $72,000 (2010: $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 2011 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.

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 2011. 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

40 Accounting judgements and estimates (cont'd)

Critical accounting estimates (cont'd)

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

(b) Unearned premium reserves.

For short-term credit insurance policies, the provision for unexpired risks is based on the ultimate loss ratio for 2011 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 6.12% based on each bond category (2010: 1.25% to 7.58%).

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:

2011	**Net ($'000)**	**Gross ($'000)**
Estimated provision for unexpired risks under the base scenario	**4,791**	**12,530**

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 6.12% 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	**6,300**	**3,503**	**16,753**	**10,297**

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 55% of the bond or guarantee value if it is called. Using rates of 60.5% or 49.5%, the provision for unexpired risks would change as follows:

	High 60.5%	**Low 49.5%**	**High 60.5%**	**Low 49.5%**
	Net ($'000)		**Gross ($'000)**	
Provision for unexpired risks	**4,290**	**5,291**	**11,163**	**13,898**

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	**4,849**	**4,732**	**12,589**	**12,472**

40 Accounting judgements and estimates (cont'd)

Critical accounting 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	4,889	4,692	12,798	12,263

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.

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 accident 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.

40 Accounting judgements and estimates (cont'd)

Critical accounting estimates (cont'd)

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

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

2011	Net ($'000)	Gross ($'000)
Estimated provision for insurance claims under the base scenario	1,482	3,074

Ultimate number of claims per million earned premiums in underwriting year 2011 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. As the most recent accident years are relatively underdeveloped, an exposure-based method has been adopted to estimate the ultimate number of claims in these accident years.

In estimating the number of outstanding claims under the base scenario, the Group has assumed that there will be approximately 8 claims per million of earned premiums in accident years 2009, 2010 and 2011. If the ultimate number of claims per million of earned premiums increases or decreases by one claim in the accident years 2009 to 2011, 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	1,681	1,282	3,494	2,655

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 $44,100 under the base scenario. If the average claim size is assumed to be $48,510 (High) and $39,690 (Low), the corresponding gross and net provisions for insurance claims will be as follows:

	High	Low	High	Low
	$48,510	$39,690	$48,510	$39,690
	Net ($'000)		Gross ($'000)	
Provision for insurance claims	1,596	1,367	3,316	2,833

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	Low	High	Low
	+10%	-10%	+10%	-10%
	Net ($'000)		Gross ($'000)	
Provision for insurance claims	1,495	1,468	3,088	3,061

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	Low	High	Low
	+10%	-10%	+10%	-10%
	Net ($'000)		Gross ($'000)	
Provision for insurance claims	1,501	1,462	3,114	3,034

41 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 centralised 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.

Credit financing:

Credit financing encompasses commercial, alternative and structured finance 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 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, domestic maid insurance and spa insurance for pre-paid packages. 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
2011				
Operating results				
Total operating income	**29,666**	**5,885**	**420**	**35,971**
Reportable segment profit/(loss) before income tax	**5,467**	**3,852**	**(488)**	**8,831**
Net interest income	**16,911**	**-**	**-**	**16,911**
Net earned premium revenue	**-**	**2,842**	**-**	**2,842**
Non-interest income	**8,331**	**3,043**	**420**	**11,794**
Other material non-cash items				
- (Allowances for)/reversal of loan losses and impairment of investments	**(4,296)**	**51**	**(372)**	**(4,617)**
- Depreciation and amortisation	**(1,658)**	**(220)**	**(284)**	**(2,162)**
Assets and liabilities				
Reportable segment assets	**310,259**	**68,063**	**11,113**	**389,435**
Capital expenditure	**311**	**101**	**-**	**412**
Reportable segment liabilities	**227,516**	**20,026**	**245**	**247,787**

41 Operating segments (cont'd)

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	5,756	4,274	(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

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

	2011 $'000	2010 $'000
Operating Income		
Interest income	**21,949**	23,568
Net earned premium revenue	**2,842**	3,498
Fee and commission income	**9,571**	7,463
Investment income	**1,609**	977
Total operating income for reportable segments	**35,971**	35,506
Income statement		
Total profit or loss for reportable segments	**8,831**	6,536
Consolidated profit before income tax	**8,831**	6,536
Non-interest income		
Total non-interest income for reportable segments	**11,794**	9,260
Consolidated non-interest income	**11,794**	9,260

41 Operating segments (cont'd)

Reconciliations of reportable segment operating income, profit or loss, assets and liabilities and other material items (cont'd)

	2011 $'000	2010 $'000
Assets		
Total assets for reportable segments	**389,435**	321,057
Other unallocated amounts	**4,085**	4,680
Consolidated assets	**393,520**	325,737
Liabilities		
Total liabilities for reportable segments	**247,787**	181,685
Other unallocated amounts	**2,066**	2,182
Consolidated liabilities	**249,853**	183,867

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 2011			
Singapore	**15,869**	**17,179**	**198,544**
Southeast Asia	**16,689**	**3,037**	**163,407**
Rest of Asia	**311**	**-**	**1,376**
Others	**3,102**	**922**	**30,193**
	35,971	**21,138**	**393,520**
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

ADDITIONAL INFORMATION

Year ended 31 December 2011

INTERESTED PERSON TRANSATIONS

For the financial year ended 31 December 2011, 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 6 March 2012

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	97	2.43	36,212	0.02
1,000 - 10,000	2,808	70.18	10,609,745	7.06
10,001 - 1,000,000	1,086	27.14	40,504,320	26.93
1,000,001 and above	10	0.25	99,237,589	65.99
Total	4,001	100.00	150,387,866	100.00

TOP TWENTY SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	Phillip Securities Pte Ltd	61,670,240	41.01
2	SMRT Road Holdings Ltd	10,309,312	6.86
3	Lee Boon Leong	6,824,400	4.54
4	United Overseas Bank Nominees Pte Ltd	6,510,881	4.33
5	DBS Nominees Pte Ltd	5,883,399	3.91
6	OCBC Nominees Singapore Pte Ltd	2,712,497	1.80
7	Ng Chit Tong Peter	2,083,880	1.39
8	Lee Soon Kie	1,172,900	0.78
9	Citibank Nominees Singapore Pte Ltd	1,064,280	0.71
10	Tan Soon Lin	1,005,800	0.67
11	Ng Soh Lian	587,000	0.39
12	Lai Weng Kay	572,000	0.38
13	Boon Kok Hup	547,660	0.36
14	Kwah Thiam Hock	508,200	0.34
15	Tan Li Cheng nee Lee	493,680	0.33
16	HSBC (Singapore) Nominees Pte Ltd	438,020	0.29
17	Wee Joo Guan Robert	403,414	0.27
18	Kwok Lai Fong Evangeline	385,440	0.25
19	CIMB Securities (Singapore) Pte Ltd	377,098	0.25
20	Teo Yew Hock	370,260	0.24
	Total	103,920,361	69.10

STATISTICS OF SHAREHOLDINGS
As at 6 March 2012

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 6 March 2012, approximately 50.8% 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 6 March 2012

	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-Fifth (25th) 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 Friday, 20 April 2012 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 2011 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 1.75 cents per share for the financial year ended 31 December 2011. **(Resolution 2)**

3. To approve the Directors' fees of S$268,963 (2010: S$256,000) for the financial year ended 31 December 2011. **(Resolution 3)**

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

5. 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 Resolution 7 which will be proposed as Ordinary Resolution:

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

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

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

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

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

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 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)**

OTHER BUSINESS

7. 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 30 April 2012, 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 2011.

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 27 April 2012 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 27 April 2012 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 11 May 2012.

By Order of the Board

Chionh Yi Chian
Company Secretary
IFS Capital Limited

Singapore
3 April 2012

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 4:**

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

2. **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.

IFS CAPITAL LIMITED

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

PROXY FORM

Twenty-Fifth (25th) Annual General Meeting

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.

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-Fifth (25th) Annual General Meeting of the Company to be held at the IFS Boardroom, 7 Temasek Boulevard #10-01, Suntec Tower One, Singapore 038987, on Friday, 20 April 2012 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 1.75 cents per share		
3	Approval of Directors' Fees amounting to S$268,963		
4	Re-election of Director: Mr Manu Bhaskaran		
5	Re-election of Director: Mr Lee Soon Kie		
6	Re-appointment of KPMG LLP as Auditors		
Special Business			
7	Ordinary Resolution: Authority for Directors to Issue Shares and Instruments Convertible into Shares		

* *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 ______________ 2012

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 holding 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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