IFS Capital Limited

Annual Report 2013

IFS Capital Limited ("IFS") was incorporated in Singapore in 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 and Structured Finance. The Group also provides credit insurance, bonds and guarantees and maid insurance via its insurance subsidiary, ECICS Limited.

Mission Statement

To be the premier regional financial services provider to our clients through commitment to service excellence, creating sustainable value for our shareholders.

Contents

Chairman's Statement

Our business was affected by several provisions that we took last year.

However in terms of operating revenues, we achieved a record $38.11 million in income before operating expenses. This was achieved through significant growth in our underlying operations.

The company has instituted a dividend policy of paying out not less than 30% of earnings each year. In line with this policy, a first and final dividend of 2 cents per share has been proposed to reward shareholders. This has been maintained from the previous year.

Our 2013 performance is notable on a few fronts.

REVIEW OF 2013 PERFORMANCE

Operating income increased by 5% with higher fee and commission income while the Group's profit before allowances and net claims grew 18% from $15.2 million in previous year to $17.9 million. Due to higher allowances for loan losses and impairment of other assets, the Group reported net loss of $3.4 million against net profit of $9.1 million in the previous year.

The Group saw increases in its insurance business, in particular, bonds and guarantees which brought in higher gross written premiums. Higher provisions for unexpired risks however resulted in lower net earned premium revenue.

The Group's overall factoring business volume went up 15%, mainly contributed by Thailand which hit a record volume of $1.1 billion.

Our overseas subsidiaries continued their growth and reported 13% increase in operating income from $21 million to $23.8 million, of which Thailand alone reported increase of 67% in operating income and 21% increase in net profit after non-controlling interests to $3.9 million.

We ended the year again with a healthy pipeline of transactions.

PROVISIONS MADE IN 2013

We decided to make provisions for some of our Singapore and Malaysian exposures.

The provisions were made in line with accounting rules and we should note that prospects for recovery for these are high. In some cases, our clients are still operating in their respective businesses and their business operations are continuing while facing delays in some contracts.

PERFORMANCE BENCHMARKING

The Group's loss per share was 3.2 cents versus earnings per share of 5.3 cents the previous year. Net asset value per share for the Group stood at 84.8 cents as compared to 92.9 cents in 2012. Net gearing went down to 1.59 times from 1.63 times in 2012, due to higher collection from our loan borrowers.

Our cost-to-income ratio on a consolidated group basis went down to 51% as compared with 55.3% in 2012.

Our net interest margin remains fairly stable at about 6.2%.

Overall, I am pleased to report that the Group is in a good position to further expand its businesses given its capitalization and high liquidity levels.

NEW BUSINESS AND GROWTH

Generally, our businesses in the region continue to grow.

We have decided to expand our general insurance businesses under ECICS with some significant hires. The Group has traditionally relied on our credit insurance and bond and guarantee business. The removal of restrictions allowing ECICS to write the full range of general insurance business lines available in Singapore has given us the opportunity to expand our scope.

In Thailand, political issues are likely to curtail growth. However we remain confident of maintaining our performance there. In Malaysia, we should see the fruition of some government related financing. Our Indonesian operations are expanding their portfolio not just in terms of clients but also in terms of geographical reach beyond Jakarta where the competitive space is less crowded.

The Board continues to look at new business opportunities and markets given our capital base and liquidity levels and looks actively to expand our presence and business activities.

CHALLENGES

While credit issues have been challenging last year, we maintain our normal business operations in the respective countries.

Steps have been taken to address some of the issues that arose last year. Centralised credit and monitoring at our head office is now maintained with regular updates to management and Board. A new Group Risk Management Committee has been set up to oversee the enterprise-wide risk management of the Group's key risks.

ACKNOWLEDGEMENTS

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

Lim Hua Min
Chairman
7 March 2014

Group Financial Highlights

S$'000	2013	2012	2011	2010	2009
INCOME STATEMENT					
Gross operating income	**44,231**	43,069	35,971	35,506	34,612
(Loss)/profit					
- before tax	**(4,191)**	12,381	8,831	6,536	7,948
- after tax	**(3,388)**	9,145	7,703	7,872	6,571
- (loss)/profit after tax attributable to owners of the Company	**(4,840)**	7,940	6,956	7,104	6,531
BALANCE SHEET					
Number of shares ('000)	**150,388**	150,388	150,388	150,388	136,716
Issued share capital	**88,032**	88,032	88,032	88,032	88,032
Shareholders' funds	**127,556**	139,749	134,718	132,676	127,090
Non-controlling interests ("NCI")	**10,078**	9,564	9,114	9,194	432
Total assets	**399,700**	432,601	393,520	325,737	357,070
Total liabilities	**262,066**	283,288	249,688	183,867	229,548
DIVIDEND INFORMATION					
Dividends proposed/paid for the year (net of tax)	**3,008**	3,008	2,632	2,256	2,051
Dividend cover (number of times)*	**0.90**	0.95	1.43	3.43	1.62
Gross dividends declared per share*					
- Ordinary (cents)	**2.00**	2.00	1.75	1.50	1.50
Dividend yield (%)	**4.9**	4.0	4.3	3.7	3.7
FINANCIAL RATIOS					
(Loss)/earnings per share after tax (cents)	**(3.22)**	5.28	4.63	4.72	4.34
Net tangible assets per share ($)	**0.85**	0.92	0.88	0.86	0.83
Return on average shareholders' funds (%)	**(3.6)**	5.8	5.2	5.5	5.3
Cost-income ratio (%)	**51.0**	55.3	59.1	56.0	52.4

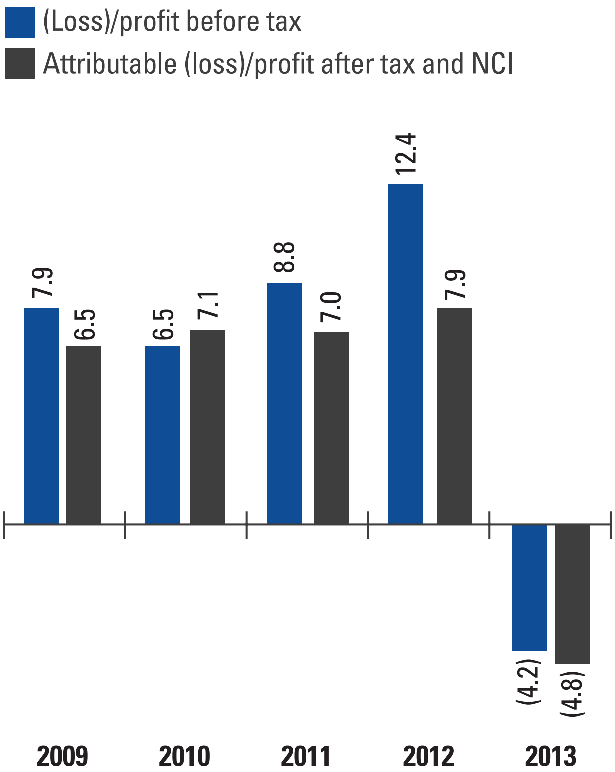
Notes: * Gross dividends per share and times covered are stated based on the dividend proposed/paid relating to the respective financial years and expressed over the Company's profit. Gross dividend per share for FY2013 relates to the proposed one-tier tax exempt first and final dividend of 2.0 cents.

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

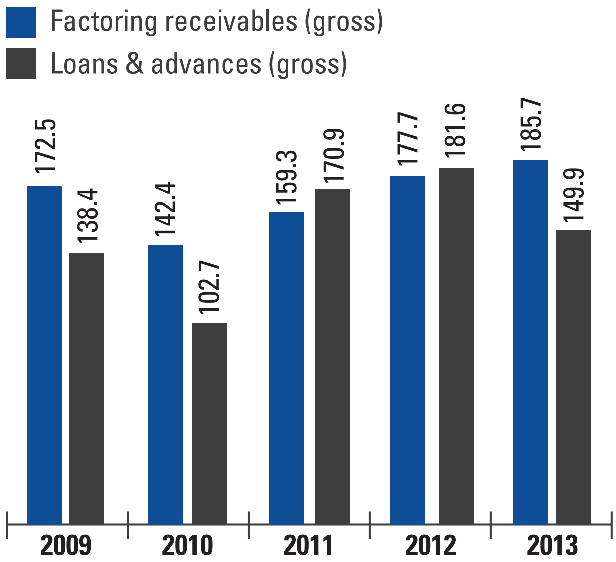
FY2012 and FY2011 numbers have been restated due to change in accounting policy on premium recognition of the Group's insurance subsidiary.

Performance at a Glance

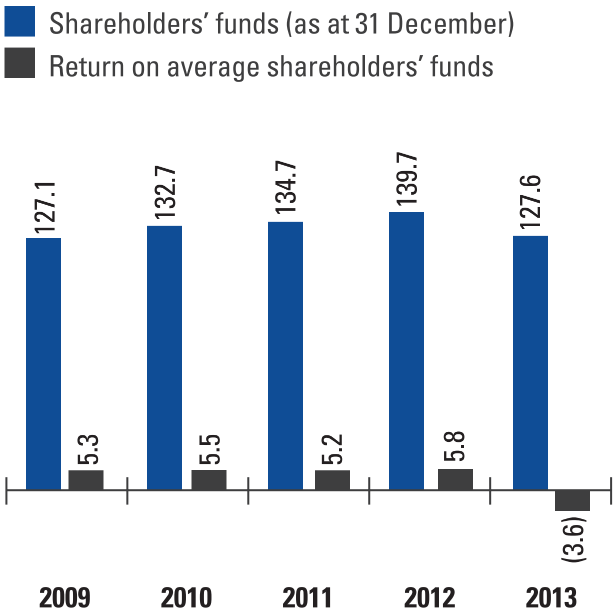
PROFIT & LOSS
(S$ million)



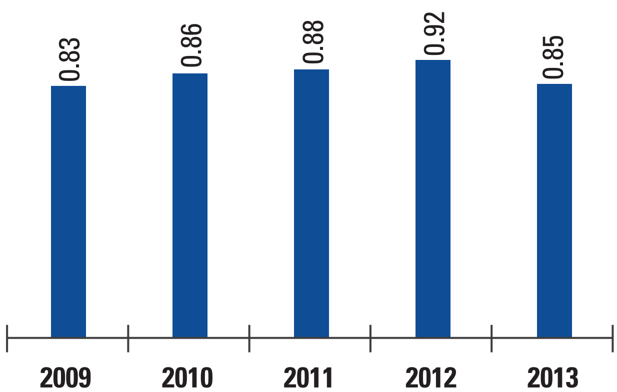
FACTORING RECEIVABLES AND LOANS & ADVANCES
(S$ million)



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



NET TANGIBLE ASSETS PER SHARE (S$)



Board of Directors

LIM HUA MIN
CHAIRMAN & NON-EXECUTIVE DIRECTOR

Mr Lim Hua Min was appointed Chairman of IFS Capital Limited on 20 May 2003. Mr Lim is also Chairman of ECICS Limited, wholly-owned subsidiary of IFS Capital Limited.

Mr Lim is 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
LEAD INDEPENDENT DIRECTOR
NON-EXECUTIVE DIRECTOR

Mr Gabriel Teo was appointed as a Director of IFS Capital Limited on 2 November 1999. On 23 January 2013, he was also appointed as a Lead Independent Director.

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 Masters in Business Administration in Finance from Cranfield School of Management. He had also attended the Executive Program in Management at Columbia Business School.

MANU BHASKARAN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Manu Bhaskaran was appointed as a Director of IFS Capital Limited on 26 February 2004. Prior to this, Mr Manu Bhaskaran had also previously served on the Board of IFS Capital Limited from 26 June 2002 to 20 May 2003. Mr Manu Bhaskaran was also a director of ECICS Limited from 28 May 2007 to 31 January 2011.

Mr Manu Bhaskaran is presently Partner and Head Economic Research at the Centennial Group, a Washington DC-based strategic advisory group. Mr Manu Bhaskaran also serves on the boards of the Centennial Group, Luminor Capital Pte Ltd, MinorCap Pte Ltd and Jebsen and Jessen (SEA) Pte Ltd. In addition, he is Vice-President of the Economics Society of Singapore and Council Member of the Singapore Institute of International Affairs as well as an adjunct senior research fellow at the Institute of Policy Studies. He is a member of the board of advisors to CIMB Securities International Pte. Ltd. Mr Manu Bhaskaran was formerly Managing Director and Chief Economist of SG Securities Asia Ltd.

Mr Manu Bhaskaran holds a Bachelor of Arts (Honours) from Magdalene College, Cambridge University and a Masters in Public Administration from John F Kennedy School of Government, Harvard University. He is also a CFA charterholder.

LAW SONG KENG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Law Song Keng was appointed as a Director of IFS Capital Limited on 31 January 2011. He is also currently a Director of ECICS Limited.

Mr Law is presently the Chairman of Asia Capital Reinsurance Group Pte Ltd. He also serves on the boards of Great Eastern Holdings Ltd and ACR Capital Holdings 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. In addition, Mr Law had also served as a Board Member in the Inland Revenue Authority of Singapore, Singapore Deposit Insurance Corporation, Central Provident Fund Board and Manulife (Singapore) Pte Ltd.

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.

KWAH THIAM HOCK
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Kwah Thiam Hock was first appointed as an Executive Director of IFS Capital Limited on 4 May 1987. On 18 December 2006, Mr Kwah retired as Executive Director but continued to serve as a Non-Executive Director of IFS Capital Limited. On 23 January 2013, Mr Kwah was re-designated as an Independent Director of IFS Capital Limited. Mr Kwah is also currently a non-executive director of ECICS Limited, a wholly-owned subsidiary of IFS Capital Limited. Previously, Mr Kwah also served as Chief Executive Officer/Principal Officer of ECICS Limited from 1 June 2003 to 18 December 2006 and as Advisor and Principal Officer of ECICS Limited from 5 July 2007 to 14 September 2009.

Mr Kwah is presently an Independent Director of Wilmar International Limited, Select Group Limited, Excelpoint Technology Limited and Teho International Inc Ltd.

Mr Kwah holds a Bachelor of Accountancy from University of Singapore. Mr Kwah is also a Fellow Member of the Australian Society of Accountants, the Institute of Singapore Chartered Accountants as well as the Association of Chartered Certified Accountants (UK).

LEE SOON KIE
EXECUTIVE DIRECTOR &
GROUP CHIEF EXECUTIVE OFFICER

Mr Lee Soon Kie joined the Board of IFS Capital Limited on 21 March 2003 and was appointed the Group Chief Executive Officer of IFS Capital Limited on 8 April 2004. Mr Lee is responsible for the overall management of the Group. He is also a Director of a number of subsidiaries of the Group. Prior to joining IFS Capital Limited, 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.

Management Team

LEE SOON KIE
Group Chief Executive Officer

DANNY HENG HOCK KIONG @ HENG HANG SIONG
Group Chief Financial Officer
Finance, Human Resources & Administration

Mr Heng joined the Group as Group Chief Financial Officer in March 2014 and is responsible for finance, human resources and administrative functions. Prior to joining the Group, Mr Heng had over 20 years of experience as CFO and Finance Director in several listed companies and had held key executive and leadership positions in various industries ranging from Telecommunication, Food to Healthcare and Oil & Gas. Mr Heng graduated with a Bachelor of Business Administration (Finance and Investment Management) from the City University of New York and a Master of Science (Accounting and Information Management) from the Pace University, New York. He is a fellow member and a Certified Public Accountant with the Institute of Singapore Chartered Accountants and the American Institute of Certified Public Accountants and is also a member of the Institute of Management Accountants, Institute of Certified Internal Auditors, Singapore Institute of Directors. Mr Heng is currently a committee member of the CFOC Committee of Institute of Singapore Chartered Accountants, and an Associate Professor of International Financial Reporting Standards and Accounting Information Systems in SIM University. Mr Heng was also awarded best CFO of the year in 2011 by the Singapore Corporate Awards.

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 (Commercial Finance)

Mr Chua was appointed General Manager in January 2009 and is responsible for business development. He was appointed a Director of IFS Capital (Malaysia) Sdn. Bhd. in August 2008. He joined IFS in 2006 and prior to this, he had 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.

PHYLLIS CHIU YIN WAH
General Manager
Credit Risk Management

Ms Chiu, the Head of Credit Risk Management unit was appointed General Manager in January 2014. Prior to this, she was heading one of the Business Development teams. She has been with the Group since 1989. Ms Chiu is a certified Credit Risk Management Professional conferred by Asian Risk Management Institute. She holds a Bachelor of Arts from the National University of Singapore.

LUA TOO SWEE

Chief Executive Officer and Principal Officer
ECICS Limited

Mr Lua joined ECICS Limited in July 2008 as General Manager, Risk Management. 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 and a Director of IFS Capital (Thailand) Public Company Limited in January 2014. 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, a Bachelor of Arts from the University of Singapore and an Advance Diploma in General Insurance & Risk Management.

TERENCE TEO CHIN POH

General Manager
ECICS Limited

Mr Teo joined ECICS Limited in February 2014 as General Manager managing all business development initiatives and distribution channels. Mr Teo has extensive experience in the insurance industry in both local and multinational companies. Prior to joining the Group, he was the Principal Officer cum General Manager with a foreign insurer. He served as a director of a Lloyds syndicate – AMS 1965 from 2006 to 2007, a council member of Agents Registration Board from 2008 to 2012 and Chairman of the Motor Insurers' Bureau of Singapore from 2009 to 2012. Mr Teo holds a Bachelor of Arts in Economics from the York University, Canada.

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.

DESMOND HENG BOON KUAN

President Commissioner and Country Manager
PT. IFS Capital Indonesia

Mr Heng was seconded to PT. IFS Capital Indonesia in January 2013 as Resident Commissioner and Country Manager to oversee its overall management and operations. He was appointed a member of the Board of Commissioner of the Indonesia's subsidiary in October 2010. Mr Heng joined IFS in April 2010, heading the business development function for Alternative Finance. He has more than 15 years of working experience in the banking and financial industry. Mr Heng holds a Bachelor of Arts (Economics) degree from the Indiana University, Bloomington USA.

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 (Commercial Finance)
- Bachelor of Science (Agribusiness)
  Universiti Pertanian Malaysia

Shawn Ang Choon Khai
Vice President (Team Head), Business Development (Commercial Finance)
- Bachelor of Business Administration
  National University of Singapore

Carl Chan Eng Tiong
Assistant General Manager (Structured Finance/Alternative Finance)
- Bachelor of Science (Electrical Engineering)
  Boston University
- Master of Science (Finance)
  University of Illinois
- Graduate Certificate in Intellectual Property Law
  National University of Singapore
- CFA charterholder

Nicholas Foo Jikai
Vice President (Team Head) (Real Estate)
- Bachelor of Science (Finance)
  SIM University

Ken Han Yeh Kwong
Senior Manager, Credit Risk Management - Singapore / Head, Credit Risk Management - Regional
- Bachelor of Commerce
  Curtin University of Technology

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
Senior 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
- CA, FCCA

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

ECICS Limited

Ruth Wee Gek Lin
Head, Risk Management
- Bachelor of Arts
  National University of Singapore
- Graduate Diploma in Financial Management
  Singapore Institute of Management

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

Jerome Tan Kwak Yong
Senior Manager (Team Head)
Product Management, Operations and
General Insurance Underwriting
- Bachelor of Business (Insurance)
  Nanyang Technological University
- ACII, Chartered Insurer

PT. IFS Capital Indonesia

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

Corporate Information

BOARD OF DIRECTORS

Lim Hua Min
Chairman
Gabriel Teo Chen Thye
Lead Independent Director
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
Danny Heng Hock Kiong @ Heng Hang Siong
Chionh Yi Chian
Teoh Chun Mooi
Chua Chye Seng
Phyllis Chiu Yin Wah
Lua Too Swee

GROUP RISK MANAGEMENT COMMITTEE

Lee Soon Kie
Chairman
Chionh Yi Chian
Phyllis Chiu Yin Wah
Ruth Wee Gek Lin

CREDIT COMMITTEE

Lee Soon Kie
Chairman
Teoh Chun Mooi
Chionh Yi Chian
Chua Chye Seng
Phyllis Chiu Yin Wah

REGISTERED OFFICE

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SHARE REGISTRAR

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112 Robinson Road #05-01
Singapore 068902

COMPANY SECRETARY

Chionh Yi Chian

ASSISTANT COMPANY SECRETARY

Angeline Ng Ching Loo

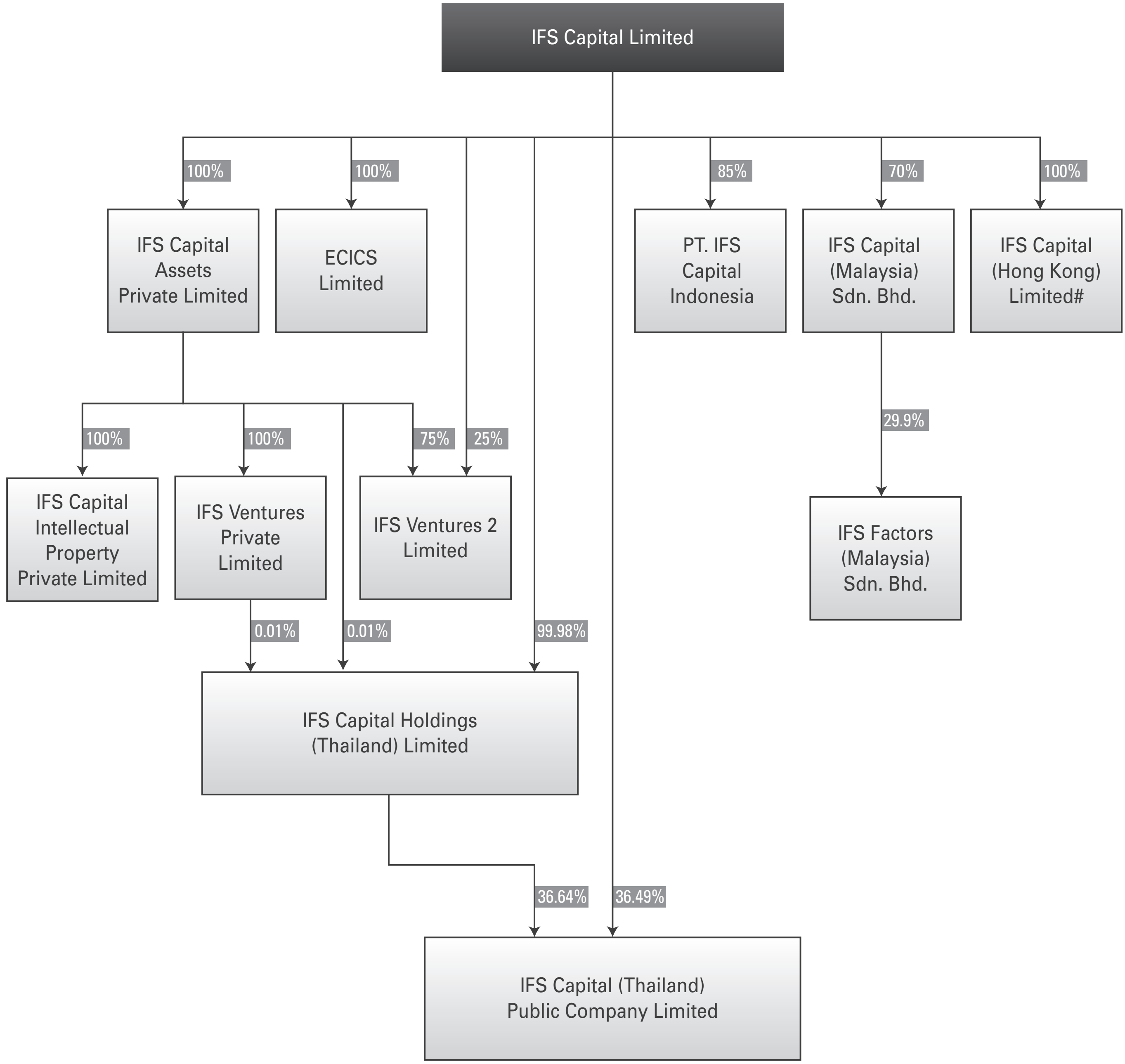
AUDITORS

KPMG LLP
Public Accountants and Chartered 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 of IFS Group



Dormant/Inactive

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
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Lumpini Pathumwan
Bangkok 10330
Thailand
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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: GENTLE UPWARD SPIRAL IN GLOBAL ECONOMY TO BENEFIT REGION

A confluence of mutually-reinforcing positive factors is emerging, starting with the US economy. As the benefits of the US expansion spill over into other large markets for Asian exports such as Japan and the Eurozone, and as conditions in those latter economies themselves improve, demand for Asian exports will also start improving faster than expected. However, the extent of the recovery in Asian economies may be constrained by weaknesses in the domestic weaknesses.

2014 will be dominated by simultaneous recovery in the big economies.

First, the US economy is moving into a new and much stronger phase of its recovery from the financial crisis of 2008. It is putting behind some of the headwinds that hurt its recovery and beginning to enjoy a virtuous growth cycle as the US housing recovery strengthens, credit extension improves and capital spending accelerates. The US political gridlock is less of a threat now as Republicans and Democrats have compromised sufficiently to pass a budget for the first time in several years while avoiding another government shutdown.

Second, in Japan, while Abenomics is not yet clearly a success, it is delivering results: Despite some recent volatility, new machinery orders have been rising. Significantly, non-manufacturing companies who account for 68% of Japan's corporate capital spending are enjoying their highest capacity utilisation levels since the early 1990s, explaining the growing strength in machinery orders from services companies. The labour market is also improving to the point where the Keidanren business federation is exhorting members to raise wages. Deflation has turned around with core consumer prices beginning to rise again. While structural reforms have been slow they are in the right direction. Recent months have seen a steady trickle of smaller reforms in a range of areas from changing the way agricultural subsidies are given to easier rules on foreigners seeking residence in Japan. The cumulative impact of small reforms will nevertheless be powerful over the longer term.

Third, the Eurozone is also turning around. Some of the smaller distressed economies are showing their best economic performance in years allowing yields on 10-year Greek government bonds to fall to their lowest levels since the Eurozone crisis began. The larger economies are also recovering, with German manufacturing at a 30-month high and Italy's at a 32-month high.

This will see increased global demand for Asian manufacturing exports.

The recovery in global capital spending will be particularly important in boosting external demand for countries such as Singapore whose exports are more geared to capital goods than consumer electronics. The uptick in global demand will also boost exporters of economically-sensitive commodities such as rubber, coal and base metals. Indonesia will be particularly boosted.

However, a pullback in global monetary stimulus, domestic imbalances and policy corrections will create headwinds for the region.

The unwinding of expansionary monetary policies in the US will cause more destabilising capital outflows in the region in the very near term. But while this re-allocation of capital back to developed markets will pressure regional financial markets, the damage can be contained given the buffer of foreign reserves the regional economies possess and the more credible policy responses that have restored market confidence in the region.

Instead, the greatest risks over the coming year relate to specific domestic imbalances and policy errors that have been made over the past few years in the Asian region and their potential impact on Southeast Asia.

A major concern is how the massive credit boom in China since will be resolved. Economic growth in China is slowing while the risks of defaults in shadow banking financial products is growing. While China is likely to maintain growth around 7% and continue to support commodity prices and Southeast Asian exports, there will be episodes of stress in China which could hurt financial markets and confidence in our region.

The other concern is how corrective policy measures taken within Southeast Asia to address imbalances such as current account deficits and real estate bubbles will affect economic performance in 2014. We review the outlooks for each country in more detail below.

SINGAPORE

Singapore enjoyed a stronger showing in 2013, reversing the sharp deceleration since 2010 and arresting the persistently high inflation observed since 2011. GDP growth rose to 4.1% in 2013 after 1.9% in 2012 despite sluggish global conditions, while inflation slipped below 2% by December 2013, to average 2.4% for the year, well below the 4%-5% levels earlier.

Singapore's resilience in 2013 stemmed primarily from strong expansion in business services, sea cargo handling and construction spending while manufacturing production, though volatile, appeared to be edging up. On the whole, we continue to see further cyclical recovery in Singapore, with economic growth rising modestly to the 4%-5% range, supported by the acceleration in global demand described above. The major risks for the Singapore economy stem from the following factors:

- First, the ongoing tightening of labour policies will put a strain on companies in the near-term, forcing out those who are unable to restructure. Small and medium enterprises in particular will be forced to restructure and their downsizing or relocation of activities and other forms of re-engineering could exert a dampening effect on economic growth.

- Second, the upward pressure on wages as a result of tighter labour supplies will also put upward pressure on wages and cost-push inflation, forcing the Monetary Authority of Singapore to maintain its tightening policy stance which could weaken Singapore's export competitiveness in the near term.

- Third, we expect an accelerated fall in residential prices. After six years of very low mortgage rates, Singapore's property market is vulnerable to the normalisation of interest rates, especially as the aggressive policy moves to curb property prices over the last few years will also weigh on the sector. In January 2014, the number of resale transactions in the non-landed private home market plunged 70.2% y/y.

On a positive note, we expect the recent moderation in inflation trends since mid-2013 to continue into 2014:

- First, a highly credible central bank, a softening property market, and targeted policies, such as the increased down-payment requirements for car ownership introduced in 2013, will keep inflationary pressures subdued in 2014.

- Second, a rising rate of automobile de-registrations will see a spike in COE quotas, which will help reduce the impact of private transport costs further in 2014.

Put together, 2014 is shaping up to be an incrementally stronger year for Singapore with moderately higher growth and relatively low inflation. Effective policy calibration will probably mitigate the risks associated with Singapore's tightening labour policies and housing price correction.

Table 1: Singapore Forecasts

	2011	2012	2013	2014
GDP growth	5.2	1.9	4.1	4.2
Inflation	5.2	4.6	2.4	2.9
Current Account/GDP %	23.9	17.6	20.0	18.2
Currency/USD (end period)	1.30	1.22	1.26	1.24

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

MALAYSIA

Malaysia has had a solid run over the last few years, enjoying relatively strong economic expansion and relatively low inflation since 2010. A resurgence in private investment - following the favourable response to the government's various reformist programmes - coupled with an expansionary fiscal stance, a resilient export sector and strong credit growth, has fuelled rapid expansion in both the domestic and external sectors of the economy. Going forward, it appears some of these trends have reversed.

- **Payback to pre-election government spending:** Not surprisingly, government expenditure has dropped significantly post-election, with year-to-date growth in government disbursements falling to a three-year low in 3Q13.

- **Investment trends weakening:** After several years of solid expansion, foreign direct investment growth began to soften last year, contracting some 8.3% over the first three quarters of 2013. This was reflected in Malaysia's sharp fall to 25th position in the AT Kearney 2013 Foreign Direct Investment (FDI) Confidence Index, from 10th position previously. Worries about political stability ahead of the elections, and the sustainability of Malaysia's growth given the high levels of public and private debt, were significant drivers of Malaysia's fall.

- **Slowing private consumption growth:** Private consumption growth will be limited this year by the high levels of household debt. This has already been reflected by the visible slowdown in credit and money growth over the last 6-9 months. In July 2013, Moody's downgraded Malaysia's sovereign credit rating outlook to negative on account of its growth fiscal deficits and high level of private and household debt.

Despite this reversal, the immediate outlook for the economy remains relatively positive for a number of reasons:

- **Rising external demand:** Like Singapore, Malaysia continues to be a highly export-driven economy. Given the expectations for a strong recovery in global demand, external demand should translate into stronger export growth and an uptick in Malaysia's current account balance.

- **Commodity sector to provide some support:** The commodity sector, which has been under some pressure since 2012, has scope to support the economic recovery in 2014 with crude palm oil prices to rise modestly on lower inventories and recovering global demand.

- **Lagged impact from investments:** Despite a slowdown in new investment, the strong levels of foreign and domestic investment commitments from previous years will translate into a modest rise in private investment and new factories this year.

More importantly, Malaysia's reform agenda remains on track. Malaysia's cuts to subsidies on fuel and introduction of the long-awaited GST last year were steps in the right direction, prompting Moody's to reverse its credit outlook to "positive". The government's business oriented approach has also produced real results, with Malaysia moving into the top 10 of the World Bank's East of Doing Business Index.

In addition, Malaysia continues to leverage on synergies with its neighbours, as seen by the growing investment interest from Singaporeans in the Iskandar region, as well as the development of the Special Border Economic Zones (SBEZ) in the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT). With the implementations of the ASEAN Economic Community (AEC) fast approaching, Malaysia will do well to maintain this pro-active approach to integration.

On the whole, domestic growth is expected to remain steady, around the 5%-5.5% range, with inflation to climb up to 2.7% on account of rising energy bills. With political risks easing and global macroeconomic conditions improving, we do not see the recent dip in investment trends extending beyond 2014, and expect more investment driven growth by the year-end.

Table 2: Malaysia Forecasts

	2011	2012	2013	2014
GDP growth	5.1	5.6	4.7	5.4
Inflation	3.2	1.7	2.1	2.7
Current Account/GDP %	12.1	7.0	4.1	3.4
Currency/USD (end period)	3.16	3.05	3.25	3.15

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

THAILAND

After just over two years of relative political calm, political tensions once again threaten to weaken the economy.

After the strong post-flood recovery in 2012, economic momentum continued into the first quarter of 2013, boosted by strong investment, a positive fiscal stance and improving business and consumer sentiments as political conditions improved. By the end of March 2013, sentiments were at an all-time high: Thailand's equity markets were up 30% y/y, second only to the Philippines; foreign holdings of local currency government bonds spiked to 17.6% of total bonds from 11.5% at the end of 2011; the THB emerged as the top performing currency across emerging Asia, a position it held until May 2013.

However, as stimulus policies unwound - such as the First Car Buyer Scheme, the post-flood investments in 2012 and increased government expenditures - the economy began to decelerate. By mid-year, Thailand had entered a technical recession. As the economy weakened, Thailand came under increased scrutiny on a number of emerging risks, including its relatively high consumer debt levels, vulnerability to capital outflows, fiscal strains due to costly programmes such as the rice pledging scheme, and the poor level of execution of the mega infrastructure projects that have already been approved, such as the 2011 water management project.

While Thailand's strong economic institutions and resilient economic structure were expected to offset most of these risks, the onset of the political crisis has eroded confidence, resulting in an accelerated deterioration in domestic conditions. With sharp contractions seen across most domestic demand and production indicators, coupled with consumer and investor confidence at 26-month and 25-month lows respectively, we expect the negative momentum in growth to continue into the first half of 2014.

On a more positive note, Thailand's fiscal capacity, falling domestic price pressures and the expected recovery in global demand conditions can temper this downward momentum:

- Thailand has already begun to see tentative signs of recovery in the export sector, helped by a recovery in global demand and a weakening baht. As Japan continues to benefit from Abenomics, we expect further support given the strong ties between the two economies.

- In addition, falling domestic price pressures will provide more scope for the Bank of Thailand to loosen monetary conditions if need be.

- Thailand continues to have scope for fiscal expansion. In fact, before the onset of the latest political crisis, the accelerated disbursement of the water project, major projects such as the Purple Line and the Blue Line of the Mass Rapid Transit Authority of Thailand, and programmes such as the rice pledging scheme, could have pushed the fiscal stance as high as 2.0% of GDP. If political conditions normalise by April, there is strong potential for fiscal expenditure to arrest the current downward momentum.

Table 3: Thailand Forecasts

	2011	2012	2013	2014
GDP growth	0.1	6.5	3.2	4.0
Inflation	3.8	3.0	2.2	2.6
Current Account/GDP %	1.3	-0.4	-3.3	-1.3
Currency/USD (end period)	31.17	30.62	32.35	32.00

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

INDONESIA

2013 was a challenging year for Indonesia as it dealt with a slowing economic growth, a precipitous drop in its currency, and sharp acceleration in CPI inflation. Despite this apparent weakening in headline macroeconomic conditions, the underlying picture is more benign.

First, the investment trends, while softer, remain relatively robust. Foreign investment realisation grew an impressive 21.1% in 2013, although down from record levels of 40.8% and 79.3% in 2012 and 2011 respectively. Domestic investment was similarly strong, up 34.1% in 2013, but down from the 55.4% levels in 2012.

Second, the fundamental long-term drivers of growth in Indonesia remain intact: Indonesia's favourable demographic trends and rising middle class, the growing pivot towards Asia and relevance of ASEAN, as well as the enormous potential for productivity gains through investment, continues to underpin the country's ability to attract capital and develop new and more productive industries.

Furthermore, Indonesia's fight against corruption is making genuine progress. After a rocky start, the Corruption Eradication Agency (KPK) is a force to be reckoned with, as seen by the harsh sentences met out on senior officials over the last few years. Over time, this will strengthen Indonesia's institutions, allowing for more efficient and effective allocation of public resources, and better execution of the many development plans that have been put in place over the past 10 years.

Third, the spike in inflation, while due to past policy failures to alleviate the burden of energy subsidies, has been well managed by the central bank, with the aggressive 175bps hike over the last nine months testament to its strong commitment to domestic price stability. Both credit and money growth have eased significantly over the past year, as the economy adjusts to higher interest rates, reducing domestic price pressures further.

In addition, we see new sources of growth in 2014 that will help support the economy, and strengthen the rupiah, which will boost investor confidence, and eventually see an acceleration in investment driven growth toward the year end:

- **2014 elections will boost consumption expenditure:** Elections will dominate the domestic economy in 2014, driving both government and private expenditure as multiple candidates and parties vie for support.
- **Recovery in global demand:** The recovery in global demand will help boost export growth and commodity prices, raising incomes across the board from rural farmers to urban workers. More importantly, positive trends in Indonesia's trade balance will help arrest the slide in its current account balance, reducing the downward pressure on the rupiah, which will in-turn reignite foreign investor confidence and increase capital flows into the economy.
- **Prior investment and infrastructure commitments:** Approved foreign investment commitments will translate into stronger investment spending while slow moving mega infrastructure projects will continue to gather pace, boosting domestic fixed capital formation in 2014.

Where are the risks?

Restrictive mining and labour laws, together with the more recent export tax, will continue to worry investors, and potentially weaken Indonesia's ability to attract more sizeable inflows of long-term capital. In the near-term, Indonesia could see weaker exports. With real metal ore and scrap exports comprising close to a third of total real exports in 2013 (based on 2000 prices), the impact of restricting such exports will lead to significant pressure on Indonesia's already weakened current account, negating the benefits of the current global recovery.

Table 4: Indonesia Forecasts

	2011	2012	2013	2014
GDP growth	6.5	6.2	5.8	6.2
Inflation	5.4	4.3	7.1	6.5
Current Account/GDP %	0.2	-3.3	-5.0	-4.0
Currency/USD (end period)	9,088	9,646	12,087	11,500

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

Corporate Social Responsibility "CSR"

The Group recognizes its social responsibility as a corporate citizen and is committed to fulfill these.

Firstly the Group recognizes the interests of multiple stakeholders beyond shareholders who may have an interest in or whose interests may be impacted by the Group. Moreover social responsibility goes beyond contributions to charities and has to be balanced against the differing interests of different stakeholders. It is important to recognise that not all stakeholders' interests are economic.

Secondly the Group recognizes the need for balance between divergent stakeholder interests in its daily operations and interactions.

This stakeholder management strategy involves the following steps:

- Identification of stakeholders
- Identification of stakeholders' interests
- A reward scheme for these different stakeholders
- Responsibility of stakeholder management within IFS

The Group recognises the following stakeholders:

- Shareholders
- Clients
- Banks, bond holders and other creditors
- Business partners & associates
- Suppliers
- Regulatory authorities
- Management and staff

Each stakeholder interests are mapped out and appropriate strategies are devised to ensure that are taken into account. Thus for example, bankers to the group are treated equally and no preferential treatment is given to any bank.

In some cases, specific stakeholders' interests are spelt out in internal policies and manuals. For example, the Group's risk management policies spelt out the risks that the Group is able to assume without affecting the interests of shareholders.

The Internal Audit and Compliance Divisions ensure that the Group's responsibilities are fulfilled with respect to Government laws and regulations. In some cases, where there is a lack of regulation, a best practise approach is adopted.

The Group's employment policies follow recommended guidelines including in Singapore, the Tripartite Alliance for Fair Employment Practises on non-discriminatory and ethical practices.

We also recognise that individuals within each stakeholder group may have different causes and social or community projects which they are actively involved in. The Group encourages staff to help and support their respective communities.

The Singapore companies continue to participate in the Corporate Share Programme under the umbrella of Community Chest ("Chest") where the donations will be channelled to the various social service and charity programmes supported by Chest. We also donated to the Assumption Pathway School ("APS") Charity Golf 2013. APS provide a holistic pre-vocational education for students, age 13 to 17 years old.

Beyond Singapore, our Thailand subsidiary's regular activities include children and youth education support, development programs for the underprivileged person's potential and independency empowerment, cultural activities and arts support and disaster relief, etc. In the past year, our subsidiary donated consumer goods and scholarships to School for the Deaf Chonburi Province through Giving to Children Campaign initiated by Pattaya Orphanage Foundation and also donated to the Disaster Relief Project for affected people in the Eastern part of Thailand.

Corporate Governance Report

The Board of Directors is committed to maintaining high standards 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 2013, with specific reference to the principles of the Singapore Code of Corporate Governance 2012 (the "**Code**").

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS
Principle 1

Board Responsibility

The Board oversees the businesses and affairs of the Group, sets the Group's overall strategic direction and long-term objectives, reviews the Group's operational and financial performance, reviews the performance of management, and provides oversight to ensure a proper framework of internal control and risk management is in place.

Delegation by the Board

The Board has set up two Board committees, namely the Audit Committee and the Executive Resource and Compensation Committee, to assist the Board in the execution of its responsibilities. The two Board committees are constituted with clear terms of reference, setting out specific roles and responsibilities. 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.

Management is responsible for the implementation of the Group's strategies, systems of internal control and risk management as well as the day-to-day operations. The Group Chief Executive Officer is assisted by a Management Committee chaired by the Group Chief Executive Officer and comprising senior management staff. In the absence of the Group Chief Executive Officer, the Management Committee is authorised to make decisions on his behalf.

Board Meetings and Attendance

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 2013, the Board held five meetings.

The attendance of the Board members at the Board and Board committee meetings during the financial year ended 31 December 2013 is set out as follows:

Corporate Governance Report

Attendance at Board and Board Committee Meetings

Name of Director	Board		Audit Committee		ERCC	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Lim Hua Min	5	5	NA	NA	3	3
Gabriel Teo Chen Thye	5	5	4	4	3	3
Law Song Keng	5	5	4	4	NA	NA
Manu Bhaskaran	5	5	4	4	3	3
Lee Soon Kie	5	5	NA	NA	NA	NA
Kwah Thiam Hock	5	5	NA	NA	NA	NA

ERCC Executive Resource and Compensation Committee
NA Not applicable

Board Approval

The Board has a formal schedule of matters reserved to it for its decision and these include:

- Group strategic direction and long-term plans;
- Announcements of financial results;
- Statutory accounts;
- Declaration of dividends;
- Budgets and financial planning;
- 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.

Board Induction and Training

The Company conducts a comprehensive induction programme, which is presented by the Group Chief Executive Officer and senior management, to familiarise new directors with the Group's business and industry-specific knowledge. The induction programme gives new directors an understanding of the Group's operations to enable them to assimilate into their new roles. The new directors will also receive a brief on directors' duties and responsibilities and key governance practices.

Development and training of directors is an ongoing process so that they can perform their duties appropriately. Such development and training programme is reviewed by the Executive Resource and Compensation Committee. The directors are provided with continuing briefings or updates in areas such as directors' duties and responsibilities, corporate governance, relevant changes in laws and regulations, changes in financial reporting standards and issues which have a direct impact on financial statements as well as industry trends and developments relevant to the Group's business operations. The Company Secretary regularly circulates availability of relevant training courses which the directors may attend at the Company's expense.

During the financial year ended 31 December 2013, the Board was provided with updates to keep the Board members abreast of industry trends, developments in accounting standards as well as changes in relevant laws and regulations and the code of corporate governance through presentations by Company Secretary, management and external auditors during Board or Board committee meetings. Some directors had also attended training programmes organised by the Singapore Institute of Directors and seminars by external auditors.

BOARD COMPOSITION AND GUIDANCE

Principle 2

Board Independence

As at 31 December 2013, the Board comprises 6 directors of whom 4 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*	Independent

** Mr Kwah Thiam Hock was re-designated as an independent director on 23 January 2013.*

During the financial year ended 31 December 2013, Mr Kwah Thiam Hock was re-designated from a non-independent director to an independent director on 23 January 2013. With the re-designation, the Board comprises a majority of independent directors.

Annual Review of Director's Independence

The Executive Resource and Compensation Committee conducts a review and determines annually the independence of each director. The Board, taking into account the views of the Executive Resource and Compensation Committee, considers Mr Gabriel Teo Chen Thye, Mr Manu Bhaskaran, Mr Law Song Keng and Mr Kwah Thiam Hock to be independent directors.

In relation to Mr Gabriel Teo Chen Thye, Mr Manu Bhaskaran and Mr Kwah Thiam Hock who have served on the Board for more than nine years from the date of their respective first appointment, the Executive Resource and Compensation Committee and the Board have subjected their independence status to a particularly rigorous review in the light of Guideline 2.4 of the Code. The Board is of the view that there is no automatic correlation between a director's tenure on the board and his independence and so a person's independence should not be determined arbitrarily on the basis of the number of years' of service on the board. In the review of the independence of Mr Gabriel Teo Chen Thye, Mr Manu Bhaskaran and Mr Kwah Thiam Hock, the Executive Resource and Compensation Committee took into account the directors' inputs, views and judgment calls made during their deliberations and is satisfied with their independence in character and judgement and that they would be able to continue to present objective and independent views. The Board, taking into account the views of the Executive Resource and Compensation Committee, is satisfied that Mr Gabriel Teo Chen Thye, Mr Manu Bhaskaran and Mr Kwah Thiam Hock continue to demonstrate their ability to exercise strong independent judgment in their deliberations and act in the best interests of the Group, and that their length of service on the Board has not affected their independence. Accordingly, the Board determines these directors to be independent, notwithstanding that they have served more than nine years on the Board.

Board Composition and Size

The Board has examined its size and is satisfied that a size of 6 members is currently appropriate for the Company, taking into account the nature and scope of the Group's businesses. The Executive Resource and Compensation Committee assesses the Board's composition each year and is satisfied that the Board currently has the appropriate mix of expertise and experience for the Board to carry out its duties effectively.

Details of the directors' academic and professional qualifications, appointment dates on the Board and other appointments are set out on pages 35 to 39.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Principle 3

Separation of the Role of Chairman and the Group Chief Executive Officer

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

The Chairman is a Non-Executive Director while the Group Chief Executive Officer is an Executive Director. The roles of the Chairman and the Group 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 Group 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.

Role of the Lead Independent Director

During the financial year ended 31 December 2013, Mr Gabriel Teo Chen Thye was appointed as a Lead Independent Director by the Board with effect from 23 January 2013. The role of a Lead Independent Director includes meeting with the independent directors periodically without the presence of other directors and where necessary to provide feedback to the Chairman after such meetings. He will also be available to shareholders where they have concerns for matters which contact through the normal channels of the Chairman, the Group Chief Executive Officer or Chief Financial Officer has failed to resolve, or where such contact is inappropriate.

BOARD MEMBERSHIP

Principle 4

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

Executive Resource and Compensation Committee

As at 31 December 2013, 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

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 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;

(iv) recommends to the Board on all Board appointments and re-appointments and approves appointments of key management personnel; and

(v) reviews the training and professional development programme for directors.

Directors' Time Commitments

The Executive Resource and Compensation Committee assesses if a director is able to and has been adequately carrying out his duties as a director of the Company, taking into account the director's number of listed company board representations and other principal commitments.

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.

All directors are aware of his time commitment obligations. For the financial year ended 31 December 2013, each director signed a confirmation that, having regard to all his commitments, he has devoted sufficient time and attention to the affairs of the Company. The Executive Resource and Compensation Committee believes that putting a numerical limit on the number of listed board directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

The Executive Resource and Compensation Committee is of the view that the current qualitative assessment coupled with the annual confirmation of time commitment by directors are sufficient. Accordingly, the Board has not set a numerical limit on the maximum number of listed board representations a director can hold.

The Executive Resource and Compensation Committee is satisfied that all directors have discharged their duties adequately for the financial year ended 31 December 2013.

Criteria and Process for Nomination and Selection of New Directors

The Company has put in place a formal process for the selection of new directors to increase transparency of the nominating process in identifying and evaluating nominees for directors.

The Executive Resource and Compensation Committee leads the process as follows:

(i) the Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with management, determines the role and the desirable competencies for a particular appointment;

(ii) various sources may be used to look for potential candidates;

(iii) the Committee meets with the short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and

(iv) the Committee makes recommendations to the Board for approval.

In assessing a potential candidate, the Executive Resource and Compensation Committee would take into account factors such as the candidate's integrity and reputation, attributes, capabilities, qualifications and past experience.

All proposed appointment of potential new directors is reviewed by the Executive Resource and Compensation Committee before the recommendation is put up to the Board for its approval.

Rotation and Re-election of Directors

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).

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.

For the forthcoming Annual General Meeting, Mr Gabriel Teo Chen Thye and Mr Law Song Keng are due to retire from office by rotation under the Company's Articles of Association and being eligible, are offering themselves for re-election. The detailed information of Mr Gabriel Teo Chen Thye and Mr Law Song Keng can be found in the directors' profile under "Board of Directors" on pages 6 to 7 and in the details of directors on pages 35 to 39.

BOARD PERFORMANCE
Principle 5

Board Evaluation

The Board has implemented a process carried out by the Executive Resource and Compensation Committee for assessing the effectiveness of the Board and its Board committees. In the beginning of each year, the Executive Resource and Compensation Committee conducts a self-assessment process that involves the completion of evaluation questionnaires on issues which include Board and Board committee performance, effectiveness, processes and composition. The collated results are reviewed by the Executive Resource and Compensation Committee before they are submitted to the Board for discussion and determination of any areas for further improvements. Following the review, the Board is of the view that the Board and its Board committees are operating effectively.

In terms of Board performance criteria, the Board feels that Board performance should be measured based on its long-term value creation for shareholders and other stakeholders and is ultimately reflected in the long-term performance of the Group. The financial indicators, as set out in the Code as guides for the evaluation of the performance of the Board, are more of a measurement of management's performance and less applicable to the directors. Although the Board uses some indicators such as average return on equity of comparable companies in the industry as a guide, a more important consideration is that the Board, through the Executive Resource and Compensation Committee, has ensured from the outset that it comprises directors with the requisite blend of background, experience and knowledge for the Group's businesses and that the directors bring to the Board their respective perspectives and views to enable balanced and well-considered decisions to be made.

ACCESS TO INFORMATION
Principle 6

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.

Prior to each Board meeting, 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.

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.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 7

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.

Pursuant to the terms of reference, the Executive Resource and Compensation Committee reviews and approves the remuneration packages for each director and the key management personnel, and also decides on policies relating to remuneration and incentive programs (including staff benefits and bonuses) for the staff of the Group. In reviewing the remuneration framework, the Executive Resource and Compensation Committee takes into consideration industry practices and benchmarks to ensure that its remuneration and compensation package are competitive. The Committee, if it requires, may seek expert advice on executive compensation matters from professional firms.

The Executive Resource and Compensation Committee also reviews the terms of compensation and employment for executive directors and key management personnel at the time of their employment including considering the Company's obligations in the event of termination of services. The service contracts of the Group Chief Executive Officer/Executive Director and key management personnel do not contain onerous removal clauses.

LEVEL AND MIX OF REMUNERATION
Principle 8

Remuneration Policy

The Group's remuneration policy is directed towards the attraction, retention and motivation of talent to achieve the Group's business objectives. The remuneration framework aims to foster a strong performance-oriented culture within an appropriate overall risk management framework. The Group subscribes to linking executive remuneration to corporate and individual performance, hence the remuneration framework ensures that rewards and incentives relate directly to the performance of individuals, the operations and functions in which they work for which they are responsible, and the overall performance of the Group.

Remuneration of Executive Director and Key Management Personnel

The remuneration package of the Group Chief Executive Officer/Executive Director and key management personnel 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.

The variable component of the remuneration package is mainly in the form of cash-based variable bonuses which reward employees that commensurate with the performance of the Company. The performance-related variable cash bonus pool is computed based on established formula approved by the Executive Resource and Compensation Committee which is calibrated as a percentage of the profit before tax for the year of review in excess of a required hurdle rate. There is currently no commission-based scheme for staff nor share-based awards under long-term incentive scheme.

Based on the current mix of fixed and variable compensation components and design of the variable cash bonus pool formula, the remuneration of executives is aligned with the interests of shareholders and took into account risk policies of the Group.

Remuneration of Non-Executive Director

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.

The directors' fees payable to the Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting. The Group Chief Executive Officer/Executive Director does not receive director's fees.

DISCLOSURE ON REMUNERATION

Principle 9

Disclosure of Remuneration of the Directors

A breakdown showing the level and mix of each individual director's remuneration payable for the financial year ended 31 December 2013 is as follows:

	Number of Directors	
Remuneration Band	**FYE 31 Dec 2013**	**FYE 31 Dec 2012**
$500,000 to below $750,000	1	1
$250,000 to below $500,000	0	0
Below $250,000	5	5
Total	**6**	**6**

Remuneration Band/ Directors of Company		Directors' Fees* %	Fixed Pay %	Annual Wage Supplement and Variable Bonus %	Allowances & Others %	Total %
(i)	**$500,000 to below $750,000**					
	Mr Lee Soon Kie	-	56	38	6	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	100	-	-	-	100
	Mr Manu Bhaskaran	100	-	-	-	100
	Mr Kwah Thiam Hock	100	-	-	-	100

** Directors' Fees refer to fees for financial year ended 31 December 2013, subject to approval by shareholders at the forthcoming AGM.*

Top Five Key Management Personnel's Remuneration

The breakdown of the five most highly compensated key management personnel of the Group (who are not also directors or chief executive officer of the Company) into remuneration bands of $250,000 is as follows:

Remuneration Band	FYE 31 Dec 2013	FYE 31 Dec 2012
$500,000 to below $750,000	1	1
$250,000 to below $500,000	3	3
Below $250,000	1	1
Total	**5**	**5**

In aggregate, the total remuneration paid to the above top five key management personnel of the Group (who are not also directors or chief executive officer) is $1.57 million in the financial year ended 31 December 2013.

The Code recommends that the report should set out the names of at least the top five key management personnel (who are not also directors or chief executive officer) as well as full disclosure of the remuneration figures for each director, the chief executive officer and top five key management personnel. 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 these top five key management personnel are not disclosed and the remuneration of the Group Chief Executive Officer/Executive Director, the Non-Executive Directors and the top five key management personnel be disclosed in bands of $250,000.

During the financial year ended 31 December 2013, there was no employee who was immediate family members of a director or the Group Chief Executive Officer and whose remuneration exceeds $50,000.

Currently, the Company does not have any employee share schemes.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
Principle 10

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.

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

RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 11

The Audit Committee assists the Board in its oversight responsibility for internal controls and risk management of the Group. The Audit Committee reviews the adequacy and effectiveness of the risk management and internal control system that includes financial, operational, compliance and information technology controls 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.

Management is responsible for maintaining a sound system of risk management and internal controls. 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. The Group has also conducted control self-assessment workshops or surveys for the various business units, functions or processes as part of the risk management and evaluation process to review the key risks of the Group and the internal controls in place to manage or mitigate those risks. Subsequent to the financial year under review, a Group Risk Management Committee comprising the Group Chief Executive Officer and senior management staff was set up to oversee the enterprise-wide risk management of the Group's key risks.

The Board has received assurance from the Group Chief Executive Officer and Group Chief Financial Officer that, for the year under review:

(i) the Group's financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances; and

(ii) the Group's risk management and internal control systems are effective and adequate in all material respects.

Based on the risk management framework and the system of internal controls established and maintained by the Group, information furnished to the Board, the internal and external audits conducted and the reviews performed by management, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's system of risk management and internal controls addressing financial, operational, compliance and information technology risks currently maintained by management is adequate and effective to meet the Group's current business objectives.

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.

AUDIT COMMITTEE
Principle 12

Composition of the Audit Committee

As at 31 December 2013, 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

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.

Authority and Duties of the Audit Committee

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 and effectiveness 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).

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.

In the course of the year, at Audit Committee meetings, the external auditor, KPMG LLP briefed the Audit Committee members on developments in accounting and governance standards as well as issues which have a direct impact on financial statements.

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.

Review of Independence of External Auditor

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.

A breakdown of the fees of audit and non-audit services paid to the external auditors for the financial year ended 31 December 2013 is found in note 33 of the financial statements on page 112 of this Annual Report.

Whistleblowing Policy

The Company has in place a whistle-blowing framework whereby staff of the Group can have access to the Audit Committee Chairman, Group 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.

INTERNAL AUDIT
Principle 13

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. The internal auditors have full access to the Group's documents, records and personnel necessary for their purpose of their duties.

The internal auditors report functionally to the Chairman of the Audit Committee and to the Group Chief Executive Officer on administrative matters.

Adequacy of the Internal Audit Function

The Audit Committee ensures that the internal audit function has adequate resources, is staffed with persons with relevant qualification and expertise and has appropriate standing within the Group. The Audit 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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS
Principle 14

To facilitate shareholders' ownership rights, the Board ensures that all material information is disclosed on a comprehensive, accurate and timely basis.

All shareholders are entitled to attend the Annual General Meeting and are afforded the opportunity to raise relevant questions and to communicate their views in the Annual General Meeting. The Articles of Association allow a shareholder to attend and vote at the Annual General Meeting in person or by proxy. A shareholder may appoint one or two proxies to attend and vote in his place at general meetings of shareholders. The Company also allows holders of shares through nominee companies to attend the general meetings as observers, subject to availability of seats.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS
Principle 15

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. In addition, the Group also uses other channels where appropriate for communication with the shareholders, such as press releases, regularly updated corporate website, annual reports, analyst briefings and shareholders' meetings.

The Company also notifies shareholders in advance of the date of release of its financial results through announcements via SGXNET and posting them on the corporate website. After the announcement of its financial results, briefings are held by management for analysts.

The latest Annual Reports, financial results and company announcements are posted on the corporate website following the release to the market. The corporate website has a clearly dedicated "Investor Relations" link, which enables shareholders to raise their queries or concerns.

CONDUCT OF SHAREHOLDER MEETINGS
Principle 16

Shareholders are informed of shareholdings' meetings through published notices and reports or circulars sent to all shareholders. The Annual General Meeting procedures provide shareholders the opportunity to raise relevant questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage and openly communicate their views on matters relating to the Group to the directors and the external auditors.

Other methods of voting in absentia 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.

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.

Minutes of shareholder meetings are available upon request in writing by shareholders. The Company ensures that there are separate resolutions at general meetings on each substantial separate issue and avoids "bundling" separate resolutions.

The Company plans to conduct voting by poll for all the resolutions at general meetings when the new Rule 730A(2) of the SGX-ST Listing Manual comes into effect on 1 August 2015.

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 week before the release of the Company's results for the first three quarters and one month before the announcement of the Company's full-year financial results, and ending on the date of announcement.

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

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	Other Key Information
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) 22.04.2013	**Present Directorships in Other Listed Companies:** ◆ Director, Walker Crips Group plc. (UK) ◆ Director, Walker Crips Stockbrokers Limited (UK) **Other Principal Commitments:** *Directorships in other companies* ◆ Executive Chairman, Phillip Group of Companies ◆ Director, ECICS Limited *Other major appointments (other than directorships)* Nil **Past Directorships in other listed companies held over the preceding 3 years:** Nil

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	Other Key Information
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	**Present Directorships in Other Listed Companies:** ◆ Director, Sunningdale Tech Ltd **Other Principal Commitments:** *Directorships in other companies* ◆ Director, NTUC Income Insurance Co-operative Limited ◆ Director, SP Services Ltd ◆ Chairman, One Marina Property Services Pte Ltd ◆ Managing Director, Gabriel Teo & Associates Pte Ltd *Other major appointments (other than directorships)* ◆ Member, Board of Governors, St Gabriel's Foundation ◆ Chairman, School Management Committee, Assumption Pathway School **Past Directorships in other listed companies held over the preceding 3 years:** Nil

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	Other Key Information
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) 20.04.2012	**Present Directorships in Other Listed Companies:** Nil **Other Principal Commitments:** *Directorships in other companies* ◆ Director, Aspen Networks Inc ◆ Director and Chief Executive Officer, Centennial Asia Advisors Pte Ltd ◆ Director, Centennial Group Holdings ◆ Director, Luminor Capital Pte Ltd ◆ Director, MinorCap Pte Ltd ◆ Director, Jebsen & Jessen (SEA) Pte Ltd *Other major appointments (other than directorships)* ◆ Partner and Head of Economic Research, Centennial Group Inc ◆ Council Member, Singapore Institute of International Affairs ◆ Vice President, Economic Society of Singapore ◆ Senior Adjunct Fellow, Institute of Policies Studies **Past Directorships in other listed companies held over the preceding 3 years:** Nil

Name of Director	Academic & Professional Qualifications	IFS Board (a) Date First Appointed (b) Date Last Re-elected	Other Key Information
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	**Present Directorships in Other Listed Companies:** ◆ Director, Great Eastern Holdings Ltd **Other Principal Commitments:** *Directorships in other companies* ◆ Chairman, Asia Capital Reinsurance Group Pte Ltd ◆ Director, ECICS Limited *Other major appointments (other than directorships)* Nil **Past Directorships in other listed companies held over the preceding 3 years:** Nil
Kwah Thiam Hock	- Bachelor of Accountancy, University of Singapore (1973) - Fellow, Certified Public Accountant, Institute of Singapore Chartered Accountants - Fellow, Certified Public Accountant, Australian Society of Accountants - Fellow, Association of Chartered Certified Accountants (UK)	(a) 04.05.1987 (b) 22.04.2013	**Present Directorships in Other Listed Companies:** ◆ Director, Select Group Limited ◆ Director, Wilmar International Limited ◆ Director, Excelpoint Technology Limited ◆ Director, Teho International Inc Ltd **Other Principal Commitments:** *Directorships in other companies* ◆ Director, ECICS Limited *Other major appointments (other than directorships)* Nil **Past Directorships in other listed companies held over the preceding 3 years:** Nil

Name of Director	Academic & Professional Qualifications	IFS Board **(a) Date First Appointed** **(b) Date Last Re-elected**	Other Key Information
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) 20.04.2012	**Present Directorships in Other Listed Companies:** ◆ Chairman, IFS Capital (Thailand) Public Company Limited **Other Principal Commitments:** *Directorships in other companies* ◆ Director, ECICS Limited *Other major appointments (other than directorships)* Nil **Past Directorships in other listed companies held over the preceding 3 years:** Nil

Financial Report

Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2013.

Directors

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

Lim Hua Min
Gabriel Teo Chen Thye
Manu Bhaskaran
Law Song Keng
Kwah Thiam Hock
Lee Soon Kie

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	1,386,900	1,386,900
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

Directors' Report

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at 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 2014.

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 33 and 37 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Audit Committee

The members of the Audit Committee during the year and at the date of this report comprise the following Non-Executive Directors:

Gabriel Teo Chen Thye (Chairman)	Independent
Manu Bhaskaran	Independent
Law Song Keng	Independent

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

The Audit Committee has held 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.

Directors' Report

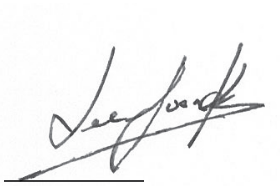
The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

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

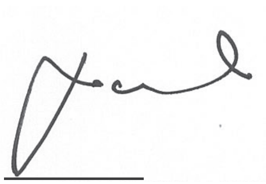
Auditors

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
7 March 2014

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 47 to 148 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 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Lee Soon Kie
Director

Kwah Thiam Hock
Director

Singapore
7 March 2014

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 2013, the statement of profit or loss, statement of comprehensive (loss)/income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 148.

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 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Independent Auditors' Report

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
Chartered Accountants

Singapore
7 March 2014

Statement of Financial Position

As at 31 December 2013

	Note	Group 2013 $'000	Group Restated 2012 $'000	Group Restated 1 January 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current assets						
Property, plant and equipment	4	**17,639**	18,572	19,226	**15,685**	16,202
Intangible assets	5	**348**	680	1,912	**176**	250
Subsidiaries	6	**-**	-	-	**67,703**	63,679
Other investments	7	**31,288**	25,178	33,293	**7,906**	13,029
Loans, advances, hire purchase and leasing receivables	8	**50,971**	78,796	64,248	**36,212**	54,516
Deferred tax assets	10	**4,558**	2,566	2,792	**36**	-
		104,804	125,792	121,471	**127,718**	147,676
Current assets						
Reinsurers' share of insurance contract provisions	11	**12,789**	9,112	9,333	**-**	-
Insurance receivables	12	**1,192**	928	680	**-**	-
Trade and other receivables	13	**206,505**	223,400	212,944	**93,127**	95,272
Other investments	7	**11,688**	20,013	19,442	**2,354**	1,499
Derivative financial assets	16	**580**	-	-	**580**	-
Cash and cash equivalents	17	**62,142**	53,356	29,650	**8,828**	9,427
		294,896	306,809	272,049	**104,889**	106,198
Total assets		**399,700**	432,601	393,520	**232,607**	253,874
Equity						
Share capital	19	**88,032**	88,032	88,032	**88,032**	88,032
Other reserves	20	**(7,523)**	(3,245)	(3,132)	**1,485**	2,941
Accumulated profits		**47,047**	54,962	49,818	**22,445**	22,742
Equity attributable to owners of the Company		**127,556**	139,749	134,718	**111,962**	113,715
Non-controlling interests		**10,078**	9,564	9,114	**-**	-
Total equity		**137,634**	149,313	143,832	**111,962**	113,715
Non-current liabilities						
Interest-bearing borrowings	21	**33,591**	43,132	34,306	**25,672**	31,657
Employee benefits	22	**763**	866	758	**-**	-
Deferred tax liabilities	10	**29**	655	32	**-**	627
		34,383	44,653	35,096	**25,672**	32,284
Current liabilities						
Trade and other payables	23	**11,091**	11,698	13,103	**7,491**	7,861
Insurance payables	25	**3,145**	3,093	2,565	**-**	-
Interest-bearing borrowings	21	**190,639**	206,794	181,061	**86,779**	99,365
Insurance contract provisions for						
- gross unexpired risks	11	**15,898**	11,864	12,530	**-**	-
- gross insurance claims	11	**4,875**	2,557	3,075	**-**	-
Current tax payable		**2,035**	2,629	2,258	**703**	649
		227,683	238,635	214,592	**94,973**	107,875
Total liabilities		**262,066**	283,288	249,688	**120,645**	140,159
Total equity and liabilities		**399,700**	432,601	393,520	**232,607**	253,874

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

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Note	2013 $'000	Restated 2012 $'000
Interest income	26	**27,613**	26,765
Interest expense	27	**(6,848)**	(7,161)
Net interest income		**20,765**	19,604
Gross written premiums		**12,604**	10,003
Change in gross provision for unexpired risks	11	**(4,034)**	666
Gross earned premium revenue		**8,570**	10,669
Written premiums ceded to reinsurers		**(7,485)**	(6,706)
Reinsurers' share of change in provision for unexpired risks	11	**1,834**	35
Reinsured premium expense		**(5,651)**	(6,671)
Net earned premium revenue	28	**2,919**	3,998
Fee and commission income	29	**10,404**	8,942
Investment income	30	**3,295**	3,364
Other income	31	**727**	324
Non-interest income		**14,426**	12,630
Income before operating expenses		**38,110**	36,232
Business development expenses		**(795)**	(788)
Commission expenses		**(829)**	(296)
Staff costs		**(11,902)**	(12,860)
General and administrative expenses		**(6,667)**	(7,057)
Operating expenses		**(20,193)**	(21,001)
Change in provision for insurance claims		**(2,318)**	517
Reinsurers' share of change in provision for insurance claims		**1,843**	(256)
Gross claims paid	11	**(1,369)**	(115)
Reinsurers' share of claims paid	11	**911**	59
Net claims - (incurred)/reversal		**(933)**	205
Operating profit before allowances		**16,984**	15,436
Allowances for loan losses and impairment of other assets	32	**(21,175)**	(3,055)
(Loss)/profit before tax	33	**(4,191)**	12,381
Tax credit/(expense)	34	**803**	(3,236)
(Loss)/profit for the year		**(3,388)**	9,145
Profit attributable to:			
Owners of the Company		**(4,840)**	7,940
Non-controlling interests		**1,452**	1,205
(Loss)/profit for the year		**(3,388)**	9,145
(Loss)/earnings per share			
Basic (loss)/earnings per share (cents)	35	**(3.2)**	5.3
Diluted (loss)/earnings per share (cents)	35	**(3.2)**	5.3

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

Consolidated Statement of Comprehensive (Loss)/Income

As at 31 December 2013

	Note	2013 $'000	Restated 2012 $'000
(Loss)/profit for the year		**(3,388)**	9,145
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Defined benefit plan remeasurements		**204**	-
Tax on items that will not be reclassified to profit or loss		**(41)**	-
		163	-
Items that are or may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets		**(124)**	2,963
Net change in fair value of available-for-sale financial assets reclassified to profit or loss			
- impairment of available-for-sale financial assets		**1,485**	(279)
- disposal of available-for-sale financial assets		**(2,010)**	340
		(525)	61
Foreign currency translation differences of foreign operations		**(4,272)**	(3,029)
Tax on other comprehensive (loss)/income	34	**110**	(514)
		(4,811)	(519)
Other comprehensive (loss)/income for the year, net of tax		**(4,648)**	(519)
Total comprehensive (loss)/income for the year		**(8,036)**	8,626
Attributable to :			
Owners of the Company		**(9,185)**	7,663
Non-controlling interests		**1,149**	963
Total comprehensive (loss)/income for the year		**(8,036)**	8,626

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company							
At 1 January 2013		**88,032**	**(422)**	**2,046**	**(4,869)**	**54,962**	**139,749**	**9,564**	**149,313**
Total comprehensive (loss)/income for the year									
(Loss)/profit for the year		-	-	-	-	(4,840)	(4,840)	1,452	(3,388)
Other comprehensive (loss)/income									
Foreign currency translation differences		-	-	-	(3,925)	-	(3,925)	(347)	(4,272)
Net change in fair value of available-for-sale financial assets		-	-	(124)	-	-	(124)	-	(124)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		-	-	(525)	-	-	(525)	-	(525)
Defined benefit plan remeasurement		-	-	-	-	119	119	44	163
Tax on other comprehensive income		-	-	110	-	-	110	-	110
Total other comprehensive (loss)/income		-	-	(539)	(3,925)	119	(4,345)	(303)	(4,648)
Total comprehensive (loss)/income for the year		-	-	(539)	(3,925)	(4,721)	(9,185)	1,149	(8,036)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Capitalisation of statutory legal reserves of a subsidiary		-	186	-	-	(186)	-	-	-
Dividends to owners of the Company	20	-	-	-	-	(3,008)	(3,008)	-	(3,008)
Total contributions by and distributions to owners		-	186	-	-	(3,194)	(3,008)	-	(3,008)

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

Attributable to owners of the Company (cont'd)

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Changes in ownership interests in subsidiaries									
Dividends paid by a subsidiary company to non-controlling interests		-	-	-	-	-	-	(635)	(635)
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	(635)	(635)
Total transactions with owners		-	186	-	-	(3,194)	(3,008)	(635)	(3,643)
At 31 December 2013		88,032	(236)	1,507	(8,794)	47,047	127,556	10,078	137,634

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company							
At 1 January 2012		88,032	(586)	(464)	(2,082)	49,653	134,553	9,114	143,667
Impact of change in accounting policy	2.5(i)	-	-	-	-	165	165	-	165
At 1 January 2012, as restated		88,032	(586)	(464)	(2,082)	49,818	134,718	9,114	143,832
Total comprehensive income/(loss) for the year									
Profit for the year, restated	2.5(i)	-	-	-	-	7,940	7,940	1,205	9,145
Other comprehensive income/(loss)									
Foreign currency translation differences		-	-	-	(2,787)	-	(2,787)	(242)	(3,029)
Net change in fair value of available-for-sale financial assets		-	-	2,963	-	-	2,963	-	2,963
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		-	-	61	-	-	61	-	61
Tax on other comprehensive income		-	-	(514)	-	-	(514)	-	(514)
Total other comprehensive income/(loss)		-	-	2,510	(2,787)	-	(277)	(242)	(519)
Total comprehensive income/(loss) for the year		-	-	2,510	(2,787)	7,940	7,663	963	8,626
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners									
Capitalisation of statutory legal reserves of a subsidiary		-	164	-	-	(164)	-	-	-
Dividends to owners of the Company	20	-	-	-	-	(2,632)	(2,632)	-	(2,632)
Total contributions by and distributions to owners		-	164	-	-	(2,796)	(2,632)	-	(2,632)

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

Attributable to owners of the Company (cont'd)

	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Changes in ownership interests in subsidiaries									
Dividends paid by a subsidiary company to non-controlling interests		-	-	-	-	-	-	(513)	(513)
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	(513)	(513)
Total transactions with owners		-	164	-	-	(2,796)	(2,632)	(513)	(3,145)
At 31 December 2012		88,032	(422)	2,046	(4,869)	54,962	139,749	9,564	149,313

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

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Note	2013 $'000	Restated 2012 $'000
Cash flows from operating activities			
(Loss)/profit for the year		**(3,388)**	9,145
Adjustments for:			
Amortisation of			
- intangible assets	5	**447**	954
- held-to-maturity securities	30	**(19)**	(55)
Net foreign exchange gain		**(518)**	(102)
Depreciation of property, plant and equipment	4	**993**	1,049
Gain on disposal of equity securities	30	**(1,797)**	(1,738)
Gain on partial redemption of convertible loan	30	**(525)**	-
Gain on disposal of property, plant and equipment	31	**(16)**	(60)
Net change in fair value of financial assets designated at fair value through profit or loss	30	**68**	(47)
Allowance for impairment of other assets	32	**1,485**	851
Provisions for/(reversals of), net of reinsurers' share			
- unexpired risks		**2,200**	(701)
- insurance claims		**475**	(261)
Interest income		**(27,613)**	(26,765)
Interest income from investments and fixed deposits		**(936)**	(1,364)
Dividend income from investment	30	**(86)**	(160)
Interest expense		**6,848**	7,161
Tax (credit)/expense		**(803)**	3,236
Operating cashflows before changes in working capital		**(23,185)**	(8,857)
Changes in working capital:			
Factoring receivables		**(3,646)**	(19,265)
Factoring amounts due to clients		**85**	(1,463)
Loans, advances, hire purchase and leasing receivables		**39,345**	(8,899)
Insurance and other receivables		**1,636**	(2,582)
Trade, other and insurance payables		**98**	2,075
Cash from/(used in) operations		**14,333**	(38,991)
Interest received		**28,666**	28,181
Interest paid		**(6,728)**	(7,386)
Taxes paid, net		**(3,154)**	(2,638)
Tax refund		**282**	23
Net cash generated from/(used in) operating activities		**33,399**	(20,811)

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

Consolidated Statement of Cash Flows (cont'd)

Year ended 31 December 2013

	2013 $'000	Restated 2012 $'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	34	62
Purchase of property, plant and equipment	(144)	(459)
Purchase of intangible assets	(116)	(296)
Purchase of investments	(23,035)	(18,639)
Proceeds from disposal of investments	24,808	30,769
Dividends received from investments	86	160
Net cash from investing activities	1,633	11,597
Cash flows from financing activities		
Dividends paid to owners of the Company	(3,008)	(2,632)
Dividends paid to non-controlling interests	(635)	(513)
(Repayments of)/proceeds from interest-bearing borrowings	(21,679)	36,401
Net cash (used in)/from financing activities	(25,322)	33,256
Net increase in cash and cash equivalents	9,710	24,042
Cash and cash equivalents at beginning of year	53,356	29,650
Effect of exchange rate fluctuations on cash held	(924)	(336)
Cash and cash equivalents at end of year (Note 17)	62,142	53,356

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

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 March 2014.

1. Domicile and activities

IFS Capital Limited ("the Company") is a company incorporated in 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 2013 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 have been rounded to the nearest thousand, unless otherwise stated.

2. Basis of preparation (cont'd)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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 on-going 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 39.

2.5 Changes in accounting policies

(i) Change in premium recognition

During the year, the Group's insurance subsidiary changed its accounting policy with respect to the premium recognition of credit insurance policies. The Group now recognises the minimum premium invoiced to the policyholder as revenue at the commencement of the cover. At expiry of the policy contract, the Group will assess the premium on total declared sales and invoice any excess premium and recognise it as revenue.

Prior to this change in policy, the Group recognised premium when sales declarations were received. The minimum premium invoices were not recognised as revenue, but as a liability. Upon declaration of sales to buyers by the policyholder, the Group recognised the revenue by reversing the minimum premium from the liability.

The Group believes that the new accounting policy provides more reliable information to reflect the timing of the premium income received.

Comparative information has been re-presented so that it is in conformity with the revised accounting policy.

The following tables summarises the impact resulting from the above change in accounting policy on the Group's statement of financial position and statement of profit or loss.

2. Basis of preparation (cont'd)

2.5 Changes in accounting policies (cont'd)

(i) Change in premium recognition (cont'd)

Statement of financial position	As previously reported $'000	Change in premium recognition policy $'000	As restated $'000
1 January 2012			
Total assets	393,520	-	393,520
Share capital and other reserves	84,900	-	84,900
Accumulated profits	49,653	165	49,818
Non-controlling interests	9,114	-	9,114
Total equity	143,667	165	143,832
Insurance payables	2,764	(199)	2,565
Provision for taxation	2,224	34	2,258
Others	244,865	-	244,865
Total liabilities	249,853	(165)	249,688
Total equity and liabilities	393,520	-	393,520
31 December 2012			
Total assets	432,601	-	432,601
Share capital and other reserves	84,787	-	84,787
Accumulated profits	54,479	483	54,962
Non-controlling interests	9,564	-	9,564
Total equity	148,830	483	149,313
Insurance payables	3,675	(582)	3,093
Provision for taxation	2,530	99	2,629
Others	277,566	-	277,566
Total liabilities	283,771	(483)	283,288
Total equity and liabilities	432,601	-	432,601

Consolidated statement of profit or loss			
Year ended 31 December 2012			
Gross written premiums	9,290	713	10,003
Written premiums ceded to reinsurers	(6,210)	(496)	(6,706)
Commission income	8,776	166	8,942
Tax expense	(3,171)	(65)	(3,236)
Others	142	-	142
Profit for the year	8,827	318	9,145

2. Basis of preparation (cont'd)

2.5 Changes in accounting policies (cont'd)

(ii) Defined benefit plans

From 1 January 2013, the Group adopted the Revised FRS 19 *Employee Benefits*. For defined benefit plans, the Revised FRS 19 requires all actuarial gains and losses to be recognised in other comprehensive income in order for the net liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. The changes have no impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, Revised FRS 19 introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures which has been included in Note 22.

(iii) Fair value measurement

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS 107 *Financial Instruments: Disclosures.*

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities. The additional disclosure necessary as a result of the adoption of this standard has been included in Note 38.

(iv) Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

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 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Control is

3. Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

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 Group measures goodwill at the acquisition date as:

- 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 pre-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.

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

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

Where share-based payment awards (replacement awards) are 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.

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 are measured either 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. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

3. Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

(ii) 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.

(iii) Loss of control

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) 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.

(v) Subsidiaries, associates and jointly controlled entities in the separate financial statements

Investments in subsidiaries, associates and jointly controlled entities are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates 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.

3. **Significant accounting policies** (cont'd)

3.2 **Foreign currencies** (cont'd)

Foreign currency transactions (cont'd)

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

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of a net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedge is effective.

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 exchange rates at the end of the reporting period. 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 foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the 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 or jointly controlled entity that includes a foreign operation while retaining significant influence or joint control, 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 to occur 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 are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3. Significant accounting policies (cont'd)

3.3 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 at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the 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, which takes ito account any dividend income, 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.

Held-to-maturity financial assets comprise debt securities.

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

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 and trade and other receivables.

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 and foreign currency differences on available-for-sale debt instruments, 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 equity 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. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. 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, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

3. **Significant accounting policies** (cont'd)

3.3 **Financial instruments** (cont'd)

Non-derivative financial liabilities (cont'd)

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.

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

Derivative financial assets

The financial asset is measured at fair value and changes therein are recognised in profit or loss.

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 in profit or loss.

3. Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Intra-group financial guarantees in the separate financial statements

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.

3.4 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 net proceeds from disposal with the carrying amount of the item, 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.

3. Significant accounting policies (cont'd)

3.4 Property, plant and equipment (cont'd)

Depreciation (cont'd)

Depreciation is recognised as an expense 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.

The estimated useful lives for the current and comparative years 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.

3.5 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1 (i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and jointly controlled entities, 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 associates and jointly controlled entities.

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.

3. Significant accounting policies (cont'd)

3.5 Intangible assets (cont'd)

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 years are as follows:

◆ computer software	3 to 5 years
◆ customer lists	5 years
◆ copyrights	5 years

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

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. 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.

3.7 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 period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has 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 due 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, the 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. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

3. Significant accounting policies (cont'd)

3.7 Impairment (cont'd)

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. 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 financial assets 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 cumulative impairment provisions attributable to application of 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, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

3. Significant accounting policies (cont'd)

3.7 Impairment (cont'd)

Non-financial assets (cont'd)

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 CGUs. 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.

3.8 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)

3.8 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.

The Group also provides financial guarantees guaranteeing the payment obligations of our clients under a loan agreement, bond or any debt instrument.

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.

Contractors' all risks insurance

Risks covered under the contractors' all risks business are related to accidental losses or damages to property in the course of their construction. The coverage also includes indemnity towards liability to third party whose property might be damaged or bodily injury sustained as a result of the construction works.

Work injury compensation insurance

The work injury compensation insurance policy is a compulsory insurance by virtue of the Work Injury Compensation Act Cap 354 whereby it provides compensation to workers or their dependents for specified occupational diseases, personal injuries or deaths caused by accidents arising out of and in the course of employment. In addition, the policy also covers the employers' liability under the common law to his workers, due to negligence leading to accident and resulting in injury and death.

3. Significant accounting policies (cont'd)

3.9 Recognition and measurement of insurance contracts

Premiums and provision for unexpired risk

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

As disclosed in Note 2.5 (i), for short-term comprehensive credit insurance contracts, premiums are recognised when minimum premium is invoiced. 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. At expiry of the policy contract, the Company will assess the premium on total declared sales and invoice any excess premium and recognised it as revenue.

For bonds and guarantees, maid insurance contracts, contactors' all risks and work injury compensation insurance, 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, bonds and guarantees, contractors' all risks and work injury compensation 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.

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 ("PAD"). 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.

3. Significant accounting policies (cont'd)

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

Claims incurred and provision for insurance claims (cont'd)

Whilst 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.

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.

3. Significant accounting policies (cont'd)

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

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 is recognised in full on the effective commencement or renewal dates of the policies.

Claim recoveries

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

Liability adequacy test

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

3.10 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.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specified asset or assets; and
- the arrangement contains the right to use the asset(s).

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 it 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. Significant accounting policies (cont'd)

3.11 Employee benefits

Defined contributions plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to statutory defined contribution pension plan are recognised as an employee benefit expense in 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. Remeasurements from defined benefit plan comprise actuarial gains and losses. The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

The Group recognises gains and losses on the settlement of a detailed benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement amount.

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.

3.12 Government grants

Cash grants received from the government in relation to the SME Cash Grant are recognised in profit or loss upon receipt.

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 Finance income and finance cost

Finance income comprises interest income, dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income.

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.

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 income is established, which in the case of quoted securities is the ex-dividend date.

Finance costs

Finance costs comprise interest expense on borrowings and are recognised in profit or loss at amortised cost using the effective interest rate method.

3.15 Revenue recognition

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 3.9.

3.16 Dividends

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

3. Significant accounting policies (cont'd)

3.17 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 in 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 substantively 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 that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities. 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.

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 they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. 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 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. Significant accounting policies (cont'd)

3.18 Deposits relating to collateral of clients

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

3.19 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.

3.20 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. All 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 Group 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.

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

3.21 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 2013, 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. Those which may be relevant to the Group and the Company in future financial periods, and which the Group does not plan to adopt except as otherwise indicated below, are set out below:

Applicable for the Group's 2014 financial statements

- FRS 110 *Consolidated Financial Statements* introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over the investee, exposure, or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of *de facto* circumstances.

3. Significant accounting policies (cont'd)

3.21 New standards and interpretations not adopted (cont'd)

Applicable for the Group's 2014 financial statements (cont'd)

The Group has evaluated its involvement with investees under the new control model. Based on its assessment, the Group has concluded that there is no impact since the Group's involvement in subsidiaries are either wholly owned or with majority voting rights.

- FRS 112 *Disclosure of Interests in Other Entities* brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries in comparison with the existing disclosures. FRS 112 requires the disclosure of information about the nature, risks and financial effects of these interests.

- Amendments to FRS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities,* which clarifies the existing criteria for net presentation on the face of the statement of financial position.

  Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

  The Group has yet to assess the impact of the FRS 32 and intends to adopt the standard from 1 January 2014.

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 2013	12,822	10,510	183	2,432	777	2,253	1,877	630	31,484
Additions	-	-	-	-	12	14	118	-	144
Disposals	-	-	-	-	-	(22)	(71)	(87)	(180)
Write-off	-	-	-	-	-	(22)	(75)	-	(97)
Effect of movements in exchange rates	-	-	-	(55)	(2)	(73)	(41)	(58)	(229)
At 31 December 2013	12,822	10,510	183	2,377	787	2,150	1,808	485	31,122
Accumulated depreciation									
At 1 January 2013	2,308	5,150	101	825	734	1,928	1,587	279	12,912
Depreciation for the year	140	397	3	70	23	142	129	89	993
Disposals	-	-	-	-	-	(22)	(71)	(67)	(160)
Write-off	-	-	-	-	-	(22)	(74)	-	(96)
Effect of movements in exchange rates	-	-	-	(26)	(2)	(67)	(40)	(31)	(166)
At 31 December 2013	2,448	5,547	104	869	755	1,959	1,531	270	13,483
Carrying amounts	10,374	4,963	79	1,508	32	191	277	215	17,639

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

	Leasehold land $'000	Leasehold building $'000	Freehold residential properties $'000	Freehold land & building $'000	Renovations $'000	Office equipment, furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Group									
Cost									
At 1 January 2012	12,822	10,510	183	2,477	766	2,284	1,788	598	31,428
Additions	-	-	-	-	16	57	157	229	459
Disposals	-	-	-	-	(3)	(4)	(26)	(163)	(196)
Write-off	-	-	-	-	-	(13)	(11)	-	(24)
Effect of movements in exchange rates	-	-	-	(45)	(2)	(71)	(31)	(34)	(183)
At 31 December 2012	12,822	10,510	183	2,432	777	2,253	1,877	630	31,484
Accumulated depreciation									
At 1 January 2012	2,168	4,753	97	773	718	1,848	1,482	363	12,202
Depreciation for the year	140	397	4	70	19	155	168	96	1,049
Disposals	-	-	-	-	(2)	(2)	(24)	(162)	(190)
Write-off	-	-	-	-	-	(13)	(11)	-	(24)
Effect of movements in exchange rates	-	-	-	(18)	(1)	(60)	(28)	(18)	(125)
At 31 December 2012	2,308	5,150	101	825	734	1,928	1,587	279	12,912
Carrying amounts	10,514	5,360	82	1,607	43	325	290	351	18,572

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 2013	12,822	10,510	183	619	1,065	629	17	25,845
Additions	-	-	-	-	7	101	-	108
Disposals	-	-	-	-	-	(45)	-	(45)
Write-off	-	-	-	-	(2)	(64)	-	(66)
At 31 December 2013	12,822	10,510	183	619	1,070	621	17	25,842
Accumulated depreciation								
At 1 January 2013	2,308	5,150	101	611	1,007	465	1	9,643
Depreciation for the year	140	397	3	2	20	59	3	624
Disposals	-	-	-	-	-	(45)	-	(45)
Write-off	-	-	-	-	(2)	(63)	-	(65)
At 31 December 2013	2,448	5,547	104	613	1,025	416	4	10,157
Carrying amounts	10,374	4,963	79	6	45	205	13	15,685

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 2012	12,822	10,510	183	611	1,034	556	10	25,726
Additions	-	-	-	8	44	109	17	178
Disposals	-	-	-	-	-	(25)	(10)	(35)
Write-off	-	-	-	-	(13)	(11)	-	(24)
At 31 December 2012	12,822	10,510	183	619	1,065	629	17	25,845
Accumulated depreciation								
At 1 January 2012	2,168	4,753	97	610	992	441	10	9,071
Depreciation for the year	140	397	4	1	28	59	1	630
Disposals	-	-	-	-	-	(24)	(10)	(34)
Write-off	-	-	-	-	(13)	(11)	-	(24)
At 31 December 2012	2,308	5,150	101	611	1,007	465	1	9,643
Carrying amounts	10,514	5,360	82	8	58	164	16	16,202

Notes to the Financial Statements

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

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

Location	Title	Description of properties
7 Temasek Boulevard #10-01 Singapore 038987	Leasehold (99 years from 1995)	Offices
#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 2013	3,087	1,131	22	1,180	5,420
Additions	116	-	-	-	116
Disposals	-	-	-	-	-
Write-off	(3)	-	-	-	(3)
Effect of movements in exchange rates	(33)	-	-	-	(33)
At 31 December 2013	3,167	1,131	22	1,180	5,500
Accumulated amortisation and impairment losses					
At 1 January 2013	2,695	848	17	1,180	4,740
Amortisation charge for the year	221	226	-	-	447
Disposals	-	-	-	-	-
Impairment loss	-	-	-	-	-
Write-off	(3)	-	-	-	(3)
Effect of movements in exchange rates	(31)	(1)	-	-	(32)
At 31 December 2013	2,882	1,073	17	1,180	5,152
Carrying amounts	285	58	5	-	348

5. Intangible assets (cont'd)

	Computer software $'000	Customer lists $'000	Membership rights $'000	Copyrights $'000	Total $'000
Group					
Cost					
At 1 January 2012	2,970	1,131	22	1,180	5,303
Additions	296	-	-	-	296
Disposals	(2)	-	-	-	(2)
Write-off	(154)	-	-	-	(154)
Effect of movements in exchange rates	(23)	-	-	-	(23)
At 31 December 2012	3,087	1,131	22	1,180	5,420
Accumulated amortisation and impairment losses					
At 1 January 2012	2,512	622	-	257	3,391
Amortisation charge for the year	360	226	-	368	954
Disposals	(2)	-	-	-	(2)
Impairment loss	-	-	17	555	572
Write-off	(154)	-	-	-	(154)
Effect of movements in exchange rates	(21)	-	-	-	(21)
At 31 December 2012	2,695	848	17	1,180	4,740
Carrying amounts	392	283	5	-	680
Company					
Cost					
At 1 January 2013	**1,446**	-	-	-	**1,446**
Additions	**75**	-	-	-	**75**
Write-off	-	-	-	-	-
At 31 December 2013	**1,521**	-	-	-	**1,521**
Accumulated amortisation					
At 1 January 2013	**1,196**	-	-	-	**1,196**
Additions	**149**	-	-	-	**149**
Write-off	-	-	-	-	-
At 31 December 2013	**1,345**	-	-	-	**1,345**
Carrying amounts	**176**	-	-	-	**176**

5. Intangible assets (cont'd)

	Computer software $'000	Total $'000
Company		
Cost		
At 1 January 2012	1,422	1,422
Additions	178	178
Write-off	(154)	(154)
At 31 December 2012	1,446	1,446
Accumulated amortisation		
At 1 January 2012	1,111	1,111
Additions	239	239
Write-off	(154)	(154)
At 31 December 2012	1,196	1,196
Carrying amounts	250	250

The amortisation charge for the year is included in "General and administrative expenses" in the consolidated statement of profit or loss.

6. Subsidiaries

	Company	
	2013 $'000	**2012 $'000**
Quoted ordinary shares, at cost	**7,898**	7,898
Unquoted ordinary shares, at cost	**60,781**	55,781
Allowance for impairment loss	**(976)**	-
	67,703	63,679

Movement in allowance for impairment loss against subsidiaries is as follows:

	Company	
	2013 $'000	**2012 $'000**
At 1 January	**-**	-
Impairment loss for the year	**(976)**	-
At 31 December	**(976)**	-

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.

On 21 November 2013, the Company subscribed for additional 5 million ordinary shares in the capital of its subsidiary, ECICS Limited. The Company's percentage shareholdings remained unchanged.

6. Subsidiaries (cont'd)

The principal activities of the subsidiaries are as follows:

Name of subsidiaries	Principal activities
[1] IFS Capital Assets Private Limited	Working capital, asset-based financing, venture capital investments and private equity investments
[1] IFS Ventures 2 Limited	Venture capital investments
[1] IFS Ventures Private Limited	Venture capital investments
[1] IFS Capital Intellectual Property Private Limited	Investment holding
[1] ECICS Limited	Direct general insurer, guarantee, bond, political risks, contractors' all risks, and work injury compensation insurance 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

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 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current investments					
Held-to-maturity financial assets					
- Debt securities	(a)	**9,512**	9,250	**-**	-
Available-for-sale financial assets					
- Unquoted debt securities	(b)	**995**	984	**-**	-
- Quoted and unquoted equity securities		**13,100**	14,178	**4,326**	7,774
- Convertible loans	(c)	**13,080**	7,423	**3,580**	7,423
		36,687	31,835	**7,906**	15,197
Allowance for impairment loss		**(5,399)**	(6,657)	**-**	(2,168)
		31,288	25,178	**7,906**	13,029
Current investments					
Held-to-maturity financial assets					
- Debt securities	(a)	**2,000**	17,996	**-**	1,499
Financial assets classified as held-for-trading					
- Equity securities		**7,334**	17	**-**	-
Loans and receivables	(d)	**-**	2,000	**-**	-
Convertible loan	(c)	**2,354**	-	**2,354**	-
		11,688	20,013	**2,354**	1,499
Total		**42,976**	45,191	**10,260**	14,528

(a) Held-to-maturity debt securities have interest rates of 1.7% to 5.0% (2012: 1.7% to 5.0%) per annum and mature in 1 to 5 years.

(b) Available-for-sale unquoted debt securities have an interest rate of 3.47% (2012: 3.47%) per annum and mature in 1 to 2 years.

(c) The convertible loans contain embedded equity conversion options. They are non-interest bearing and expected to mature in 2016. As convertible loan amounting to $2,354,000 is expected to be repaid within the next 12 months, it has been reclassified as current investment.

(d) Loans and receivables comprise variable rate notes bearing an interest rate of 1.26% (2012: 1.26%) per annum and matured in 2013.

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

7. Other investments (cont'd)

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

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
At 1 January		**6,657**	7,433	**2,168**	3,223
Allowance for impairment made during the year (net)	32	**1,485**	279	**(264)**	-
Allowance utilised during the year		**(2,743)**	(1,055)	**(1,904)**	(1,055)
At 31 December		**5,399**	6,657	**-**	2,168

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				
2013				
Held-to-maturity debt securities	**3.91**	**2,000**	**9,512**	**11,512**
Available-for-sale debt securities	**3.47**	**-**	**995**	**995**
		2,000	**10,507**	**12,507**
2012				
Held-to-maturity debt securities	3.41	17,996	9,250	27,246
Available-for-sale debt securities	3.47	-	984	984
Variable rate note	1.26	2,000	-	2,000
		19,996	10,234	30,230
Company				
2013				
Held-to-maturity debt securities	**-**	**-**	**-**	**-**
2012				
Held-to-maturity debt securities	4.50	1,499	-	1,499

8. Loans, advances, hire purchase and leasing receivables

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Hire purchase and leasing receivables	9	**39,074**	50,469	**2,881**	4,145
Less: Deposits on leasing receivables		**(9,119)**	(8,210)	**-**	-
		29,955	42,259	**2,881**	4,145
Loans and advances		**110,802**	131,154	**94,432**	115,375
		140,757	173,413	**97,313**	119,520
Allowance for impairment of doubtful receivables					
- hire purchase receivables		**(52)**	(943)	**(47)**	(181)
- leasing receivables		**(1,149)**	(491)	**-**	-
- loans and advances		**(18,477)**	(8,181)	**(12,407)**	(5,673)
		(19,678)	(9,615)	**(12,454)**	(5,854)
	38	**121,079**	163,798	**84,859**	113,666
Due within 12 months	13	**70,108**	85,002	**48,647**	59,150
Due after 12 months		**50,971**	78,796	**36,212**	54,516
		121,079	163,798	**84,859**	113,666

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

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
At 1 January		**9,615**	8,667	**5,854**	4,761
Translation adjustment		**(274)**	(73)	**-**	-
Allowance made during the year (net)	32	**12,668**	1,268	**8,197**	1,260
Allowance utilised during the year		**(2,331)**	(247)	**(1,597)**	(167)
At 31 December		**19,678**	9,615	**12,454**	5,854

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

Effective interest rates and repricing analysis:

	Weighted average effective interest rate %	Floating rate $'000	Fixed interest rate maturing within 1 year $'000	Fixed interest rate maturing in 1 to 5 years $'000	Total $'000
Group					
2013					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	**12.8**	**-**	**6,496**	**6,121**	**12,617**
- variable rate	**7.9**	**108,462**	**-**	**-**	**108,462**
		108,462	**6,496**	**6,121**	**121,079**
2012					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	11.8	-	13,489	12,213	25,702
- variable rate	7.7	138,096	-	-	138,096
		138,096	13,489	12,213	163,798
Company					
2013					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	**7.2**	**-**	**1,454**	**1,005**	**2,459**
- variable rate	**7.1**	**82,400**	**-**	**-**	**82,400**
		82,400	**1,454**	**1,005**	**84,859**
2012					
Loans, advances, hire purchase and leasing receivables					
- fixed rate	7.9	-	3,893	680	4,573
- variable rate	7.0	109,093	-	-	109,093
		109,093	3,893	680	113,666

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 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Gross receivables		**41,844**	56,568	**2,881**	4,145
Unearned income		**(2,770)**	(6,099)	**-**	-
	8	**39,074**	50,469	**2,881**	4,145
Within 1 year		**15,481**	19,146	**1,875**	2,819
After 1 year but within 5 years		**23,593**	31,323	**1,006**	1,326
		39,074	50,469	**2,881**	4,145

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 2013 $'000	Assets 2012 $'000	Liabilities 2013 $'000	Liabilities 2012 $'000
Group				
Loans, advances, hire purchase and leasing receivables	**(1,344)**	(751)	**-**	-
Factoring receivables	**(890)**	(729)	**-**	-
Other investments	**(12)**	(200)	**-**	-
Others	**(2,838)**	(1,106)	**-**	-
Property, plant and equipment	**-**	-	**114**	138
Trade and other receivables	**-**	-	**-**	-
Trade and other payables	**-**	-	**6**	4
Dividend not remitted to Singapore	**-**	-	**114**	114
Other investments	**-**	-	**321**	619
Deferred tax (assets)/liabilities	**(5,084)**	(2,786)	**555**	875
Set off of tax	**526**	220	**(526)**	(220)
Net deferred tax (assets)/liabilities	**(4,558)**	(2,566)	**29**	655

10. Deferred tax assets and liabilities (cont'd)

	Assets		Liabilities	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Company				
Loans, advances, hire purchase and leasing receivables	(14)	(46)	-	-
Factoring receivables	-	(4)	-	-
Other investments	-	-	304	602
Others	(397)	-	-	-
Property, plant and equipment	-	-	71	75
Deferred tax (assets)/liabilities	(411)	(50)	375	677
Set off of tax	375	50	(375)	(50)
Net deferred tax (assets)/liabilities	(36)	-	-	627

Movements in temporary differences during the year are as follows:

	At 1/1/2013 $'000	Recognised in profit or loss (Note 34) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31/12/2013 $'000
Group					
Deferred tax liabilities					
Property, plant and equipment	138	(23)	-	(1)	114
Trade and other payables	4	2	-	-	6
Dividend not remitted to Singapore	114	-	-	-	114
Other investments	619	-	(298)	-	321
	875	(21)	(298)	(1)	555
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	(751)	(663)	-	70	(1,344)
Factoring receivables	(729)	(212)	-	51	(890)
Other investments	(200)	-	188	-	(12)
Others	(1,106)	(1,826)	41	53	(2,838)
	(2,786)	(2,701)	229	174	(5,084)
Net deferred tax (assets)/liabilities	(1,911)	(2,722)	(69)	173	(4,529)

10. Deferred tax assets and liabilities (cont'd)

	At 1/1/2012 $'000	Recognised in profit or loss (Note 34) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	At 31/12/2012 $'000
Group					
Deferred tax liabilities					
Property, plant and equipment	143	(4)	-	(1)	138
Trade and other receivables	1	-	-	(1)	-
Trade and other payables	4	-	-	-	4
Dividend not remitted to Singapore	114	-	-	-	114
Other investments	8	-	611	-	619
	270	(4)	611	(2)	875
Deferred tax assets					
Loans, advances, hire purchase and leasing receivables	(980)	204	-	25	(751)
Factoring receivables	(738)	(18)	-	27	(729)
Other investments	(103)	-	(97)	-	(200)
Others	(1,209)	89	-	14	(1,106)
	(3,030)	275	(97)	66	(2,786)
Net deferred tax (assets)/liabilities	(2,760)	271	514	64	(1,911)

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

	At 1/1/2013 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	At 31/12/2013 $'000
Company				
Deferred tax liabilities				
Property, plant and equipment	**75**	**(4)**	**-**	**71**
Other investments	**602**	**-**	**(298)**	**304**
	677	**(4)**	**(298)**	**375**
Deferred tax assets				
Loans, advances, hire purchase and leasing receivables	**(46)**	**32**	**-**	**(14)**
Factoring receivables	**(4)**	**4**	**-**	**-**
Other - losses	**-**	**(397)**	**-**	**(397)**
	(50)	**(361)**	**-**	**(411)**
Net deferred tax liabilities/(assets)	**627**	**(365)**	**(298)**	**(36)**

10. Deferred tax assets and liabilities (cont'd)

	At 1/1/2012 $'000	Recognised in profit or loss $'000	Recognised in other comprehen-sive income $'000	At 31/12/2012 $'000
Company				
Deferred tax liabilities				
Property, plant and equipment	77	(2)	-	75
Other investments	-	-	602	602
	77	(2)	602	677
Deferred tax assets				
Loans, advances, hire purchase and leasing receivables	(94)	48	-	(46)
Factoring receivables	(4)	-	-	(4)
Other investments	(4)	-	4	-
	(102)	48	4	(50)
Net deferred tax (assets)/liabilities	(25)	46	606	627

11. Insurance contract provisions

	2013 Gross $'000	2013 Reinsurance $'000	2013 Net $'000	2012 Gross $'000	2012 Reinsurance $'000	2012 Net $'000
Group						
Provisions for unexpired risks	**15,898**	**(9,609)**	**6,289**	11,864	(7,775)	4,089
Provisions for claims	**4,875**	**(3,180)**	**1,695**	2,557	(1,337)	1,220
	20,773	**(12,789)**	**7,984**	14,421	(9,112)	5,309

Analysis of movements in provisions for unexpired risks

	2013 Gross $'000	2013 Reinsurance $'000	2013 Net $'000	2012 Gross $'000	2012 Reinsurance $'000	2012 Net $'000
Group						
At 1 January	**11,864**	**(7,775)**	**4,089**	12,530	(7,740)	4,790
Change during the year	**4,034**	**(1,834)**	**2,200**	(666)	(35)	(701)
At 31 December	**15,898**	**(9,609)**	**6,289**	11,864	(7,775)	4,089

11. Insurance contract provisions (cont'd)

Analysis of movements in provisions for insurance claims

	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Group						
At 1 January	**2,557**	**(1,337)**	**1,220**	3,075	(1,593)	1,482
Claims (paid)/recovered	**(1,369)**	**911**	**(458)**	(115)	59	(56)
Claims incurred/(reversed)	**3,687**	**(2,754)**	**933**	(403)	197	(206)
At 31 December	**4,875**	**(3,180)**	**1,695**	2,557	(1,337)	1,220

Analysis of the estimated timing of cash outflows (undiscounted) relating to provisions for insurance claims

	Group	
	2013 $'000	2012 $'000
Less than 1 year	**1,629**	1,129
Between 1-2 years	**60**	86
Between 2-3 years	**6**	5
Between 3-4 years	**-**	-
	1,695	1,220

12. Insurance receivables

	Group	
	2013 $'000	2012 $'000
Receivables arising from insurance contracts	**1,431**	1,197
Reinsurance contract receivables	**11**	10
	1,442	1,207
Allowance for doubtful receivables	**(250)**	(279)
	1,192	928

Insurance receivables are non-interest earning.

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

12. Insurance receivables (cont'd)

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

	Note	Group 2013 $'000	Group 2012 $'000
At 1 January		**279**	260
Allowance made during the year (net)	32	**11**	24
Allowance utilised during the year		**(40)**	(5)
At 31 December		**250**	279

13. Trade and other receivables

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Loans, advances, hire purchase and leasing receivables	8	**70,108**	85,002	**48,647**	59,150
Factoring receivables	14	**133,245**	133,740	**14,320**	15,317
Amount owing by non-controlling shareholders		**96**	96	**2,487**	2,487
Loan owing by subsidiaries					
- trade		**-**	-	**28,612**	18,582
- non-trade		**-**	-	**377**	342
		-	-	**28,989**	18,924
Allowance for impairment		**-**	-	**(1,582)**	(1,505)
		-	-	**27,407**	17,419
Deposits and other receivables	15	**2,201**	3,805	**34**	742
Loans and receivables		**205,650**	222,643	**92,895**	95,115
Prepayment		**855**	757	**232**	157
		206,505	223,400	**93,127**	95,272

The movements in the allowance for impairment of loan owing by a subsidiary (trade) during the year are as follows:

	Group 2013 $'000	Group 2012 $'000
At 1 January	**1,505**	-
Allowance made during the year (net)	**77**	1,505
At 31 December	**1,582**	1,505

The amount owing by non-controlling shareholders is unsecured and interest-free. The loans owing by subsidiaries (trade) are unsecured and interest-bearing. The loans owing by subsidiaries (non-trade) are unsecured and non-interest bearing.

13. Trade and other receivables (cont'd)

Effective interest rates and repricing analysis:

	Weighted average effective interest rate	Total 2013	Weighted average effective interest rate	Total 2012
	%	$'000	%	$'000
Company				
Loans owing by subsidiaries	**3.4**	**27,030**	4.2	17,077
- variable rate	**-**	**377**	-	342
- non-interest earning		**27,407**		17,419

Group

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

14. Factoring receivables

	Note	Group 2013	Group 2012	Company 2013	Company 2012
		$'000	$'000	$'000	$'000
Factoring receivables	38	**185,739**	177,700	**24,315**	24,502
Less:					
Factoring amounts owing to clients		**(42,217)**	(39,003)	**(9,191)**	(8,856)
		143,522	138,697	**15,124**	15,646
Allowance for doubtful receivables		**(10,277)**	(4,957)	**(804)**	(329)
	13	**133,245**	133,740	**14,320**	15,317

14. Factoring receivables (cont'd)

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

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
At 1 January		**4,957**	4,484	**329**	279
Translation adjustment		**(433)**	(177)	**-**	-
Allowance made during the year (net)	32	**6,783**	658	**476**	52
Allowance utilised during the year		**(1,030)**	(8)	**(1)**	(2)
At 31 December		**10,277**	4,957	**804**	329

The weighted average interest rates of factoring receivables net of factoring amounts owing to clients included in Trade and other payables of $1,915,089 for the Group and Company (2012: Group and Company: $1,829,927) (refer to Note 23) 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 2013 $'000	Weighted average effective interest rate %	Total 2012 $'000
Group				
Factoring receivables, net				
- fixed rate	**5.0**	**71**	5.0	145
- variable rate	**9.4**	**131,259**	9.4	131,765
		131,330		131,910
Company				
Factoring receivables, net				
- fixed rate	**5.0**	**71**	5.0	145
- variable rate	**7.5**	**12,334**	7.9	13,342
		12,405		13,487

15. Deposits and other receivables

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Deposits		**40**	41	**6**	8
Tax recoverable		**361**	135	**-**	-
Accrued interest receivable		**162**	279	**-**	14
Other receivables:					
Gross receivables		**4,030**	5,614	**460**	1,024
Allowance for doubtful receivables		**(2,392)**	(2,264)	**(432)**	(304)
Other receivables, net		**1,638**	3,350	**28**	720
	13	**2,201**	3,805	**34**	742

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

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
At 1 January		**2,264**	2,097	**304**	127
Allowance made during the year (net)	32	**189**	176	**189**	186
Allowance utilised during the year		**(61)**	(9)	**(61)**	(9)
At 31 December		**2,392**	2,264	**432**	304

16. Derivative financial assets

	Group and Company 2013 $'000	Group and Company 2012 $'000
Held-for-trading		
- Warrants	**580**	-

The table below shows an analysis of derivative assets outstanding at 31 December.

	Group and Company			
	Fair value 2013 $'000	Notional amount 2013 $'000	Fair value 2012 $'000	Notional amount 2012 $'000
Exchange-traded warrants	**580**	250	-	-

17. Cash and cash equivalents

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash at banks and in hand	**16,213**	15,869	**1,602**	2,611
Fixed deposits	**45,929**	37,487	**7,226**	6,816
Cash and cash equivalents in the consolidated statement of cash flows	**62,142**	53,356	**8,828**	9,427

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					
2013					
Cash at banks and in hand	**0.5**	**8,468**	**-**	**7,745**	**16,213**
Fixed deposits	**0.8**	**-**	**45,929**	**-**	**45,929**
		8,468	**45,929**	**7,745**	**62,142**
2012					
Cash at banks and in hand	0.7	11,354	-	4,515	15,869
Fixed deposits	1.0	-	37,487	-	37,487
		11,354	37,487	4,515	53,356
Company					
2013					
Cash at banks and in hand	**-**	**-**	**-**	**1,602**	**1,602**
Fixed deposits	**0.7**	**-**	**7,226**	**-**	**7,226**
		-	**7,226**	**1,602**	**8,828**
2012					
Cash at banks and in hand	-	-	-	2,611	2,611
Fixed deposits	0.7	-	6,816	-	6,816
		-	6,816	2,611	9,427

18. Deposits relating to collateral of clients

The Group has fixed deposits of $5,870,549 (2012: $5,142,428) held as collateral for guarantees issued on behalf of policyholders. The fair values of the cash collateral as at reporting dates 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	
	2013	**2012**
At 1 January	**150,387,866**	150,387,866
At 31 December	**150,387,866**	150,387,866

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.

19. Share capital (cont'd)

Capital management (cont'd)

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

20. Other reserves

Other reserves comprise:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Fair value reserve	**1,507**	2,046	**1,485**	2,941
Capital reserve	**1,260**	1,074	**-**	-
Other equity	**(1,496)**	(1,496)	**-**	-
	(236)	(422)	**-**	-
Currency translation reserve	**(8,794)**	(4,869)	**-**	-
	(7,523)	(3,245)	**1,485**	2,941

Fair value reserve

The fair value reserve comprises the cumulative 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 subsidiaries.

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.

20. Other reserves (cont'd)

Dividends

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

For the year ended 31 December

	Group and Company 2013 $'000	Group and Company 2012 $'000
Final one-tier tax exempt dividend of 2.0 cents (2012: 1.75 cents) per share in respect of year 2012/2011	**3,008**	2,632

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 2013 $'000	Group and Company 2012 $'000
First and final one-tier tax exempt dividend of 2.0 cents (2012: 2.0 cents) per share in respect of year 2013/2012	**3,008**	3,008

21. Interest-bearing borrowings

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Payable:				
Within 12 months	**190,639**	206,794	**86,779**	99,365
After 12 months	**33,591**	43,132	**25,672**	31,657
	224,230	249,926	**112,451**	131,022

The interest-bearing borrowings comprise:

	Note	2013 Face value $'000	2013 Carrying amount $'000	2012 Face value $'000	2012 Carrying amount $'000
Group					
Unsecured short-term bank loans	(a)	**168,764**	**168,764**	180,946	180,946
Unsecured long-term bank loans	(b)	**53,370**	**53,370**	65,095	65,095
Unsecured SPRING and IES loans	(c)	**2,096**	**2,096**	3,885	3,885
		224,230	**224,230**	249,926	249,926
Company					
Unsecured short-term bank loans	(a)	**74,355**	**74,355**	83,720	83,720
Unsecured long-term bank loans	(b)	**36,000**	**36,000**	43,417	43,417
Unsecured SPRING and IES loans	(c)	**2,096**	**2,096**	3,885	3,885
		112,451	**112,451**	131,022	131,022

21. Interest-bearing borrowings (cont'd)

(a) Unsecured short-term bank loans bear nominal interest rates ranging from 1.4% to 8.1% (2012: 1.4% to 10.0%) per annum and are repayable in 2014. For the Group, these include subsidiaries' bank loans denominated in Malaysian Ringgit and Thai Baht.

(b) The unsecured long-term bank loans bear nominal interest rates ranging from 2.05% to 4.51% (2012: 1.8% to 5.0%) per annum and are repayable by quarterly/semi-annual/bullet repayments between 2014 to 2018. For the Group, 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 2.0% to 5.4% (2012: 2.5% to 5.4%) per annum and are repayable between 2014 and 2015.

(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. There were no notes issued under this programme in 2013 and 2012.

Intra-group financial guarantee

Intra-group financial guarantee comprises a guarantee granted by the Company to banks in respect of banking facilities amounting to $20,131,748 (2012: $19,992,129) 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.

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					
2013					
Unsecured short-term bank loans	**2.8**	**168,764**	**-**	**-**	**168,764**
Unsecured long-term bank loans	**3.1**	**53,370**	**-**	**-**	**53,370**
Unsecured SPRING and IES loans	**3.0**	**-**	**1,090**	**1,006**	**2,096**
		222,134	**1,090**	**1,006**	**224,230**
2012					
Unsecured short-term bank loans	2.8	180,946	-	-	180,946
Unsecured long-term bank loans	3.0	65,095	-	-	65,095
Unsecured SPRING and IES loans	3.0	-	3,311	574	3,885
		246,041	3,311	574	249,926

21. Interest-bearing borrowings (cont'd)

	Weighted average effective interest rate %	Floating rate $'000	Fixed interest rate maturing within 1 year $'000	in 1 to 5 years $'000	Total $'000
Company					
2013					
Unsecured short-term bank loans	**1.7**	**74,355**	**-**	**-**	**74,355**
Unsecured long-term bank loans	**2.4**	**36,000**	**-**	**-**	**36,000**
Unsecured SPRING and IES loans	**2.7**	**-**	**1,090**	**1,006**	**2,096**
		110,355	**1,090**	**1,006**	**112,451**
2012					
Unsecured short-term bank loans	1.6	83,720	-	-	83,720
Unsecured long-term bank loans	2.2	43,417	-	-	43,417
Unsecured SPRING and IES loans	3.0	-	3,311	574	3,885
		127,137	3,311	574	131,022

22. 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 2013	2012
Discount rate at 31 December	**4.18%**	4%
Resignation rate based on age group of employees	**4%, 6% & 9%**	2%, 6% &11%
Future salary increases	**10%**	9%
Retirement age	**60 years**	60 years

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

	Group 2013 $'000	2012 $'000
At 1 January	**866**	758
Provision for severance pay and long service awards (Note 33)	**137**	136
Remeasurement:		
- Experience assumptions	**(144)**	-
- Actuarial gains from changes in demographic assumptions	**(7)**	-
- Actuarial gains from changes in financial assumptions	**(53)**	-
Benefits paid during the year	**(11)**	(7)
Translation adjustments	**(25)**	(21)
	763	866

22. Employee benefits (cont'd)

An amount of $137,000 (2012: $136,000) was recognised in "General and administrative expenses" in the consolidated statement of profit or loss for the year ended 31 December 2013.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

Group	**Defined benefit obligation**	
	1 percent increase $'000	**1 percent decrease $'000**
Discount rate	(79)	94
Resignation rate based on age group of employees	6	(6)
Future salary increases	84	(73)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

23. Trade and other payables

		Group		**Company**	
	Note	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Factoring amounts owing to clients	14	**1,915**	1,830	**1,915**	1,830
Trade payables		**182**	230	**176**	222
Amounts and loans due to subsidiary					
- interest bearing loans		**-**	-	**2,327**	2,189
Other payables and accruals	24	**8,994**	9,638	**3,073**	3,620
		11,091	11,698	**7,491**	7,861

Group

Trade payables, other payables and accruals are non-interest bearing financial liabilities.

Company

The interest bearing loans owing to subsidiary are unsecured.

The weighted average effective interest rate of interest bearing loan owing to subsidiary at the end of the financial year 2013 was 2.2% (2012: 2.0%) per annum.

24. Other payables and accruals

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Accrued operating expenses		**4,922**	6,829	**1,581**	3,277
Deferred income		**59**	64	**-**	-
Clients' deposits		**3,536**	2,387	**1,181**	172
Accrued interest payable		**477**	358	**311**	171
	23	**8,994**	9,638	**3,073**	3,620

25. Insurance payables

	Group 2013 $'000	Group Restated 2012 $'000	Group Restated 1 January 2012 $'000
Payables arising from insurance contracts	**1,800**	1,157	896
Reinsurance contract payables	**1,345**	1,936	1,669
	3,145	3,093	2,565

26. Interest Income

	Group 2013 $'000	Group 2012 $'000
Loans, advances, hire purchase, leasing receivables and factoring accounts to customers	**27,613**	26,765

27. Interest expense

	Group 2013 $'000	Group 2012 $'000
Banks and SPRING Singapore	**6,848**	7,161

28. Statement of profit or loss of insurance subsidiary - ECICS Limited

	Note	Group 2013 $'000	Group Restated 2012 $'000
Revenue			
Gross written premiums		**12,604**	10,003
Change in gross provision for unexpired risks	11	**(4,034)**	666
Gross earned premium revenue		**8,570**	10,669
Written premiums ceded to reinsurers		**(7,485)**	(6,706)
Reinsurers' share of change in provision for unexpired risks	11	**1,834**	35
Reinsured premium expenses		**(5,651)**	(6,671)
Net earned premium revenue		**2,919**	3,998
Other revenue			
Commission income		**2,491**	2,247
Investment income		**440**	1,418
Other income		**45**	-
		2,976	3,665
Net income before claims and expenses		**5,895**	7,663
Claims and expenses			
Change in provision for insurance claims		**(2,318)**	517
Reinsurers' share of change in provision for insurance claims		**1,843**	(256)
Gross claims paid	11	**(1,369)**	(115)
Reinsurers' share of claims paid	11	**911**	59
Net claims (incurred)/reversal		**(933)**	205
Commission expenses		**(829)**	(296)
Investment expenses		**-**	(7)
Distribution expenses		**(68)**	(85)
Administration expenses		**(846)**	(945)
Staff costs		**(2,093)**	(2,263)
Allowance made of insurance and other receivables		**(11)**	(24)
Total claims and expenses		**(4,780)**	(3,415)
Net profit before tax for the year		**1,115**	4,248

The statement of profit or loss reflects the credit, political risk, maid, contractors' all risks and work injury compensation, bonds and guarantee businesses of the insurance subsidiary, ECICS Limited, that are consolidated in the Group's profit or loss. All intra-group transactions relating to credit premium income and expenses are eliminated on consolidation.

29. Fee and commission income

	Group 2013 $'000	Group 2012 $'000
Fee income	**7,913**	6,695
Underwriting commission income	**2,491**	2,247
	10,404	8,942

30. Investment income

	Group 2013 $'000	Group 2012 $'000
Dividend income	**86**	160
Gain on disposal of equity securities	**1,797**	1,738
Gain on partial redemption of convertible loan	**525**	-
Net change in fair value of financial assets		
- designated at fair value through profit or loss	**(68)**	47
Interest income from bonds, fixed deposits and others	**936**	1,364
Amortisation of held-to-maturity debt securities	**19**	55
	3,295	3,364

31. Other income

	Group 2013 $'000	Group 2012 $'000
Recoveries - loans, advances and receivables	**509**	129
Gain on disposal of property, plant and equipment	**16**	60
Others	**202**	135
	727	324

32. Allowances for loan losses and impairment of other assets

	Note	Group 2013 $'000	Group 2012 $'000
In respect of:			
Trade and other receivables			
- loans, advances, hire purchase, leasing and factoring receivables (net)	8,14	**19,451**	1,926
- insurance and other receivables	12,15	**200**	200
- debts written off		**39**	78
Intangible assets	5	**-**	572
Available-for-sale equity and debt securities	7	**1,485**	279
		21,175	3,055

33. (Loss)/profit before tax

The following items have been included in arriving at (loss)/profit before tax:

	Note	Group 2013 $'000	Group 2012 $'000
Amortisation of intangible assets	5	**447**	954
Depreciation of property, plant and equipment	4	**993**	1,049
Property, plant and equipment written off	4	**1**	-
Exchange loss, net		**68**	292
Audit fees			
- auditors of the Company		**370**	361
- other auditors		**83**	85
Non-audit fees			
- auditors of the Company		**74**	142
- other auditors		**-**	8
Directors' fees		**391**	351
Fees paid to corporations in which the directors have interests		**50**	16
Contributions to defined contribution plans included in staff costs		**850**	979
Provision for severance pay and long service awards	22	**137**	136

34. Tax credit/(expense)

	Note	Group 2013 $'000	Group Restated 2012 $'000
Current tax (expense)/credit			
Current year		**(2,406)**	(2,980)
Overprovided in prior years		**487**	15
		(1,919)	(2,965)
Deferred tax credit/(expense)			
Movements in temporary differences		**3,095**	(233)
Overprovided in prior years		**(373)**	(38)
	10	**2,722**	(271)
		803	(3,236)
Reconciliation of effective tax rate			
(Loss)/profit before tax		**(4,191)**	12,381
Tax using Singapore tax rate of 17% (2012:17%)		**712**	(2,105)
Effect of different tax rates in other countries		**216**	(566)
Effect of change in the tax rate		**-**	(443)
Expenses not deductible for tax purposes		**(364)**	(337)
Tax benefit		**121**	208
Tax exempt revenues		**4**	30
Over/(under) provided in prior years		**114**	(23)
		803	(3,236)

34. Tax credit/(expense) (cont'd)

Tax recognised in other comprehensive (loss)/income

For the year ended 31 December

	2013			2012		
	Before tax $'000	**Tax expense $'000**	**Net of tax $'000**	**Before tax $'000**	**Tax expense $'000**	**Net of tax $'000**
Group						
Foreign currency translation differences for foreign operations	**(4,272)**	**-**	**(4,272)**	(3,029)	-	(3,029)
Net change in fair value of available-for-sale financial assets	**(649)**	**110**	**(539)**	3,024	(514)	2,510
	(4,921)	**110**	**(4,811)**	(5)	(514)	(519)

35. (Loss)/earnings per share

	Group	
	2013 $'000	**2012 $'000**
Basic and diluted (loss)/earnings per share		
Basic (loss)/earnings per share is based on:		
Net (loss)/profit attributable to ordinary shareholders	**(4,840)**	7,940
	No. of shares	
	'000	**'000**
Issued ordinary shares at beginning of the year	**150,389**	150,389
Weighted average number of ordinary shares during the year	**150,389**	150,389

36. Contingent liabilities and commitments

Contingent liabilities

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Letters of credit	**1,594**	3,052	**850**	512
Bankers guarantees	**2,802**	2,245	**-**	-
	4,396	5,297	**850**	512

36. Contingent liabilities and commitments (cont'd)

Commitments

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

	Group	
	2013	2012
	$'000	$'000
Within 1 year	**137**	214
After 1 year but within 5 years	**271**	106
	408	320

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

37. Significant related parties transactions

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

Key management personnel compensation

	Group	
	2013	2012
	$'000	$'000
Key management personnel compensation	**2,793**	2,782

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

Remuneration comprise salary, allowances, bonuses (comprises annual wage supplement and performance bonus), employers' contributions to defined contribution plans and other benefits including severance benefits provided for a key management personnel of an overseas subsidiary as required under the country's labour regulations.

37. 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	
	2013	2012
	$'000	$'000
Related parties		
Professional and brokerage fees incurred	**66**	5
Software development fees incurred	**2**	2
Fund management fees incurred	**-**	6
Director of Company		
Professional fees	**5**	4

38. 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 and insurance 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:

38. Financial and insurance risk management (cont'd)

Credit Risk (cont'd)

- 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 assesses the creditworthiness and risk profile of the obligors and formulates credit policies and procedures for the Group;
- The Client Audit Unit conducts audits on new factoring clients and some times, loan 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 Department and Credit Risk Management Department;
- The Internal Audit function provides independent assurance to senior management and the Audit Committee concerning compliance with credit processes, policies and the adequacy of internal controls; and
- Established limits and actual levels of exposure are regularly reviewed and reported to the Board of Directors on a periodic basis.

Credit risk arising on loans to customers under the LEFS and 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:

		Group		Company	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Collectively assessed					
Neither past due nor impaired (i)		**103,308**	147,863	**74,482**	102,650
Past due but not impaired (ii)		**10,598**	13,764	**10,524**	11,248
Gross amount		**113,906**	161,627	**85,006**	113,898
Collective impairment		**(1,523)**	(1,882)	**(1,349)**	(1,669)
Carrying amount		**112,383**	159,745	**83,657**	112,229
Individually impaired (iii)		**26,851**	11,786	**12,307**	5,622
Allowance for impairment		**(18,155)**	(7,733)	**(11,105)**	(4,185)
Carrying amount		**8,696**	4,053	**1,202**	1,437
Total carrying amount	8	**121,079**	163,798	**84,859**	113,666

38. **Financial and insurance risk management** (cont'd)

Credit Risk (cont'd)

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

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Grades 1 to 5 (gross amount)	**103,308**	147,863	**74,482**	102,650
includes accounts with renegotiated terms	**2,062**	8,963	**173**	8,963
includes accounts that are unsecured	**31,990**	36,727	**27,604**	32,758

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Grades 1 to 5 (gross amount)	**74**	41	**-**	-
Grades 6 to 9 (gross amount)	**10,524**	13,723	**10,524**	11,248
	10,598	13,764	**10,524**	11,248
Past due comprises:				
1 - 30 days	**9,657**	10,613	**9,657**	10,613
31 - 60 days	**61**	2,075	**14**	71
61 - 90 days	**255**	185	**240**	176
91 - 180 days	**250**	818	**238**	319
More than 180 days	**375**	73	**375**	69
Gross amount	**10,598**	13,764	**10,524**	11,248

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Grades 1 to 6	**-**	-	**-**	-
Grade 7	**7,637**	215	**1,053**	-
Grade 8	**8,229**	4,163	**2,660**	1,340
Grade 9	**10,985**	7,408	**8,594**	4,282
Gross amount	**26,851**	11,786	**12,307**	5,622
Allowance for impairment	**(18,155)**	(7,733)	**(11,105)**	(4,185)
Carrying amount	**8,696**	4,053	**1,202**	1,437

38. Financial and insurance risk management (cont'd)

Credit Risk (cont'd)

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

(b) Factoring receivables

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

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

The breakdown by type of factoring risk is as follows:

		Factoring receivables			
		Group		Company	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Recourse		**181,854**	171,957	**20,430**	18,759
Non-recourse		**3,885**	5,743	**3,885**	5,743
	14	**185,739**	177,700	**24,315**	24,502

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Past due but not impaired receivables				
More than 180 days	**2,633**	767	**1,337**	767

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

38. Financial and insurance risk management (cont'd)

Credit Risk (cont'd)

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

(c) Insurance receivables

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

	Group	
	2013	**2012**
	$'000	**$'000**
1 - 180 days	**108**	86
More than 180 days	**42**	24
	150	110

(II) Impaired loans and investments

(a) Loan classification

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

- Grades 1 to 5 - Payment of principal and interests are up-to-date and timely repayment of outstanding credit facilities is in no doubt.
- Grade 6 - Indicate that credit facilities exhibit potential weakness that, if not corrected in a timely manner, may adversely affect future repayments.
- Grade 7 - Timely repayment and/or settlement is at risk. Well-defined weakness is evident.
- Grade 8 - Full repayment and/or settlement is improbable.
- 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.

38. **Financial and insurance risk management** (cont'd)

Credit Risk (cont'd)

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

(c) Allowances for non-performing financial assets

(i) Allowances for loans and receivables

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

(ii) Allowances for investments

The Group establishes an allowance for impairment losses of investments that represents its estimate of incurred impairment in its investment portfolios. At each reporting date, Management assesses 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 an 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 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 fair value 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.

38. 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 receivables by risk grade.

	Loans, advances, hire purchase and leasing receivables			
	2013		2012	
	Gross $'000	Net $'000	Gross $'000	Net $'000
Group				
Grades 1 to 6	-	-	-	-
Grade 7	**7,637**	**4,204**	215	98
Grade 8	**8,229**	**4,437**	4,163	2,668
Grade 9	**10,985**	**55**	7,408	1,287
Total	**26,851**	**8,696**	11,786	4,053
Company				
Grades 1 to 6	-	-	-	-
Grade 7	**1,053**	**1,053**	-	-
Grade 8	**2,660**	**94**	1,340	150
Grade 9	**8,594**	**55**	4,282	1,287
Total	**12,307**	**1,202**	5,622	1,437

(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 2013 or 2012.

38. Financial and insurance risk management (cont'd)

Credit Risk (cont'd)

(III) Collateral (cont'd)

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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Against individually impaired				
Accounts receivable	**1,966**	-	-	-
Equipment	**5,122**	121	-	23
Subtotal	**7,088**	121	-	23
Against past due but not impaired				
Properties	**12,150**	-	**12,150**	-
Fixed/cash deposits	-	250	-	250
Vessels	**12,800**	13,500	**12,800**	13,500
Equipment	**999**	33	**940**	-
Shares	**269**	660	**269**	660
Subtotal	**26,218**	14,443	**26,159**	14,410
Against neither past due nor impaired				
Accounts receivable	-	285	-	285
Fixed/cash deposits	**1,089**	367	**1,000**	367
Properties	**36,858**	60,735	**36,858**	60,735
Equipment	**41,626**	48,760	**14,715**	10,744
Shares	-	6,500	-	6,500
Vessels	**54,452**	65,798	**54,452**	65,798
Subtotal	**134,025**	182,445	**107,025**	144,429
Total	**167,331**	197,009	**133,184**	158,862

(IV) Concentration of credit risk

The Group monitors concentration of credit risk by sectors.

The concentration of credit risk of derivative financial assets at the reporting date is in manufacturing sector.

38. Financial and insurance risk management (cont'd)

Credit Risk (cont'd)

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

An analysis of concentrations of credit risk of loans, investments and factoring receivables at the reporting date is shown below:

	Loans, advances, hire purchase and leasing receivables		Investments	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Group				
Concentration by sector				
Manufacturing	**86,723**	116,711	**2,130**	1,499
Services	**31,133**	33,177	**8,045**	11,678
Holding and investment companies	**2,222**	13,675	**376**	593
Property	**537**	-	**29,009**	21,907
Multi-industry	**-**	-	**-**	3,999
Others	**464**	235	**3,416**	5,515
	121,079	163,798	**42,976**	45,191
Company				
Concentration by sector				
Manufacturing	**56,217**	74,347	**-**	1,498
Services	**25,419**	25,409	**4,326**	5,607
Holding and investment companies	**2,222**	13,675	**-**	-
Property	**537**	-	**5,934**	7,423
Others	**464**	235	**-**	-
	84,859	113,666	**10,260**	14,528

	Factoring receivables			
	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Concentration by sector				
Manufacturing	**120,032**	128,070	**10,151**	12,643
Services	**63,544**	47,500	**12,001**	9,729
Holding and investment companies	**273**	225	**273**	225
Property	**409**	728	**409**	728
Others	**1,481**	1,177	**1,481**	1,177
Total	**185,739**	177,700	**24,315**	24,502

38. 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, factoring receivables and investments at the reporting date by geographical region was:

	Loans, advances, hire purchase and leasing receivables			
	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Singapore	**84,788**	101,161	**84,788**	101,161
Southeast Asia	**36,220**	50,132	-	-
Rest of Asia	**71**	2,813	**71**	2,813
Others	-	9,692	-	9,692
	121,079	163,798	**84,859**	113,666

	Factoring receivables			
	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Singapore	**24,315**	24,502	**24,315**	24,502
Southeast Asia	**161,424**	153,198	-	-
	185,739	177,700	**24,315**	24,502

	Investments			
	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Singapore	**38,450**	36,161	**6,415**	10,683
Southeast Asia	**3,844**	3,849	**3,844**	3,844
Rest of Asia	**641**	1,146	-	-
Others	**41**	4,035	**1**	1
	42,976	45,191	**10,260**	14,528

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 liabilities 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.

38. **Financial and insurance risk management** (cont'd)

Interest rate risk (cont'd)

The Group attempts to minimise the interest rate risks wherever possible over the tenor of the financing. Floating rate lending is matched by floating rate borrowings. For fixed rate loans, these are matched by shareholders' funds and fixed rate borrowings and, if economically feasible, of the same tenor and amount. However, gaps may arise due to prepayments or delays in drawdown by clients.

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

Fair value sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

As at 31 December 2013, it is estimated that a general increase of 100 basis points (bp) in interest rates would have increased the Group's profit after tax by approximately $213,000 and the Company's profit after tax by approximately $75,000 (2012: Group: $273,000; Company: $85,000). 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 having 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.

38. Financial and insurance risk management (cont'd)

Liquidity risk (cont'd)

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						
2013						
Non-derivative financial liabilities						
Trade and other payables	**11,091**	**11,091**	**11,091**	**-**	**-**	**-**
Insurance payables	**3,145**	**3,145**	**3,145**	**-**	**-**	**-**
Interest-bearing borrowings	**224,230**	**227,789**	**178,122**	**14,842**	**18,619**	**16,206**
Letters of credit	**-**	**1,594**	**1,594**	**-**	**-**	**-**
Bankers guarantees	**-**	**2,802**	**2,802**	**-**	**-**	**-**
	238,466	**246,421**	**196,754**	**14,842**	**18,619**	**16,206**
2012						
Non-derivative financial liabilities						
Trade and other payables	11,698	11,698	11,698	-	-	-
Insurance payables	3,675	3,675	3,675	-	-	-
Interest-bearing borrowings	249,926	253,211	193,865	15,948	31,023	12,375
Letters of credit	-	3,052	3,052	-	-	-
Bankers guarantees	-	2,245	2,245	-	-	-
	265,299	273,881	214,535	15,948	31,023	12,375
Company						
2013						
Non-derivative financial liabilities						
Trade and other payables	**7,491**	**7,491**	**7,491**	**-**	**-**	**-**
Interest-bearing borrowings	**112,451**	**114,662**	**77,878**	**10,116**	**12,019**	**14,649**
Letters of credit	**-**	**850**	**850**	**-**	**-**	**-**
	119,942	**123,003**	**86,219**	**10,116**	**12,019**	**14,649**
2012						
Non-derivative financial liabilities						
Trade and other payables	7,861	7,861	7,861	-	-	-
Interest-bearing borrowings	131,022	132,878	90,449	10,989	23,066	8,374
Letters of credit	-	512	512	-	-	-
	138,883	141,251	98,822	10,989	23,066	8,374

38. Financial and insurance risk management (cont'd)

Currency risk

The Group operates in Southeast Asia with dominant operations in Singapore, Indonesia, Malaysia and Thailand. Entities in the Group also transact in currencies other than their respective functional currencies ("foreign currencies") such as United States Dollar ("USD"), Australian Dollar ("AUD"), Sterling Pound ("GBP"), Indonesian 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, THB, GBP, AUD and RM. 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.

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

	USD $'000	THB $'000	GBP $'000	AUD $'000
Group				
2013				
Loans and advances, trade and other receivables	22,408	-	22	-
Other investments	32	3,844	376	265
Cash and cash equivalents	738	5	17	17
Other financial assets	197	-	-	-
Trade and other payables	(157)	(11,058)	-	-
Interest-bearing borrowings	(22,565)	-	-	-
Other financial liabilities	(65)	-	-	-
Net currency exposure	588	(7,209)	415	282

38. Financial and insurance risk management (cont'd)

Currency risk (cont'd)

	USD $'000	THB $'000	GBP $'000	AUD $'000
Group				
2012				
Loans and advances, trade and other receivables	38,352	-	1,530	-
Other investments	27	3,847	593	438
Cash and cash equivalents	1,197	5	10	8
Other financial assets	30	-	-	-
Trade and other payables	(610)	(11,404)	-	(1)
Interest-bearing borrowings	(38,255)	-	(624)	(1,218)
Other financial liabilities	(43)	-	-	-
Net currency exposure	698	(7,552)	1,509	(773)

	USD $'000	THB $'000	RM $'000	GBP $'000	AUD $'000
Company					
2013					
Loans and advances, trade and other receivables	**22,363**	**16**	**49**	**-**	**-**
Other investments	**-**	**3,844**	**-**	**-**	**-**
Cash and cash equivalents	**443**	**5**	**-**	**17**	**17**
Trade and other payables	**(91)**	**-**	**-**	**(40)**	**-**
Interest-bearing borrowings	**(22,565)**	**-**	**-**	**-**	**-**
Net currency exposure	**150**	**3,865**	**49**	**(23)**	**17**
2012					
Loans and advances, trade and other receivables	38,820	18	88	601	-
Other investments	-	3,844	-	-	-
Cash and cash equivalents	654	5	-	10	8
Trade and other payables	(549)	(1)	-	-	(1)
Interest-bearing borrowings	(38,256)	-	-	(624)	(1,218)
Net currency exposure	669	3,866	88	(13)	(1,211)

38. Financial and insurance risk management (cont'd)

Currency risk (cont'd)

Sensitivity analysis

A 10 percent strengthening of the Singapore dollar against the following currencies at the reporting date would have increased (decreased) the equity and 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 2013				
USD	**(2)**	**(47)**	**-**	**(13)**
THB	**722**	**-**	**(384)**	**(2)**
RM	**-**	**-**	**-**	**(4)**
GBP	**(38)**	**(3)**	**-**	**2**
AUD	**(27)**	**(1)**	**-**	**(1)**
31 December 2012				
USD	(2)	(56)	-	(55)
THB	755	-	(384)	(2)
RM	-	-	-	(7)
GBP	(59)	(76)	-	1
AUD	(44)	101	-	101

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

Other market 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 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.

38. Financial and insurance risk management (cont'd)

Other market price risk (cont'd)

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

Sensitivity analysis - market price risk

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Equity	**964**	549	**321**	459
Profit or loss	**329**	7	**24**	-

A 5 percent decrease in the prices of the financial instruments 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 a 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 management and the Board of Directors on the changes and development in the laws and regulations and assists Management to check on the Group's compliance of the limits set by the Risk Management guidelines.

38. Financial and insurance risk management (cont'd)

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.

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 65% to 70% of its total written premium as well as the same proportion of corresponding losses for 2013. Risks undertaken which do not fall within the treaty scope of cover are ceded to reinsurers on a facultative basis.

Asset-liability management ("ALM")

The ALM policy is designed to ensure financial assets are managed with maturity profile that matches the projected cash-flows for the Company's liabilities. In addition, the Company maintains at least 30% of claims liability in cash and cash equivalent to meet claims settlement as and when they arise.

38. Financial and insurance risk management (cont'd)

Insurance contract risk (cont'd)

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. Such investments require approval from at least two delegated authority. 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 position 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 2013 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:

- 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
- 2012 - 12 months ended 31 December 2012
- 2013 - 12 months ended 31 December 2013

38. **Financial and insurance risk management** (cont'd)

Insurance contract risk (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 2013
Unit: $'000s

Estimate of cumulative claims Accident year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
At end of accident year	1,551	1,899	2,594	998	1,464	616	227	275	1,658	
One year later	996	1,392	2,405	1,199	1,465	459	314	133		
Two years later	1,013	4,377	1,690	1,132	1,151	459	136			
Three years later	520	3,750	1,014	520	863	166				
Four years later	515	3,750	743	519	863					
Five years later	514	3,750	732	519						
Six years later	514	3,525	724							
Seven years later	514	3,525								
Eight years later	514									
Current estimate of ultimate claims	514	3,525	724	519	863	166	136	133	1,658	8,238
Cumulative payments	(514)	(3,525)	(724)	(519)	(863)	(8)	(12)	(84)	(452)	(6,701)
Net estimate of outstanding claim liability	-	-	-	-	-	158	124	49	1,206	1,537
Unallocated loss adjustment expenses	-	-	-	-	-	18	13	6	25	62
Effect of discounting	-	-	-	-	-	-	-	-	(1)	(1)
Best estimate of outstanding claim liability	-	-	-	-	-	176	137	55	1,230	1,598
Provision for adverse deviation										97
Net provision for insurance claims (note 11)										**1,695**

38. Financial and insurance risk management (cont'd)

Insurance contract risk (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 2012
Unit: $'000s

Estimate of cumulative claims **Accident year**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
At end of accident year	1,551	1,899	2,594	998	1,464	616	227	275	
One year later	996	1,392	2,405	1,199	1,465	459	314		
Two years later	1,013	4,377	1,690	1,132	1,151	459			
Three years later	520	3,750	1,014	520	863				
Four years later	515	3,750	743	519					
Five years later	514	3,750	732						
Six years later	514	3,525							
Seven years later	514								
Current estimate of ultimate claims	514	3,525	732	519	863	459	314	275	7,201
Cumulative payments	(514)	(3,525)	(732)	(519)	(863)	(7)	(12)	(70)	(6,242)
Net estimate of outstanding claim liability	-	-	-	-	-	452	302	205	959
Unallocated loss adjustment expenses	-	-	-	-	-	50	33	21	104
Effect of discounting	-	-	-	-	-	(2)	(1)	-	(3)
Best estimate of outstanding claim liability	-	-	-	-	-	500	334	226	1,060
Provision for adverse deviation									160
Net provision for insurance claims (note 11)									**1,220**

38. Financial and insurance risk management (cont'd)

Estimation of fair value

Derivative financial assets

The fair value of quoted warrants is their last bid price at the reporting date.

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

During the year, the Group's subsidiary granted convertible loans amounting to $9.5 million to finance residential projects in Singapore. The convertible loans contain embedded equity conversion options and are expected to convert or mature between 2016 and 2018. These have been classified as available-for-sale financial assets as Level 3. Management has not performed any fair valuation on these convertible loans as the projects have not been launched.

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 assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that is not based on observable market data (unobservable inputs).

38. Financial and insurance risk management (cont'd)

Estimation of fair value (cont'd)

Fair value hierarchy (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2013				
Derivative financial assets	**580**	**-**	**-**	**580**
Available-for-sale financial assets				
- Equity securities	**376**	**-**	**3,480**	**3,856**
- Debt securities	**995**	**-**	**-**	**995**
- Convertible loans	**-**	**5,934**	**9,500**	**15,434**
Held-for-trading equity securities	**7,334**	**-**	**-**	**7,334**
	9,285	**5,934**	**12,980**	**28,199**
2012				
Derivative financial assets	-	-	-	-
Available-for-sale financial assets				
- Equity securities	1,867	-	1,810	3,677
- Debt securities	984	-	-	984
- Convertible loans	-	7,423	-	7,423
Held-for-trading equity securities	17	-	-	17
	2,868	7,423	1,810	12,101
Company				
2013				
Derivative financial assets	**580**	**-**	**-**	**580**
Available-for-sale financial assets				
- Equity securities	**-**	**-**	**481**	**481**
- Convertible loan	**-**	**5,934**	**-**	**5,934**
	580	**5,934**	**481**	**6,995**
2012				
Derivative financial assets	-	-	-	-
Available-for-sale financial assets				
- Equity securities	1,274	-	488	1,762
- Convertible loan	-	7,423	-	7,423
	1,274	7,423	488	9,185

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 assumptions that may have a significant effect on the Level 3 fair value measurements.

During the financial year ended 31 December 2013, there were no significant transfers between Level 1 and Level 2.

38. **Financial and insurance risk management** (cont'd)

Estimation of fair value (cont'd)

Fair value hierarchy (cont'd)

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of fair value hierarchy:

	Group $'000	Company $'000
At 1 January 2013	**1,810**	**488**
Additions	**11,500**	**-**
Redemptions	**(691)**	**-**
Provision utilised	**578**	**-**
Loss recognised in other comprehensive income	**(214)**	**(7)**
Loss recognised in profit or loss	**(3)**	**-**
At 31 December 2013	**12,980**	**481**
At 1 January 2012	3,264	1,177
Additions	350	-
Redemptions	(1,231)	(600)
Loss recognised in other comprehensive income	(294)	(89)
Loss recognised in profit or loss	(279)	-
At 31 December 2012	1,810	488

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 as at 31 December are represented in the following table:

	2013		2012	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Group				
Financial assets				
Held-to-maturity investments	**11,512**	**11,689**	27,246	27,272
Unrecognised (gain)		**(177)**		(26)
Company				
Financial assets				
Held-to-maturity investment	-	-	1,499	1,501
Unrecognised (gain)		-		(2)

39. 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.

Impairment losses on unquoted equities

Significant judgements and estimates are made by the Group for valuation of unquoted equities to assess impairment on a regular basis. Valuations of unquoted equities are based on management analysis using the discounted cashflows and net assets of the investee companies.

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 Financial Instruments, 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 $177,000 (2012: $26,000) with a corresponding entry in the fair value reserves in equity.

Provisions for unexpired risks and insurance claims

Provisions for unexpired risks and insurance claims as at 31 December 2013 have been assessed by the approved actuary (Deloitte Actuarial and Insurance Solutions (Hong Kong) Limited) in accordance with local insurance regulatory requirements.

39. Accounting judgements and estimates (cont'd)

Critical accounting judgements (cont'd)

Provisions for unexpired risks and insurance claims (cont'd)

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 2013. The sensitivity analysis is subject to the reliance that the approved actuary has placed on management and limitations described in the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full;

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

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

I. Provision for unexpired risks - sensitivity analysis

The provision for unexpired risks is the higher of:

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

(b) Unearned premium reserves.

For short-term credit insurance policies, the provision for unexpired risks is based on the ultimate loss ratio for 2013 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 1.00% to 4.80% based on each bond category (2012: 1.00% to 4.98%).

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.

39. Accounting judgements and estimates (cont'd)

Critical accounting judgements (cont'd)

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

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

	Net $'000	Gross $'000
2013		
Estimated provision for unexpired risks under the base scenario	6,289	15,898
2012		
Estimated provision for unexpired risks under the base scenario	4,089	11,864

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 1.00% to 4.80% 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	7,568	6,274	16,829	15,898

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 75% of the bond or guarantee value if it is called. Using rates of 83% or 68%, the provision for unexpired risks would change as follows:

	High 83%	Low 68%	High 83%	Low 68%
	Net $'000		Gross $'000	
Provision for unexpired risks	6,275	7,049	15,898	15,898

39. Accounting judgements and estimates (cont'd)

Critical accounting judgements (cont'd)

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

Claim handling expenses ("CHE")

Allowance for CHE relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on 5% of expected future losses and maintenance expenses computed at 8% 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	6,290	6,287	15,898	15,898

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	6,290	6,287	15,898	15,898

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.

39. Accounting judgements and estimates (cont'd)

Critical accounting judgements (cont'd)

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

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

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 using discount rates based on the prevailing 'risk free' rate chosen as the yield of Singapore Government Bonds.

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.

39. **Accounting judgements and estimates** (cont'd)

Critical accounting judgements (cont'd)

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

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

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

	Net $'000	Gross $'000
2013		
Estimated provision for insurance claims under the base scenario	**1,695**	**4,875**
2012		
Estimated provision for insurance claims under the base scenario	1,220	2,557

Ultimate number of claims per million earned premiums in accident year 2013 for short term credit insurance

The ultimate number of claims 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 4-6 claims per million of earned premiums for the last 4 accident years. If the ultimate number of claims per million of earned premiums increases or decreases by one claim in the accident year 2013, the corresponding gross and net provisions for insurance claims are set out as follows:

	High +1 claim	Low -1 claim	High +1 claim	Low -1 claim
	Net $'000		Gross $'000	
Provision for insurance claims	**1,901**	**1,513**	**5,359**	**4,449**

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.

39. Accounting judgements and estimates (cont'd)

Critical accounting judgements (cont'd)

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

Average claim size for short-term credit insurance *(cont'd)*

The Group has assumed an average claim size of $39,600 under the base scenario. If the average claim size is assumed to be $43,560 (High) and $35,640 (Low), the corresponding gross and net provisions for insurance claims will be as follows:

	High $43,560	Low $35,640	High $43,560	Low $35,640
	Net $'000		Gross $'000	
Provision for insurance claims	1,749	1,642	4,997	4,751

Claim handling expenses ("CHE")

Allowance for CHE relates to the costs of administering outstanding claims until all claims are fully settled. CHE is computed based on 5% of incurred-but-not-reported claims and 2.5% of case reserves.

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

	High +10%	Low -10%	High +10%	Low -10%
	Net $'000		Gross $'000	
Provision for insurance claims	1,703	1,688	4,881	4,867

Provision for adverse deviation

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

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

	High +10%	Low -10%	High +10%	Low -10%
	Net $'000		Gross $'000	
Provision for insurance claims	1,705	1,686	4,895	4,852

40. Operating segment

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

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, spa insurance for pre-paid packages, political risks, contractors all risk and work injury compensation insurance. The segment includes holding of equity securities and bonds under the regulated Insurance Fund.
Private equity and other investments	:	The provision of development capital in the form of mezzanine financing, convertible debt instruments and direct private equity investments.

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

40. Operating segment (cont'd)

Information about reportable segments

	Credit financing $'000	Insurance $'000	Private equity and other investments $'000	Total $'000
2013				
Operating results				
Total operating income	**35,485**	**5,850**	**2,896**	**44,231**
Reportable segment (loss)/profit before tax	**(4,859)**	**245**	**423**	**(4,191)**
Net interest income	**20,621**	**-**	**144**	**20,765**
Net earned premium revenue	**-**	**2,919**	**-**	**2,919**
Non-interest income	**8,688**	**2,986**	**2,752**	**14,426**
Other material non-cash items				
- Allowances for loan losses and impairment of other assets	**(19,679)**	**(11)**	**(1,485)**	**(21,175)**
- Depreciation and amortisation	**(1,299)**	**(71)**	**(70)**	**(1,440)**
Assets and liabilities				
Reportable segment assets	**295,685**	**74,282**	**24,083**	**394,050**
Capital expenditure	**213**	**47**	**-**	**260**
Reportable segment liabilities	**229,555**	**25,098**	**5,362**	**260,015**
2012				
Operating results				
Total operating income	33,442	7,746	1,881	43,069
Reportable segment profit/(loss) before tax	8,931	3,591	(141)	12,381
Net interest income	19,604	-	-	19,604
Net earned premium revenue	-	3,998	-	3,998
Non-interest income	7,023	3,726	1,881	12,630
Other material non-cash items				
- Allowances for loan losses and impairment of other assets	(2,197)	(24)	(834)	(3,055)
- Depreciation and amortisation	(1,464)	(124)	(415)	(2,003)
Assets and liabilities				
Reportable segment assets	342,164	68,609	18,135	428,908
Capital expenditure	708	47	-	755
Reportable segment liabilities	255,568	19,436	5,292	280,296

40. Operating segment (cont'd)

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

	2013 $'000	2012 $'000
Operating income		
Interest income	**27,613**	26,765
Net earned premium revenue	**2,919**	3,998
Fee and commission income	**10,404**	8,942
Investment income	**3,295**	3,364
Total operating income for reportable segments	**44,231**	43,069
(Loss)/profit		
Total (loss)/profit for reportable segments	**(4,191)**	12,381
Consolidated (loss)/profit before tax	**(4,191)**	12,381
Non-interest income		
Total non-interest income for reportable segments	**14,426**	12,630
Consolidated non-interest income	**14,426**	12,630
Assets		
Total assets for reportable segments	**394,050**	428,908
Other unallocated amounts	**5,650**	3,693
Consolidated assets	**399,700**	432,601
Liabilities		
Total liabilities for reportable segments	**260,015**	280,296
Other unallocated amounts	**2,051**	2,992
Consolidated liabilities	**262,066**	283,288

40. Operating segment (cont'd)

Geographical segments

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

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

Geographical information

	Operating income $'000	Non-current assets $'000	Total assets $'000
2013			
Singapore	**18,947**	**15,972**	**217,986**
Southeast Asia	**23,802**	**2,015**	**180,461**
Rest of Asia	**1**	**-**	**377**
Others	**1,481**	**-**	**876**
	44,231	**17,987**	**399,700**
2012			
Singapore	17,080	16,586	223,864
Southeast Asia	20,998	2,666	193,132
Rest of Asia	-	-	709
Others	4,991	-	14,896
	43,069	19,252	432,601

Additional Information

31 December 2013

INTERESTED PERSON TRANSACTIONS

For the financial year ended 31 December 2013, 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 $100,000. Hence, no disclosure is required in the Annual Report.

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 3 March 2014

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	126	3.19	39,414	0.02
1,000 - 10,000	2,738	69.37	10,418,506	6.93
10,001 - 1,000,000	1,074	27.21	42,285,030	28.12
1,000,001 and above	9	0.23	97,644,916	64.93
Total	3,947	100.00	150,387,866	100.00

TOP TWENTY SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	Phillip Securities Pte Ltd	62,005,716	41.23
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	5,832,800	3.88
5	DBS Nominees Pte Ltd	5,550,105	3.69
6	OCBC Nominees Singapore Pte Ltd	2,523,003	1.68
7	Ng Chit Tong Peter	2,201,880	1.46
8	Lee Soon Kie	1,386,900	0.92
9	Tan Soon Lin	1,010,800	0.67
10	Citibank Nominees Singapore Pte Ltd	994,700	0.66
11	Lai Weng Kay	592,000	0.39
12	Ng Soh Lian	552,000	0.37
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	Quek Hwee Inn	450,000	0.30
17	Teo Yew Hock	413,260	0.27
18	HSBC (Singapore) Nominees Pte Ltd	410,190	0.27
19	Wee Joo Guan Robert	403,414	0.27
20	Choy Bianca	400,000	0.27
	Total	103,410,020	68.76

Statistics of Shareholdings

As at 3 March 2014

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 3 March 2014, approximately 50.5% 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 3 March 2014

	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-Seventh (27th) 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 Thursday, 17 April 2014 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 2013 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 2 cents per share for the financial year ended 31 December 2013. **(Resolution 2)**

3. To approve the Directors' fees of S$256,000 (2012: S$256,000) for the financial year ended 31 December 2013. **(Resolution 3)**

4. To re-elect the following Directors retiring in accordance with Article 91 of the Company's Articles of Association:
   (i) Mr Gabriel Teo Chen Thye **(Resolution 4)**
   (ii) Mr Law Song Keng **(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 29 April 2014, 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 2013.

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 112 Robinson Road #05-01, Singapore 068902 up to the close of business at 5.00 p.m. on 28 April 2014 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 28 April 2014 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 8 May 2014.

By Order of the Board

Chionh Yi Chian
Company Secretary
IFS Capital Limited

Singapore
1 April 2014

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

2. **Notes to Resolution 5**:

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

3. **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

IMPORTANT

1. For investors who have used their Central Provident Fund (**"CPF"**) monies to buy shares in the capital of IFS Capital Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to their CPF Approved Nominees within the time frame specified to enable their CPF Approved Nominees to vote on their behalf.

PROXY FORM

Twenty-Seventh (27th) Annual General Meeting

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

of ____(Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf and if necessary, to demand a poll, at the Twenty-Seventh (27th) Annual General Meeting of the Company to be held at the IFS Boardroom, 7 Temasek Boulevard #10-01, Suntec Tower One, Singapore 038987, on Thursday, 17 April 2014 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 2 cents per share		
3	Approval of Directors' Fees amounting to S$256,000		
4	Re-election of Director: Mr Gabriel Teo Chen Thye		
5	Re-election of Director: Mr Law Song Keng		
6	Re-appointment of KPMG LLP as Auditors		
Special Business			
7	Ordinary Resolution: Authority for Directors to Issue Shares and Instruments Convertible into Shares		

* ***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 _________________ 2014

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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