IFS Capital Limited

(Registration no: 198700827C)

Second Quarter and Half Year Unaudited Financial Statements and Dividend Announcement for the Period Ended 30 June 2018

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1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Income Statement

	3 months ended 30 June			6 months ended 30 June		
	2Q FY2018 S$'000	2Q FY2017 S$'000	+/(-) %	6M FY2018 S$'000	6M FY2017 S$'000	+/(-) %
Interest income	6,665	6,233	6.9	12,556	12,144	3.4
Interest expense	(1,850)	(1,429)	29.5	(3,300)	(2,759)	19.6
Net interest income	**4,815**	**4,804**	0.2	**9,256**	**9,385**	(1.4)
Gross written premiums	1,573	2,785	(43.5)	4,104	6,520	(37.1)
Change in gross provision for unexpired risks	1,016	1,509	(32.7)	1,559	2,320	(32.8)
Gross earned premium revenue	2,589	4,294	(39.7)	5,663	8,840	(35.9)
Written premiums ceded to reinsurers	(411)	(773)	(46.8)	(1,155)	(1,751)	(34.0)
Reinsurers' share of change in provision for unexpired risks	(196)	(293)	(33.1)	(94)	(674)	(86.1)
Reinsurance premium expense	(607)	(1,066)	(43.1)	(1,249)	(2,425)	(48.5)
Net earned premium revenue (i)	**1,982**	**3,228**	(38.6)	**4,414**	**6,415**	(31.2)
Fee and commission income	1,940	1,425	36.1	3,867	3,089	25.2
Investment income	762	807	(5.6)	1,324	1,706	(22.4)
Other income	123	99	24.2	303	199	52.3
Sub-total (ii)	**2,825**	**2,331**	21.2	**5,494**	**4,994**	10.0
Non-interest income (i) + (ii)	**4,807**	**5,559**	(13.5)	**9,908**	**11,409**	(13.2)
Income before operating expenses	**9,622**	**10,363**	(7.2)	**19,164**	**20,794**	(7.8)
Business development expenses	(114)	(117)	(2.6)	(225)	(228)	(1.3)
Commission expenses	(364)	(529)	(31.2)	(935)	(1,237)	(24.4)
Staff costs	(3,370)	(3,189)	5.7	(6,631)	(6,440)	3.0
General and administrative expenses	(1,286)	(1,908)	(32.6)	(3,006)	(3,488)	(13.8)
Operating expenses	**(5,134)**	**(5,743)**	(10.6)	**(10,797)**	**(11,393)**	(5.2)
Change in provision for insurance claims	(3,043)	(1,204)	152.7	(3,712)	(2,319)	60.1
Reinsurers' share of change in provision for insurance claims	2,177	(132)	NM	2,007	(312)	NM
Gross claims paid	(1,310)	(1,275)	2.7	(3,115)	(2,954)	5.5
Reinsurers' share of claims paid	12	88	(86.4)	30	323	(90.7)
Net claims incurred	**(2,164)**	**(2,523)**	(14.2)	**(4,790)**	**(5,262)**	(9.0)
Operating profit before allowances	**2,324**	**2,097**	10.8	**3,577**	**4,139**	(13.6)
Allowances for loan losses and impairment of other assets	(234)	(1,095)	(78.6)	(818)	(2,303)	(64.5)
Profit before tax	**2,090**	**1,002**	108.6	**2,759**	**1,836**	50.3
Tax expense	(838)	(493)	70.0	(1,407)	(902)	56.0
Profit for the period	**1,252**	**509**	146.0	**1,352**	**934**	44.8
Profit attributable to:						
Owners of the Company	788	95	NM	467	121	NM
Non-controlling interests	464	414	12.1	885	813	8.9
Profit for the period	**1,252**	**509**	146.0	**1,352**	**934**	44.8

NM – not meaningful/more than +/- 200%

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Comprehensive Income

	Note	3 months ended 30 June			6 months ended 30 June		
		2Q FY2018 S$'000	2Q FY2017 S$'000	+/(-) %	6M FY2018 S$'000	6M FY2017 S$'000	+/(-) %
Profit for the period		**1,252**	**509**	146.0	**1,352**	**934**	44.8
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss							
Net change in fair value of financial assets at FVOCI	(i)	(161)	-	NM	(488)	-	NM
Net change in fair value of available-for-sale financial assets	(i)	-	107	NM	-	190	NM
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		4	-	NM	3	-	NM
Foreign currency translation differences of foreign operations	(ii)	(1,037)	39	NM	236	166	42.2
Tax on other comprehensive income		-	(16)	NM	-	(17)	NM
		(1,194)	130	NM	(249)	339	NM
Other comprehensive income for the period, net of tax		(1,194)	130	NM	(249)	339	NM
Total comprehensive income for the period		58	639	(90.9)	1,103	1,273	(13.4)
Attributable to:							
Owners of the Company		(137)	227	NM	146	367	(60.2)
Non-controlling interests		195	412	(52.7)	957	906	5.6
		58	639	(90.9)	1,103	1,273	(13.4)

NM – not meaningful/more than +/- 200%

Notes:

(i) Net change in fair value of financial assets was mainly due to mark-to-market (loss)/gain on debt securities.

(ii) Foreign currency translation differences of foreign operations arose mainly from the translation of financial statements of foreign operations whose functional currencies are Thai Baht, Malaysian Ringgit and Indonesian Rupiah.

In 1Q FY2018, the Thai Baht strengthened against the Singapore Dollar resulted in a significant gain in foreign currency translation difference. During 2Q FY2018, the Thai Baht dipped close to the exchange rate from back in December 2017. As a result, 2Q FY2018 recorded a loss while 6M FY2018 recorded a slight gain.

1(a)(ii) The following items have been included in arriving at Group net profit/(loss) for the period

	3 months ended 30 June			6 months ended 30 June		
	2Q FY2018 S$'000	2Q FY2017 S$'000	+/(-) %	6M FY2018 S$'000	6M FY2017 S$'000	+/(-) %
Investment income						
- dividend, fee and interest income	622	769	(19.1)	1,205	1,118	7.8
- gain on disposal of equity securities	38	290	(86.9)	74	459	(83.9)
- gain on partial redemption of convertible loan	369	-	NM	638	-	NM
- net change in fair value of financial assets at fair value through profit or loss	(371)	(118)	NM	(606)	438	NM
- amortisation of held-to-maturity debt securities	(14)	(15)	(6.7)	(23)	(31)	(25.8)
- exchange gain/(loss)	118	(119)	NM	36	(278)	NM
	762	807	(5.6)	1,324	1,706	(22.4)
Gain on disposal of property, plant and equipment	-	-	NM	51	-	NM
Amortisation of intangible assets	(75)	(111)	(32.4)	(159)	(228)	(30.3)
Depreciation of property, plant and equipment	(287)	(291)	(1.4)	(575)	(586)	(1.9)
Foreign currency differences						
- exchange gain/(loss)	72	(44)	NM	16	(64)	NM
- realised gain on foreign exchange contracts	-	-	NM	8	-	NM
- fair value loss on foreign exchange forward contracts	(41)	-	NM	(41)	-	NM
	(331)	(446)	(25.8)	(700)	(878)	(20.3)
Reversal of/(provision for) unexpired risks, net of reinsurers' share						
- change in gross provision for unexpired risks	1,016	1,509	(32.7)	1,559	2,320	(32.8)
- reinsurers' share of change in provision for unexpired risks	(196)	(293)	(33.1)	(94)	(674)	(86.1)
	820	1,216	(32.6)	1,465	1,646	(11.0)
Claims incurred, net of reinsurers' share						
- net of change in provision for insurance claims	(866)	(1,336)	(35.2)	(1,705)	(2,631)	(35.2)
- net claims paid	(1,298)	(1,187)	9.4	(3,085)	(2,631)	17.3
	(2,164)	(2,523)	(14.2)	(4,790)	(5,262)	(9.0)

1(a)(ii) The following items have been included in arriving at Group net profit/(loss) for the period (Continued)

	3 months ended 30 June			6 months ended 30 June		
	2Q FY2018 S$'000	2Q FY2017 S$'000	+/(-) %	6M FY2018 S$'000	6M FY2017 S$'000	+/(-) %
Reversal of/(allowance for) loan losses and impairment of investments						
- stage 1 provision	94	-	NM	96	-	NM
- stage 2 provision	(186)	-	NM	(208)	-	NM
- stage 3 provision	(131)	-	NM	(628)	-	NM
- collective provision - loans and receivables	-	136	NM	-	231	NM
- specific provision - loans and receivables	-	(606)	NM	-	(1,330)	NM
- specific provision - interest accrual on non-performing accounts	-	(577)	NM	-	(1,131)	NM
- insurance and other receivables	(11)	(48)	(77.1)	(78)	(73)	6.8
	(234)	(1,095)	(78.6)	(818)	(2,303)	(64.5)
Tax expenses						
- current tax expense	(466)	(480)	(2.9)	(933)	(871)	7.1
- deferred tax expense	(372)	(13)	NM	(412)	(31)	NM
- underprovision of prior years' tax	-	(62)	NM	(62)	(62)	-
	(838)	(555)	51.0	(1,407)	(964)	46.0

1(b)(i) A statement of financial position (for the group and issuer), together with a comparative statement as at the end of the immediately preceding financial year.

	Group			Company	
	30/6/2018 S$'000	31/12/2017 S$'000 Restated*	1/1/2017 S$'000 Restated*	30/6/2018 S$'000	31/12/2017 S$'000
Non-current assets					
Property, plant and equipment	14,596	14,893	15,697	13,050	13,342
Intangible assets	630	465	588	292	119
Investment properties	3,662	3,756	3,914	-	-
Subsidiaries	-	-	-	86,897	86,897
Other investments	51,456	54,377	49,194	6,357	5,262
Loans, advances, hire purchase and leasing receivables	73,712	54,841	43,004	54,995	44,513
Deferred tax assets	5,118	5,308	5,434	287	391
	149,174	**133,640**	**117,831**	**161,878**	**150,524**
Current assets					
Reinsurers' share of insurance contract provisions	5,563	3,649	7,047	-	-
Insurance receivables	1,993	1,225	1,933	-	-
Loans, advances, hire purchase and leasing receivables	90,236	52,482	61,685	72,779	39,720
Trade and other receivables	168,062	169,334	153,681	47,938	52,665
Other investments	10,982	15,622	29,542	611	659
Cash and cash equivalents	41,727	35,064	33,724	13,084	12,163
	318,563	**277,376**	**287,612**	**134,412**	**105,207**
Total assets	**467,737**	**411,016**	**405,443**	**296,290**	**255,731**
Equity					
Share capital	137,302	137,302	137,302	137,302	137,302
Other reserves	252	3,982	4,701	-	379
Accumulated profits	13,466	11,007	9,004	25,117	24,696
Equity attributable to owners of the Company	**151,020**	**152,291**	**151,007**	**162,419**	**162,377**
Non-controlling interests	14,082	14,024	12,618	-	-
Total equity	**165,102**	**166,315**	**163,625**	**162,419**	**162,377**
Non-current liabilities					
Interest-bearing borrowings	6,768	9,412	13,033	1,000	4,000
Employee benefits	1,231	1,145	1,118	-	-
Deferred tax liabilities	523	375	339	-	-
	8,522	**10,932**	**14,490**	**1,000**	**4,000**
Current liabilities					
Trade and other payables	8,285	10,894	11,540	3,234	5,444
Insurance payables	2,287	1,967	2,273	-	-
Interest-bearing borrowings	258,711	198,377	187,390	129,621	83,894
Insurance contract provisions for					
- gross unexpired risks	8,471	10,029	15,756	-	-
- gross unexpired claims	15,422	11,710	9,824	-	-
Current tax payable	937	792	545	16	16
	294,113	**233,769**	**227,328**	**132,871**	**89,354**
Total liabilities	**302,635**	**244,701**	**241,818**	**133,871**	**93,354**
Total equity and liabilities	**467,737**	**411,016**	**405,443**	**296,290**	**255,731**

* *The consolidated statement of financial position as at 1 January and 31 December 2017 have been restated as a result of the adoption of the Singapore Financial Reporting Standards (International) ("SFRS(I)").*

Please refer to Paragraph 5 of this announcement for the restatement of the consolidated statement of financial position as a result of the adoption of SFRS(I).

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.

	Unsecured	
	As at 30-Jun-18 S$'000	As at 31-Dec-17 S$'000
Amount repayable in one year or less, or on demand	258,711	198,377
Amount repayable after one year	6,768	9,412
	265,479	**207,789**

Details of any collateral

Nil

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months ended 30 June		6 months ended 30 June	
	2Q FY2018 S$'000	2Q FY2017 S$'000	6M FY2018 S$'000	6M FY2017 S$'000
Cash flows from operating activities				
Profit for the period	1,252	509	1,352	934
Adjustments for:				
Amortisation of intangible assets and held-to-maturity debt securities	89	126	182	259
Net foreign exchange gain	(927)	(154)	(16)	12
Depreciation of property, plant and equipment	287	291	575	586
Gain on disposal of equity securities	(38)	(290)	(74)	(459)
Gain on partial redemption of convertible loans	(369)	-	(638)	-
Gain on disposal of property, plant and equipment	-	-	(51)	-
Net change in fair value of financial assets at fair value through profit or loss	371	118	606	(438)
(Reversal of)/provision for, net of reinsurers' share				
- unexpired risks	(2,998)	(1,216)	(3,643)	(1,646)
- insurance claims	3,044	1,336	3,883	2,631
Interest income	(6,665)	(6,233)	(12,556)	(12,144)
Interest income from investments and fixed deposits	(260)	(315)	(576)	(612)
Dividend income from investments	(361)	(455)	(628)	(507)
Interest expense	1,851	1,429	3,300	2,759
Fixed assets writted off	-	(1)	-	-
Tax expense	840	493	1,409	902
Operating cash flows before changes in working capital	(3,884)	(4,362)	(6,875)	(7,723)
Changes in working capital				
Factoring receivables	8,589	(2,907)	(2,459)	(5,955)
Factoring amounts due to clients	(1,772)	(606)	3,595	(919)
Loans, advances, hire purchase and lease receivables	(28,604)	(1,944)	(57,544)	(4,501)
Insurance and other receivables	139	423	(67)	627
Trade, other and insurance payables	(2,505)	1,457	(2,372)	217
Cash used in operations	(28,037)	(7,939)	(65,722)	(18,254)
Interest received	7,022	6,499	13,154	12,809
Interest paid	(1,713)	(1,402)	(3,127)	(2,729)
Taxes paid, net	(790)	(503)	(790)	(503)
Net cash used in operating activities	**(23,518)**	**(3,345)**	**(56,485)**	**(8,677)**

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (Continued)

	3 months ended 30 June		6 months ended 30 June	
	2Q FY2018 S$'000	2Q FY2017 S$'000	6M FY2018 S$'000	6M FY2017 S$'000
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	1	51	1
Purchase of property, plant and equipment	(3)	(8)	(163)	(58)
Purchase of intangible assets	(121)	(58)	(323)	(100)
Purchase of investments	(3,793)	(12,518)	(8,486)	(30,793)
Proceeds from disposal of investments	10,795	10,276	15,679	33,175
Dividend received from investments	361	455	628	507
Net cash generated from/(used in) investing activities	**7,239**	**(1,852)**	**7,386**	**2,732**
Cash flows from financing activities				
Dividends paid				
- by the Company	(1,128)	-	(1,128)	-
- by a subsidiary company to non-controlling interests	(849)	(511)	(849)	(511)
Proceeds from interest-bearing borrowings	24,194	5,569	57,690	11,354
Net cash generated from financing activities	**22,217**	**5,058**	**55,713**	**10,843**
Net increase in cash and cash equivalents	**5,938**	**(139)**	**6,614**	**4,898**
Cash and cash equivalents at beginning of period	35,994	38,827	35,064	33,724
Effect of exchange rate fluctuations on cash held	(205)	-	49	66
Cash and cash equivalents at end of period	**41,727**	**38,688**	**41,727**	**38,688**
Analysis of cash and cash equivalents				
Fixed deposits	16,274	18,510	16,274	18,510
Cash at banks and on hand	25,453	20,178	25,453	20,178
Cash and cash equivalents at end of period	**41,727**	**38,688**	**41,727**	**38,688**

1(d)(i) A statement (for the group and issuer) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to owners of the Company						Non-	
	Share capital	Capital reserve	Fair value reserve	Translation reserve	Accumulated profits	Total	controlling interests	Total equity
Group	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
2018								
At 31 December 2017, as previously stated	137,302	108	3,458	(6,936)	18,359	152,291	14,024	166,315
Impact on the adoption of SFRS(I) 1	-	-	-	7,352	(7,352)	-	-	-
At 31 December 2017, as restated	137,302	108	3,458	416	11,007	152,291	14,024	166,315
Impact on the adoption of SFRS(I) 9	-	-	(3,409)	-	3,120	(289)	(50)	(339)
At 1 January 2018, as restated	137,302	108	49	416	14,127	152,002	13,974	165,976
Total comprehensive income for the period								
(Loss)/profit for the period	-	-	-	-	467	467	885	1,352
Other comprehensive income								
Foreign currency translation differences	-	-	-	164	-	164	72	236
Net change in fair value of financial assets at FVOCI	-	-	(488)	-	-	(488)	-	(488)
Net change in fair value of financial assets at FVOCI reclassified to profit or loss	-	-	3	-	-	3	-	3
Total other comprehensive income	-	-	(485)	164	-	(321)	72	(249)
Total comprehensive income for the period	-	-	(485)	164	467	146	957	1,103
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Dividends paid to owners of the Company	-	-	-		(1,128)	(1,128)	-	(1,128)
Total contributions by and distributions to owners	-	-	-	-	(1,128)	(1,128)	-	(1,128)
Changes in ownership interests in subsidiaries								
Dividends paid by a susidiary company to non-controlling interests	-	-	-	-	-	-	(849)	(849)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	(849)	(849)
Total transactions with owners	-	-	-	-	(1,128)	(1,128)	(849)	(1,977)
At 30 June 2018	137,302	108	(436)	580	13,466	151,020	14,082	165,102

1(d)(i) A statement (for the group and issuer) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Continued)

	Attributable to owners of the Company						Non-	
	Share capital	Capital reserve	Fair value reserve	Translation reserve	Accumulated profits	Total	controlling interests	Total equity
Group	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
2017								
At 1 January 2017, as previously stated	137,302	38	4,663	(7,352)	16,356	151,007	12,618	163,625
Impact on the adoption of SFRS(I) 1	-	-	-	7,352	(7,352)	-	-	-
At 1 January 2017, as restated	137,302	38	4,663	-	9,004	151,007	12,618	163,625
Total comprehensive income for the period								
Profit for the period	-	-	-	-	121	121	813	934
Other comprehensive income								
Foreign currency translation differences	-	-	-	73	-	73	93	166
Net change in fair value of available-for-sale financial assets	-	-	190	-	-	190	-	190
Tax on other comprehensive income	-	-	(17)	-	-	(17)	-	(17)
Total other comprehensive income	-	-	173	73	-	246	93	339
Total comprehensive income for the period	-	-	173	73	121	367	906	1,273
Transactions with owners, recognised directly in equity								
Changes in ownership interests in subsidiaries								
Dividends paid by a susidiary company to non-controlling interests	-	-	-	-	-	-	(511)	(511)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	(511)	(511)
Total transactions with owners	-	-	-	-	-	-	(511)	(511)
At 30 June 2017	137,302	38	4,836	73	9,125	151,374	13,013	164,387

1(d)(i) A statement (for the group and issuer) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Continued)

Company	Share capital S$'000	Fair value reserve S$'000	Accumulated profits S$'000	Total equity S$'000
2018				
At 31 December 2017	137,302	379	24,696	162,377
Impact on the adoption of SFRS(I) 9	-	(379)	276	(103)
At 1 January 2018	137,302	-	24,972	162,274
Total comprehensive income for the period				
Profit for the period	-	-	145	145
Total comprehensive income for the period	-	-	145	145
At 30 June 2018	137,302	-	25,117	162,419
2017				
At 1 January 2017	137,302	978	21,140	159,420
Total comprehensive income for the period				
Profit for the period	-	-	1,962	1,962
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	-	17	-	17
Tax on other comprehensive income	-	(3)	-	(3)
Total other comprehensive income	-	14	-	14
Total comprehensive income for the period	-	14	1,962	1,976
At 30 June 2017	137,302	992	23,102	161,396

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of Ordinary Shares (excluding Treasury Shares)	
	As at 30 Jun 2018	As at 31 Dec 2017
Balance at beginning and end of the period	**375,969,665**	**375,969,665**

There were no outstanding convertibles as at 30 June 2018 and 31 December 2017.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 June 2018 and 31 December 2017, the issued and paid up share capital excluding treasury shares of the Company comprised of 375,969,665 (30 June 2017: 375,969,665) ordinary shares.

The Company does not hold any treasury shares as at 30 June 2018, 31 December 2017 and 30 June 2017.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not Applicable

1(d)(v) A statement showing all sales, transfers, disposal, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

During the current financial period reported on, there were no purchases, sales, transfers, disposal, cancellation and/or use of subsidiary holdings.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Group's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

In December 2017 the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) ("SFRS(I)") which comprises of standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") at 31 December 2017. Singapore-incorporated companies listed on the Singapore Exchange shall apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As a result of the Group's adoption of SFRS(I), the consolidated statement of financial position and consolidated statement of changes in equity as at 1 January 2017 and 31 December 2017 have been restated. The adoption of SFRS(I) and their impact on the financial statements are detailed in the Paragraph 5.

Other than the adoption of the new framework and the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2017 which was prepared under Singapore Financial Reporting Standards ("SFRS").

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Prior year adjustment in accordance with SFRS(I) 1 *First-Time Adoption of Singapore Financial Reporting Standards (International)*

The Financial Statements for FY2017 has been restated to reflect the effects of resetting the cumulative Foreign Currency Translation Reserve ("FCTR"). The Group considered that restating FCTR to comply with SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods, and has elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

Opening balance adjustment in accordance with adoption of SFRS(I) 9 *Financial Instruments*

The opening balance for FY2018 has been adjusted to reflect the effects of adopting the new classification and measurement model for financial instruments and the effects of replacing impairment models. In our situation, the 'incurred loss' model previously used with a forward-looking expected credit loss ("ECL") model. Changes in accounting policies resulting from the adoption of accounting standards will generally be applied by the Group retrospectively. However, the Group decided to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption were recognised in retained earnings.

The Group adopted the forward-looking ECL model using a "three stage" model approach based on changes in credit quality as follows:

- Stage 1 – Financial instruments that have not had a significant deterioration in credit quality;
- Stage 2 – Financial instruments that have had a significant increase in credit risk since initial recognition; and
- Stage 3 – Financial assets that have objective evidence of impairment.

Loss allowances for Stage 1 financial assets were based on 12-month ECLs (result from possible default events within the 12 months after the reporting date) while loss allowances for Stage 2 and Stage 3 financial assets were based on lifetime ECLs (result from all possible default events over the expected life of a financial instrument).

5 **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.** (Continued)

Consequential to resetting the cumulative FCTR as at 1 January 2017 determined in accordance with SFRS(I) and the effects of the adjustments arising from the adoption of SFRS(I) 9 to the opening balances, the effects on the Consolidated Statement of Financial Position are as follows:

	31-Dec-17 SFRS Framework S$'000 Audited	31-Dec-17 SFRS(I) 1 Note (1) S$'000	31-Dec-17 SFRS(I) Framework S$'000 (Restated)	1-Jan-18 SFRS(I) 9 Note (2) S$'000	1-Jan-18 SFRS(I) 9 Note (3) S$'000	1-Jan-18 SFRS(I) Framework S$'000
Non-current assets						
Loans, advances, hire purchase and leasing	54,841	-	54,841	-	(51)	54,790
Others	78,799	-	78,799	-	-	78,799
	133,640	**-**	**133,640**	**-**	**(51)**	**133,589**
Current assets						
Loans, advances, hire purchase and leasing	52,482	-	52,482	-	(840)	51,642
Factoring receivables	166,927	-	166,927	-	552	167,479
Others	57,967	-	57,967	-	-	57,967
	277,376	**-**	**277,376**	**-**	**(288)**	**277,088**
Total assets	**411,016**	**-**	**411,016**	**-**	**(339)**	**410,677**
Equity						
Share capital	137,302	-	137,302	-	-	137,302
Other reserves	(3,370)	7,352	3,982	(3,409)	-	573
Accumulated profits	18,359	(7,352)	11,007	3,409	(289)	14,127
Equity attributable to owners of the Company	**152,291**	**-**	**152,291**	**-**	**(289)**	**152,002**
Non-controlling interests	14,024	-	14,024	-	(50)	13,974
Total equity	**166,315**	**-**	**166,315**	**-**	**(339)**	**165,976**
Non-current liabilities	**10,932**	**-**	**10,932**	**-**	**-**	**10,932**
Current liabilities	**233,769**	**-**	**233,769**	**-**	**-**	**233,769**
Total liabilities	**244,701**	**-**	**244,701**	**-**	**-**	**244,701**
Total equity and liabilities	**411,016**	**-**	**411,016**	**-**	**(339)**	**410,677**

(1) *Adjustment to foreign currency translation reserve under SFRS(I) 1.*

(2) *Adjustment to accumulated profits due to reclassification of other investments under SFRS(I) 9.*

(3) *Adjustment to accumulated profits due to new ECL model under SFRS(I) 9.*

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (Continued)

The effects of the adjustments arising from the adoption of SFRS(I) 9 to the opening balances on the Company's Statement of Financial Position are as follows:

	31-Dec-17 SFRS Framework S$'000 Audited	1-Jan-18 SFRS(I) 9 Note (4) S$'000	1-Jan-18 SFRS(I) 9 Note (5) S$'000	1-Jan-18 SFRS(I) Framework S$'000
Non-current assets				
Loans, advances, hire purchase and leasing receivables	44,513	-	(5)	44,508
Others	106,011	-	-	106,011
	150,524	**-**	**(5)**	**150,519**
Current assets				
Loans, advances, hire purchase and leasing receivables	39,720	-	(196)	39,524
Factoring receivables	24,668	-	98	24,766
Others	40,819	-	-	40,819
	105,207	**-**	**(98)**	**105,109**
Total assets	**255,731**	**-**	**(103)**	**255,628**
Equity				
Share capital	137,302	-	-	137,302
Other reserves	379	(379)	-	-
Accumulated profits	24,696	379	(103)	24,972
Total equity	**162,377**	**-**	**(103)**	**162,274**
Non-current liabilities	**4,000**	**-**	**-**	**4,000**
Current liabilities	**89,354**	**-**	**-**	**89,354**
Total liabilities	**93,354**	**-**	**-**	**93,354**
Total equity and liabilities	**255,731**	**-**	**(103)**	**255,628**

(4) *Adjustment to accumulated profits due to reclassification of other investments under SFRS(I) 9.*

(5) *Adjustment to accumulated profits due to new ECL model under SFRS(I) 9.*

6 **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:—**
(a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

	3 months ended 30 June		6 months ended 30 June	
Earnings Per Ordinary Share	**2Q FY2018**	**2Q FY2017**	**6M FY2018**	**6M FY2017**
- on weighted-average number of ordinary shares in issue	0.21 cents	0.03 cents	0.12 cents	0.03 cents
- on fully diluted basis	0.21 cents	0.03 cents	0.12 cents	0.03 cents
Net profit attributable to shareholders:	$788,000	$95,000	$467,000	$121,000
Number of shares in issue				
- on weighted-average number of ordinary shares in issue	375,969,665	375,969,665	375,969,665	375,969,665
- on fully diluted basis	375,969,665	375,969,665	375,969,665	375,969,665

The basic and fully diluted loss per ordinary share are the same as the Group did not have any potential dilutive ordinary share outstanding for the above reporting financial periods.

7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:—**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30-Jun-18	**31-Dec-17**	**30-Jun-18**	**31-Dec-17**
Net Asset Value (NAV) per ordinary share	40.2 cents	40.5 cents	43.2 cents	43.2 cents
NAV computed based on no. of ordinary shares issued	375,969,665	375,969,665	375,969,665	375,969,665

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:—

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Group Performance

Net interest income

Details for net interest income generated from activities are as follows:

	3 months ended 30 June			6 months ended 30 June		
	2Q FY2018 S$'000	2Q FY2017 S$'000	+/(-) %	6M FY2018 S$'000	6M FY2017 S$'000	+/(-) %
Factoring	3,578	3,306	8.2	7,095	6,394	11.0
Loans, advances, hire purchase	2,974	2,082	42.8	5,192	4,119	26.1
Facility fee	113	82	37.8	269	183	47.0
Interest income excluding NPLs	**6,665**	**5,470**	**21.8**	**12,556**	**10,696**	**17.4**
Non-performing loans (NPLs)	-	763	NM	-	1,448	NM
Interest income	**6,665**	**6,233**	**6.9**	**12,556**	**12,144**	**3.4**
Interest expense	(1,850)	(1,429)	29.5	(3,300)	(2,759)	19.6
Net interest income	**4,815**	**4,804**	**0.2**	**9,256**	**9,385**	**(1.4)**

Business momentum continues to be good. The Group managed to record an improvement of 22% in interest income compared to the corresponding period in 2017 ("**2Q FY2017**"). This is mainly contributed by an increase in our Loans and Factoring portfolios. Total new loans totaling $35.9 million were disbursed in 2Q FY2018. Factoring volume in 2Q FY2018 also went up by $41.5 million when compared to 2Q FY2017.

With the good performance achieved in the first two consecutive quarters of FY2018, the Group managed to record an increase of $1.9 million in interest income (excluding NPLs) for the 6 months ended 30 June 2018 ("**1H FY2018**") compared to the corresponding period in 2017 ("**1H FY2017**").

Upon the adoption of SFRS(I) 9, the Group has ceased recognition of interest income arising from NPLs.

Resultant from the disbursement of additional loans, higher factoring volume achieved and coupled by the hike in interest rates by FED, interest expenses swelled by 30% to $1.85 million in 2Q FY2018 and 20% to $3.3 million in 1H FY2018.

Notwithstanding the higher interest expenses, net interest income margin improved from 6.25% in 2Q FY2017 to 6.8% in 2Q FY2018, and from 6.24% in 1H FY2017 to 6.52% in 1H FY2018.

Non-interest income

Non-interest income decreased by 13.5% to $4.8 million in 2Q FY2018 and 13.2% to $9.9 million in 1H FY2018 when compared to the corresponding periods; largely due to lower net earned premium.

Overall production volume in 2Q FY2018 dropped by 43% compared to 2Q FY2017. Gross Written Premium from Motor, Bonds & Guarantees and Workmen Injury Compensation fell by 55%, 61% and 56% respectively. The lower production volume from these lines of business in 2Q FY 2018 was mainly due to the cessation of the private hire cars portfolio since June/July 2017 as well as more stringent underwriting standards being implemented. This is congruent with the Group's strategy to achieve better pricing, improve processes in underwriting risks and better manage our operating costs.

Operating expenses

Total operating expenses for 2Q FY2018 and 1H FY2018 decreased slightly when compared to corresponding periods, resultant from the drop in commission expenses which is in-line with lower production.

Net claims incurred

Net claims incurred of $2.2 million in 2Q FY2018 and $4.8 million in 1H FY2018 were lower by 14% and 9% compared to the corresponding periods due to lower provisions as a result of lower production.

Allowances and Impairments

	3 months ended 30 June			6 months ended 30 June		
	2Q FY2018 S$'000	2Q FY2017 S$'000	+/(-) %	6M FY2018 S$'000	6M FY2017 S$'000	+/(-) %
Stage 1	(94)	-	NM	(96)	-	NM
Stage 2	186	-	NM	208	-	NM
Stage 3	131	-	NM	628	-	NM
Specific provision	-	1,183	NM	-	2,461	NM
- on principals	-	606	NM	-	1,330	NM
- on interests	-	577	NM	-	1,131	NM
Collective provision	-	(136)	NM	-	(231)	NM
Others	11	48	(77.1)	78	73	6.8
Allowances and Impairments	**234**	**1,095**	**(78.6)**	**818**	**2,303**	**(64.5)**

Profit before tax

Despite the reduction of $1.2 million in Net Earned Premium, the Group managed to record a pre-tax profit of $2.1 million in 2Q FY2018; largely contributed by the healthy performance in the Group's Lending business.

Overall the Group made a pre-tax profit of $2.8 million for 1H FY2018; an improvement of 50% compared to 1H FY2017.

In addition, profit attributable to shareholders in 2Q FY2018 amounted to $0.8 million.

Cash flows used in operating activities

The Group recorded a net cash outflow of $23.5 million for 2Q FY2018 and $56.5 million for 6M FY2018 compared to $3.3 million and $8.7 million against the corresponding periods. Higher net cash were used in operating activities compared against the corresponding periods as a result of the increase in lending business.

Cash flows from investing activities

The net cash generated from investing activities for 2Q FY2018 and 6M FY2018 was $7.2 million and $7.4 million. Net cash inflows were mainly due to proceeds received from redemption/disposal of investments.

Details of the purchase of investments and proceeds from redemption/disposal of investments for 2Q FY2018 and 6M FY2018 are as follows:

Cash flows from financing activities

The net cash generated from financing activities resulted from the additional drawdown of interest-bearing borrowings to meet lending activities requirement.

	Purchase of investments		Proceeds from redemption / disposal of investments	
	2Q FY2018 S$'000	6M FY2018 S$'000	2Q FY2018 S$'000	6M FY2018 S$'000
ECICS Limited *				
- Quoted equity securities	153	2,070	1,746	2,816
- Quoted debt securities	2,586	5,362	7,173	9,398
IFS Group (excluding ECICS Limited)	1,054	1,054	1,876	3,465
Total	**3,793**	**8,486**	**10,795**	**15,679**

** MAS regulated insurance company, within the exception of Rules 704(17) and 704(18) of the Listing Manual.*

Cash and cash equivalents

For 2Q FY2018 and 6M FY2018, the net cash inflows from investing and financing activities exceeded the net cash outflows from operating activities resulting in an increase in cash and cash equivalents for the periods.

Loan, advances, hire purchase and leasing receivables ("LAHL")

LAHL (non-current and current portions) increased by $56.6 million to $163.9 million during the period due to increase in lending activities during the period.

Interest-bearing borrowings

Interest-bearing borrowings (non-current and current portions) increased by $57.7 million (27.8%) to $265.5 million due to the additional drawdowns to fund increased lending activities.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The current announced results are in line with the prospect statement as disclosed in the Group's first quarter results announcement for the year ended 31 March 2018 dated 11 May 2018.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Two trends characterise the direction of the Group's business. First, the Lending business has enjoyed strong growth momentum. In the 2Q 2018, our Factoring volume grew by 11% to $796.7 million while our loan books rose by another $28.5 million to $163.9 million. The pipeline suggests that there is a good chance that this momentum can be sustained.

The second trend is the continued laggard performance of the Insurance business. The Group has substantially recalibrated its Insurance business strategy to reduce risks but it will take some time for the turn around to materialise. Without the drag from the Insurance business, the Group's pre-tax profits would have been 65% higher than in the same period last year. With this in mind, we remain committed to take further steps to expedite the recovery of this business.

11 Dividend

(a) Current Financial Period

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil.

(c) Date Payable

Not applicable.

(d) Books closure date

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect.

No interim dividend has been declared for the period ended 30 June 2018.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain a general mandate from shareholders for Interested Person Transactions.

14 Confirmation that the issuer has procured undertakings from all its directors and executive officers.

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

By Order of the Board

Chionh Yi Chian
Company Secretary
14 August 2018

IFS Capital Limited

(Registration no: 198700827C)

Confirmation By The Board Pursuant to Rule 705(5) of the Listing Manual

On behalf of the Board of Directors of IFS Capital Limited ("the Company"), we hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the second quarter ended 30 June 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lim Hua Min
Chairman

Eugene Tan
Group Chief Executive Officer/Director

Ang Iris
Group Chief Financial Officer

Singapore
14 August 2018