



**IFS Capital Limited**

(Registration no: 198700827C)

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**Second Quarter And Half-Year Unaudited Financial Statements and Dividend Announcement  
for the Period Ended 30 June 2014**

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**Second Quarter And Half-Year Unaudited Financial Statements and Dividend Announcement for the Period Ended 30 June 2014**

**1(a)(i) Consolidated Statement of Profit or Loss for the Second Quarter And Half-Year Ended 30 June**

	Note	2nd Qtr 2014 S\$'000	2nd Qtr 2013 S\$'000	+ / (-) %	1st Half 2014 S\$'000	1st Half 2013 S\$'000	+ / (-) %
Interest income	1(a)	6,178	7,314	(15.5)	12,058	14,173	(14.9)
Interest expense	(ii)	(1,491)	(1,769)	(15.7)	(2,954)	(3,474)	(15.0)
<b>Net interest income</b>	(a)	<b>4,687</b>	<b>5,545</b>	<b>(15.5)</b>	<b>9,104</b>	<b>10,699</b>	<b>(14.9)</b>
Gross written premiums		1,639	2,343	(30.0)	4,353	5,504	(20.9)
Change in gross provision for unexpired risks		917	2,314	(60.4)	603	1,010	(40.3)
Gross earned premium revenue		2,556	4,657	(45.1)	4,956	6,514	(23.9)
Written premiums ceded to reinsurers		(941)	(1,410)	(33.3)	(2,291)	(3,604)	(36.4)
Reinsurers' share of change in provision for unexpired risks		(656)	(2,694)	(75.6)	(825)	(1,767)	(53.3)
Reinsured premium expense		(1,597)	(4,104)	(61.1)	(3,116)	(5,371)	(42.0)
<b>Net earned premium revenue</b>	(b)	<b>959</b>	<b>553</b>	<b>73.4</b>	<b>1,840</b>	<b>1,143</b>	<b>61.0</b>
Fee and commission income	(c)	2,876	2,859	0.6	4,789	5,225	(8.3)
Investment income	(d)	817	78	NM	1,933	588	NM
Other income	(e)	104	70	48.6	327	159	105.7
<b>Non-interest income</b>		<b>3,797</b>	<b>3,007</b>	<b>26.3</b>	<b>7,049</b>	<b>5,972</b>	<b>18.0</b>
<b>Income before operating expenses</b>		<b>9,443</b>	<b>9,105</b>	<b>3.7</b>	<b>17,993</b>	<b>17,814</b>	<b>1.0</b>
Business development expenses		(173)	(204)	(15.2)	(371)	(375)	(1.1)
Commission expenses		(141)	(126)	11.9	(287)	(281)	2.1
Staff costs		(3,417)	(3,004)	13.7	(6,828)	(6,042)	13.0
General and administrative expenses		(1,782)	(1,832)	(2.7)	(3,338)	(3,444)	(3.1)
<b>Operating expenses</b>	(f)	<b>(5,513)</b>	<b>(5,166)</b>	<b>6.7</b>	<b>(10,824)</b>	<b>(10,142)</b>	<b>6.7</b>
Change in provision for insurance claims		2,002	(4,714)	NM	1,812	(4,969)	NM
Reinsurers' share of change in provision for insurance claims		(1,498)	3,286	NM	(1,439)	3,480	NM
Gross claims paid		(4,379)	(42)	NM	(4,387)	(45)	NM
Reinsurers' share of claims paid		3,059	18	NM	3,057	17	NM
<b>Net claims incurred</b>	(g)	<b>(816)</b>	<b>(1,452)</b>	<b>(43.8)</b>	<b>(957)</b>	<b>(1,517)</b>	<b>(36.9)</b>
<b>Operating profit before allowances</b>		<b>3,114</b>	<b>2,487</b>	<b>25.2</b>	<b>6,212</b>	<b>6,155</b>	<b>0.9</b>
Allowances for loan losses and impairment of investments	(h)	(2,174)	(7,610)	(71.4)	(3,765)	(9,035)	(58.3)
<b>Profit/(loss) before tax</b>		<b>940</b>	<b>(5,123)</b>	<b>NM</b>	<b>2,447</b>	<b>(2,880)</b>	<b>NM</b>
Tax (expenses)/credit	(i)	(237)	594	NM	(571)	131	NM
<b>Profit/(loss) for the period</b>		<b>703</b>	<b>(4,529)</b>	<b>NM</b>	<b>1,876</b>	<b>(2,749)</b>	<b>NM</b>
<b>Profit/(loss) attributable to:</b>							
Owners of the Company		372	(4,915)	NM	1,242	(3,511)	NM
Non-controlling interests		331	386	(14.2)	634	762	(16.8)
<b>Profit/(loss) for the period</b>		<b>703</b>	<b>(4,529)</b>	<b>NM</b>	<b>1,876</b>	<b>(2,749)</b>	<b>NM</b>

**Consolidated Statement of Comprehensive Income for the Second Quarter And Half-Year Ended 30 June**

	Note	2nd Qtr 2014 S\$'000	2nd Qtr 2013 S\$'000	+/(-) %	1st Half 2014 S\$'000	1st Half 2013 S\$'000	+/(-) %
	1(a) (ii)						
<b>Profit/(loss) for the period</b>		<b>703</b>	<b>(4,529)</b>	<b>NM</b>	<b>1,876</b>	<b>(2,749)</b>	<b>NM</b>
<b>Other comprehensive income</b>							
<i>Items that are or may be reclassified subsequently to profit or loss</i>							
Net change in fair value of available-for-sale financial assets		(5)	(638)	(99.2)	171	(129)	NM
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(j)	-	-	-	(1,067)	(150)	NM
Foreign currency translation differences of foreign operations	(k)	(985)	(1,838)	(46.4)	143	640	(77.7)
Tax on other comprehensive income		-	109	(100.0)	152	48	NM
<b>Other comprehensive income for the period</b>		<b>(990)</b>	<b>(2,367)</b>	<b>(58.2)</b>	<b>(601)</b>	<b>409</b>	<b>NM</b>
<b>Total comprehensive income for the period</b>		<b>(287)</b>	<b>(6,896)</b>	<b>(95.8)</b>	<b>1,275</b>	<b>(2,340)</b>	<b>NM</b>
<b>Attributable to:</b>							
<b>Owners of the Company</b>		<b>(532)</b>	<b>(6,822)</b>	<b>(92.2)</b>	<b>651</b>	<b>(3,271)</b>	<b>NM</b>
<b>Non-controlling interests</b>		<b>245</b>	<b>(74)</b>	<b>NM</b>	<b>624</b>	<b>931</b>	<b>(33.0)</b>
<b>Total comprehensive income for the period</b>		<b>(287)</b>	<b>(6,896)</b>	<b>(95.8)</b>	<b>1,275</b>	<b>(2,340)</b>	<b>NM</b>

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

**1(a)(ii) Explanatory Notes to Consolidated Statement of Profit or Loss**

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

	<b>2nd Qtr 2014 S\$'000</b>	<b>2nd Qtr 2013 S\$'000</b>	<b>+ / (-) %</b>	<b>1st Half 2014 S\$'000</b>	<b>1st Half 2013 S\$'000</b>	<b>+ / (-) %</b>
Investment income						
- dividend, fee and interest income	<b>416</b>	260	60.0	<b>774</b>	555	39.5
- gain on disposal of equity securities	<b>128</b>	-	NM	<b>114</b>	246	(53.7)
- gain on partial redemption of convertible loan	-	-	-	<b>1,067</b>	-	NM
- net change in fair value of financial assets designated at fair value through profit or loss	<b>275</b>	(186)	NM	<b>(23)</b>	(224)	(89.7)
- amortisation of held-to-maturity debts securities	<b>(2)</b>	4	NM	<b>1</b>	11	(90.9)
	<b>817</b>	78	NM	<b>1,933</b>	588	NM
Gain on disposal of property, plant and equipment	-	-	-	<b>6</b>	16	(62.5)
Amortisation of intangible assets	<b>(56)</b>	(103)	(45.6)	<b>(159)</b>	(242)	(34.3)
Depreciation of property, plant and equipment	<b>(247)</b>	(254)	(2.8)	<b>(487)</b>	(517)	(5.8)
Exchange (loss)/gain, net	<b>(68)</b>	26	NM	<b>(49)</b>	(33)	48.5
Provisions for unexpired risks, net of reinsurers' share						
- change in gross provision for unexpired risks	<b>917</b>	2,314	(60.4)	<b>603</b>	1,010	(40.3)
- reinsurers' share of change in provision for unexpired risks	<b>(656)</b>	(2,694)	(75.6)	<b>(825)</b>	(1,767)	(53.3)
	<b>261</b>	(380)	NM	<b>(222)</b>	(757)	(70.7)
Claims incurred, net of reinsurers' share						
- net change in provision for insurance claims	<b>504</b>	(1,428)	NM	<b>373</b>	(1,489)	NM
- net claims paid	<b>(1,320)</b>	(24)	NM	<b>(1,330)</b>	(28)	NM
	<b>(816)</b>	(1,452)	(43.8)	<b>(957)</b>	(1,517)	(36.9)
(Allowances for)/reversal of loan losses and impairment of investments						
- loans and receivables	<b>(2,183)</b>	(7,612)	(71.3)	<b>(3,623)</b>	(9,032)	(59.9)
- equity securities	<b>9</b>	2	NM	<b>(142)</b>	(3)	NM
	<b>(2,174)</b>	(7,610)	(71.4)	<b>(3,765)</b>	(9,035)	(58.3)
Tax (expense)/credit						
- current tax expense	<b>(411)</b>	(672)	(38.8)	<b>(707)</b>	(1,365)	(48.2)
- deferred tax credit	<b>174</b>	1,249	(86.1)	<b>140</b>	1,464	(90.4)
- over/(under) provision of prior years' tax	-	17	(100.0)	<b>(4)</b>	32	NM
	<b>(237)</b>	594	NM	<b>(571)</b>	131	NM

**1(a)(ii) Explanatory Notes to Consolidated Statement of Profit or Loss (cont'd)**

**Comments on Major Consolidated Statement of Profit or Loss Variances**

- (a) The decrease in net interest income for 2nd Quarter 2014 ("2Q 2014") and 1st Half 2014 ("1H 2014") was mainly due to lower factoring volume and lower average loan assets.
- (b) The drop in gross written premiums of the insurance subsidiary, ECICS Limited ("ECICS") for 2Q 2014 and 1H 2014 was largely due to lower bonds and guarantee business. With lower write back on change in gross provision for unexpired risks, gross earned premium revenue for 2Q 2014 and 1H 2014 decreased by 45% and 24% respectively. After accounting for lower premium ceded to reinsurers, net earned premium revenue for 2Q 2014 and 1H 2014 went up 73% to \$1.0 million and 61% to \$1.8 million respectively.
- (c) The lower fee and commission income for 1H 2014 was mainly due to lower underwriting commission income on lower bonds and guarantee business.
- (d) Higher investment income for 2Q 2014 was mainly due to higher dividend income received and mark-to-market gain on quoted equity securities. The higher investment income for 1H 2014 was also due to the realised gain of \$1.1 million resulting from a cash receipt of \$3.0 million on partial repayment of a convertible loan. The gain was reclassified from other comprehensive income.
- (e) Higher other income was mainly due to higher bad debts recoveries from factoring and loan accounts previously written off.
- (f) Higher operating expenses for 2Q 2014 and 1H 2014 was mainly on staff costs due to increase in headcount. Lower general and administrative expenses for 1H 2014 were largely due to lower depreciation and amortization costs, partly offset by higher professional fee and maintenance costs on computer equipment.
- (g) No significant claims provisions were made in 2Q 2014 and 1H 2014. For current periods, the net claims incurred were mainly related to net claims paid for claims previously provided coupled with specific provision for claims, partly offset by reversal of provision for claims incurred but not reported.
- (h) Lower allowances for loan losses for 2Q 2014 and 1H 2014 was mainly due to lower individual impairments required as compared with 2013 which included the full provision of \$4.1 million set aside against the business failure of a client.
- (i) The current tax expense is based on the statutory rates of the respective countries in which the companies operate and takes into account non-deductible expenses and temporary differences. The tax credit for 2Q 2013 and 1H 2013 was mainly due to the operating loss incurred and higher deferred tax credit.

**1(a)(ii) Explanatory Notes to Consolidated Statement of Profit or Loss (cont'd)**

**Comments on Major Consolidated Statement of Comprehensive Income Variances**

- (j) For 1H 2014, there was a reclassification from other comprehensive income, the net change in fair value of available-for-sale financial assets to realised gain as explained in (d) under page 5.
- (k) The foreign currency translation differences arose from the translation of financial statements of foreign operations whose functional currencies were different from that of the Group's presentation currency. For 2Q 2014, the translation loss was due to the weakening of currencies of the regional subsidiaries for translation against the Singapore Dollar, in particular the Indonesian Rupiah and Thai Baht. The translation gain for 1H 2014 was mainly due to the strengthening of the Indonesian Rupiah and Malaysian Ringgit against Singapore Dollar as at 31 December 2013.

**1(a)(iii) Earnings/(Loss) Per Ordinary Share**

	<b>Group</b>			
	<b>2nd Qtr 2014</b>	2nd Qtr 2013	<b>1st Half 2014</b>	1st Half 2013
Earnings/(Loss) per share				
- on weighted average number of ordinary shares in issue	<b>0.25 cents</b>	(3.27 cents)	<b>0.83 cents</b>	(2.33 cents)
- on fully diluted basis	<b>0.25 cents</b>	(3.27 cents)	<b>0.83 cents</b>	(2.33 cents)

Earnings/(Loss) per ordinary share on existing issued share capital is computed based on the weighted average number of shares in issue during the financial period of 150,387,866 (30 June 2013: 150,387,866).

The basic and fully diluted earnings/(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.

**1(b)(i) Statement of Financial Position**

	Note	Group		Company	
		30/06/2014 S\$'000	31/12/2013 S\$'000	30/06/2014 S\$'000	31/12/2013 S\$'000
<b>Non-current assets</b>					
Property, plant and equipment		17,512	17,639	15,374	15,685
Intangible assets		590	348	149	176
Subsidiaries		-	-	67,703	67,703
Other investments	(a)	46,164	31,288	7,493	7,906
Loans, advances, hire purchase and leasing receivables	(b)	45,855	50,971	35,144	36,212
Deferred tax assets		4,881	4,558	185	36
		<b>115,002</b>	<b>104,804</b>	<b>126,048</b>	<b>127,718</b>
<b>Current assets</b>					
Reinsurers' share of insurance contract provisions		10,525	12,789	-	-
Insurance receivables		3,028	1,192	-	-
Trade and other receivables	(c)	208,509	206,505	106,661	93,127
Other investments	(d)	14,834	11,688	-	2,354
Derivative financial assets	(e)	280	580	280	580
Cash and cash equivalents	(f)	36,691	62,142	7,663	8,828
		<b>273,867</b>	<b>294,896</b>	<b>114,604</b>	<b>104,889</b>
<b>Total assets</b>		<b>388,869</b>	<b>399,700</b>	<b>240,652</b>	<b>232,607</b>
<b>Equity</b>					
Share capital		88,032	88,032	88,032	88,032
Other reserves		(8,114)	(7,523)	771	1,485
Accumulated profits		45,281	47,047	19,902	22,445
<b>Equity attributable to owners of the Company</b>		<b>125,199</b>	<b>127,556</b>	<b>108,705</b>	<b>111,962</b>
Non-controlling interests		10,042	10,078	-	-
<b>Total equity</b>		<b>135,241</b>	<b>137,634</b>	<b>108,705</b>	<b>111,962</b>
<b>Non-current liabilities</b>					
Interest-bearing borrowings	(g)	28,044	33,591	21,484	25,672
Employee benefits		837	763	-	-
Deferred tax liabilities		48	29	-	-
		<b>28,929</b>	<b>34,383</b>	<b>21,484</b>	<b>25,672</b>
<b>Current liabilities</b>					
Trade and other payables		9,058	11,091	5,997	7,491
Insurance payables		1,438	3,145	-	-
Interest-bearing borrowings	(g)	194,453	190,639	103,999	86,779
Insurance contract provisions for - gross unexpired risks		15,295	15,898	-	-
- gross insurance claims		3,063	4,875	-	-
Current tax payable		1,392	2,035	467	703
		<b>224,699</b>	<b>227,683</b>	<b>110,463</b>	<b>94,973</b>
<b>Total liabilities</b>		<b>253,628</b>	<b>262,066</b>	<b>131,947</b>	<b>120,645</b>
<b>Total equity and liabilities</b>		<b>388,869</b>	<b>399,700</b>	<b>240,652</b>	<b>232,607</b>

### **Comments on Major Statements of Financial Position Variances**

- (a) The increase in other investments under non-current assets was mainly due to the Group's additional participation in the existing property-related funds and ECICS' purchase of debts securities.
- (b) The decrease in loans, advances, hire purchase and leasing receivables under non-current assets of the Group and the Company was mainly due to the reclassification of receivables maturing within the next twelve months to current assets - trade and other receivables.
- (c) The increase in trade and other receivables under current assets of the Group and the Company was mainly due to the reclassification explained in (b) above and new loans drawdown, partly offset by lower factoring receivables.
- (d) The increase in other investments under current assets of the Group was mainly due to ECICS' purchase of debt securities, partly offset by the second capital return on investment in a convertible loan at Company level.
- (e) The decrease in derivative financial assets was due to the fair value loss on quoted warrants.
- (f) The Group's cash and cash equivalents comprise fixed deposits of \$23.0 million and cash at banks and in hand of \$13.7 million. The decrease in the cash balances resulted mainly from ECICS' purchase of new investments.
- (g) The decrease in interest-bearing borrowings under non-current liabilities of the Group and the Company was mainly due to the reclassification of interest-bearing borrowings maturing within the next twelve months to current liabilities. The Group's overall interest-bearing borrowings decreased from \$224.2 million as at 31 December 2013 to \$222.5 million as at 30 June 2014 mainly due to utilisation of surplus funds for repayment of bank borrowings.



**1(b)(ii) Group's Borrowings**

	<b>As at 30/06/2014</b>	<b>As at 31/12/2013</b>
	<b>S\$'000</b>	<b>S\$'000</b>
	<b>(Unsecured)</b>	<b>(Unsecured)</b>
Amount repayable in one year or less, or on demand	<b>194,453</b>	190,639
Amount repayable after one year	<b>28,044</b>	33,591
	<b>222,497</b>	224,230

**Details of any collateral**

Nil.

**1(b)(iii) Net Asset Value**

	<b>Group</b>		<b>Company</b>	
	<b>30/06/2014</b>	<b>31/12/2013</b>	<b>30/06/2014</b>	<b>31/12/2013</b>
Net asset value per ordinary share based on issued share capital at end of the financial period	<b>83.3 cents</b>	84.8 cents	<b>72.3 cents</b>	74.4 cents

1(c) **Consolidated Statement of Cash Flows for the Second Quarter And Half-Year Ended 30 June**

	Note	2nd Qtr 2014 S\$'000	2nd Qtr 2013 S\$'000	1st Half 2014 S\$'000	1st Half 2013 S\$'000
<b>Cash flows from operating activities</b>					
Profit/(loss) for the period		703	(4,529)	1,876	(2,749)
Adjustments for:					
Amortisation of intangible assets and held-to-maturity debt securities		58	99	158	231
Net foreign exchange loss/(gain)		29	(82)	24	(54)
Depreciation of property, plant and equipment		247	254	487	517
Gain on disposal of equity securities		(128)	-	(114)	(246)
Gain on partial redemption of a convertible loan		-	-	(1,067)	-
Gain on disposal of property, plant and equipment		-	-	(6)	(16)
Net change in fair value of financial assets through profit or loss		(275)	186	23	224
Allowance for impairment of investments		(9)	(2)	142	3
Provisions for, net of reinsurers' share					
- unexpired risks		(261)	380	222	757
- insurance claims		(504)	1,428	(373)	1,489
Interest income		(6,178)	(7,314)	(12,058)	(14,173)
Interest income from investments and fixed deposits		(280)	(236)	(510)	(529)
Dividend income from investments		(136)	(24)	(264)	(26)
Interest expense		1,491	1,769	2,954	3,474
Fixed assets written off		18	-	18	-
Tax expense/(credit)		237	(594)	571	(131)
<b>Operating cash flows before changes in working capital</b>		<b>(4,988)</b>	<b>(8,665)</b>	<b>(7,917)</b>	<b>(11,229)</b>
<b>Changes in working capital:</b>					
Factoring receivables		285	(3,962)	10,442	(12,003)
Factoring amounts due to clients		(276)	(142)	(537)	156
Loans, advances, hire purchase and leasing receivables		109	4,496	(7,742)	9,788
Insurance and other receivables		(1,330)	(12)	(934)	1,173
Trade, other and insurance payables		(1,142)	(700)	(3,106)	(992)
<b>Cash used in operations</b>		<b>(7,342)</b>	<b>(8,985)</b>	<b>(9,794)</b>	<b>(13,107)</b>
Interest received		6,328	7,615	12,418	14,823
Interest paid		(1,485)	(1,734)	(3,013)	(3,411)
Taxes paid, net		(1,228)	(1,502)	(1,567)	(1,761)
<b>Net cash used in operating activities</b>	(a)	<b>(3,727)</b>	<b>(4,606)</b>	<b>(1,956)</b>	<b>(3,456)</b>

1(c) **Consolidated Statement of Cash Flows for the Second Quarter And Half-Year Ended 30 June**  
**(cont'd)**

		<b>2nd Qtr 2014 S\$'000</b>	<b>2nd Qtr 2013 S\$'000</b>	<b>1st Half 2014 S\$'000</b>	<b>1st Half 2013 S\$'000</b>
	Note				
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment		-	-	6	41
Purchase of property, plant and equipment		(161)	(51)	(376)	(83)
Purchase of intangible assets		(382)	(61)	(401)	(74)
Purchase of investments		(17,090)	(6,314)	(23,680)	(8,464)
Proceeds from disposal of investments		1,692	4,000	6,079	16,582
Dividend received from investments		136	24	264	26
<b>Net cash (used in)/from investing activities</b>	(b)	<b>(15,805)</b>	<b>(2,402)</b>	<b>(18,108)</b>	<b>8,028</b>
<b>Cash flows from financial activities</b>					
Dividends paid					
- by the Company		(3,008)	(3,008)	(3,008)	(3,008)
- by a subsidiary company to non-controlling interests		(660)	(635)	(660)	(635)
Proceeds from/(repayments of) interest-bearing borrowings		2,900	10,706	(1,720)	5,140
<b>Net cash (used in)/from financing activities</b>	(c)	<b>(768)</b>	<b>7,063</b>	<b>(5,388)</b>	<b>1,497</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(d)	<b>(20,300)</b>	<b>55</b>	<b>(25,452)</b>	<b>6,069</b>
Cash and cash equivalents at beginning of period		57,175	60,121	62,142	53,356
Effect of exchange rate fluctuations on cash held		(184)	(544)	1	207
<b>Cash and cash equivalents at end of period</b>		<b>36,691</b>	<b>59,632</b>	<b>36,691</b>	<b>59,632</b>
<b>Analysis of cash and cash equivalents</b>					
Fixed deposits		23,007	46,469	23,007	46,469
Cash at banks and on hand		13,684	13,163	13,684	13,163
<b>Cash and cash equivalents at end of period</b>		<b>36,691</b>	<b>59,632</b>	<b>36,691</b>	<b>59,632</b>

## **Explanatory Notes to Consolidated Statement of Cash Flows**

### **(a) Net cash used in operating activities**

The lower net cash used in operating activities in 2Q 2014 was mainly due to repayment of factoring receivables as well as loans, advances and hire purchase and leasing receivables. The lower net cash used in operating activities in 1H 2014 was mainly due to drawdown of loans, advances, hire purchase and leasing receivables, partly offset by repayment of factoring receivables. In comparison, net cash used in operating activities in the corresponding periods last year resulted mainly from drawdown of factoring receivables, partly offset by repayment of loans, advances, hire purchase and leasing receivables.

### **(b) Net cash (used in)/from investing activities**

The net cash used in investing activities in 2Q 2014 and 1H 2014 resulted mainly from higher purchase of investments and lower proceeds from redemption of held-to-maturity debt securities as compared to the same periods last year.

Details of the purchase of investments of \$17.1 million and proceeds from redemption/disposal of investments of \$1.7 million for 2Q 2014 are as follows:-

<u>Details</u>	<u>Purchase of investments</u> S\$'000	<u>Proceeds from redemption/ disposal of investments</u> S\$'000
<u>ECICS Limited *</u>		
- Quoted equity securities	648	676
- Quoted debt securities	15,942	-
- Unquoted debts securities	500	-
- Unquoted convertible loan	-	1,004
<u>IFS Group (excluding ECICS Limited)</u>		
- Quoted equity securities	-	12
<b>Total</b>	<b>17,090</b>	<b>1,692</b>

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

### **(c) Net cash (used in)/from financing activities**

The net cash used in financing activities in 1H 2014 resulted mainly from utilization of surplus funds for repayments of interest-bearing borrowings. The net cash used in financing activities in 2Q 2014 was due to lower proceeds from additional interest-bearing borrowings as compared to the same period last year.

### **(d) Net (decrease)/increase in cash and cash equivalents**

Overall, the net decrease in cash and cash equivalents for 2Q 2014 and 1H 2014 resulted mainly from higher purchase of investments and lower proceeds from redemption of held-to-maturity debt securities coupled with repayments of interest-bearing borrowings in 1H 2014 and lower proceeds from interest-bearing borrowings in 2Q 2014 as compared to the same periods last year.

**1(d)(i) Statements of Changes in Equity**

<b>Group</b>	Attributable to owners of the Company						Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Capital reserve S\$'000	Fair value reserve S\$'000	Translation reserve S\$'000	Accumulated profits S\$'000	Total S\$'000		
<b>2013</b>								
<b>At 1 January 2013 *</b>	88,032	(422)	2,046	(4,869)	54,962	139,749	9,564	149,313
<b>Total comprehensive income for 1st quarter</b>								
Profit for 1st quarter	-	-	-	-	1,404	1,404	376	1,780
Other comprehensive income	-	-	298	1,849	-	2,147	629	2,776
<b>Total comprehensive income for 1st quarter</b>	-	-	298	1,849	1,404	3,551	1,005	4,556
<b>At 31 March 2013</b>	88,032	(422)	2,344	(3,020)	56,366	143,300	10,569	153,869
<b>Total comprehensive income for 2nd quarter</b>								
(Loss)/profit for 2nd quarter	-	-	-	-	(4,915)	(4,915)	386	(4,529)
Other comprehensive income	-	-	(529)	(1,378)	-	(1,907)	(460)	(2,367)
<b>Total comprehensive income for 2nd quarter</b>	-	-	(529)	(1,378)	(4,915)	(6,822)	(74)	(6,896)
Dividends paid to owners of the Company	-	-	-	-	(3,008)	(3,008)	-	(3,008)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(635)	(635)
<b>At 30 June 2013</b>	88,032	(422)	1,815	(4,398)	48,443	133,470	9,860	143,330
<b>2014</b>								
<b>At 1 January 2014</b>	88,032	(236)	1,507	(8,794)	47,047	127,556	10,078	137,634
<b>Total comprehensive income for 1st quarter</b>								
Profit for 1st quarter	-	-	-	-	870	870	303	1,173
Other comprehensive income	-	-	(739)	1,052	-	313	76	389
<b>Total comprehensive income for 1st quarter</b>	-	-	(739)	1,052	870	1,183	379	1,562
<b>At 31 March 2014</b>	88,032	(236)	768	(7,742)	47,917	128,739	10,457	139,196
<b>Total comprehensive income for 2nd quarter</b>								
Profit for 2nd quarter	-	-	-	-	372	372	331	703
Other comprehensive income	-	-	(5)	(899)	-	(904)	(86)	(990)
<b>Total comprehensive income for 2nd quarter</b>	-	-	(5)	(899)	372	(532)	245	(287)
Dividends paid to owners of the Company	-	-	-	-	(3,008)	(3,008)	-	(3,008)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(660)	(660)
<b>At 30 June 2014</b>	88,032	(236)	763	(8,641)	45,281	125,199	10,042	135,241

\* The figures have been restated due to change in accounting policy on premium recognition of the Group's insurance subsidiary.

**1(d)(i) Statements of Changes in Equity (cont'd)**

<b><u>Company</u></b>	<b>Share capital S\$'000</b>	<b>Fair value reserve S\$'000</b>	<b>Accumulated profits S\$'000</b>	<b>Total equity S\$'000</b>
<b>2013</b>				
<b>At 1 January 2013</b>	88,032	2,941	22,742	113,715
<b>Total comprehensive income for 1st quarter</b>				
Profit for 1st quarter	-	-	1,909	1,909
Other comprehensive income	-	243	-	243
<b>Total comprehensive income for 1st quarter</b>	-	243	1,909	2,152
<b>At 31 March 2013</b>	88,032	3,184	24,651	115,867
<b>Total comprehensive income for 2nd quarter</b>				
Loss for 2nd quarter	-	-	(4,514)	(4,514)
Other comprehensive income	-	(263)	-	(263)
<b>Total comprehensive income for 2nd quarter</b>	-	(263)	(4,514)	(4,777)
Dividend paid	-	-	(3,008)	(3,008)
<b>At 30 June 2013</b>	88,032	2,921	17,129	108,082
<b>2014</b>				
<b>At 1 January 2014</b>	88,032	1,485	22,445	111,962
<b>Total comprehensive income for 1st quarter</b>				
Profit for 1st quarter	-	-	393	393
Other comprehensive income	-	(749)	-	(749)
<b>Total comprehensive income for 1st quarter</b>	-	(749)	393	(356)
<b>At 31 March 2014</b>	88,032	736	22,838	111,606
<b>Total comprehensive income for 2nd quarter</b>				
Profit for 2nd quarter	-	-	72	72
Other comprehensive income	-	35	-	35
<b>Total comprehensive income for 2nd quarter</b>	-	35	72	107
Dividend paid	-	-	(3,008)	(3,008)
<b>At 30 June 2014</b>	88,032	771	19,902	108,705

**1(d)(ii) Changes in Company's Share Capital**

Since 31 December 2013, there was no change in the issued share capital of the Company. The share capital of the Company as at 30 June 2014 was 150,387,866 ordinary shares.

There were no outstanding convertibles as at 30 June 2014 (30 June 2013: Nil).

**1(d)(iii) Total Number of Issued Shares Excluding Treasury Shares**

The total number of issued shares as at 30 June 2014 was 150,387,866 (31 December 2013: 150,387,866 issued shares). The Company does not hold any treasury shares as at 30 June 2014 (30 June 2013: Nil).

**1(d)(iv) Sales, Transfers, Disposal, Cancellation and/or use of Treasury Shares**

Not applicable.

**2 Audit**

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

**3 Auditors' Report**

Not applicable.

**4 Accounting Policies**

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared with those of the audited annual financial statements for the year ended 31 December 2013.

**5 Changes in Accounting Policies**

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRSs).

For the current financial period, the Group adopted the new/revised FRSs that are effective for annual periods beginning on or after 1 January 2014. The following are the new or amended FRSs that are relevant to the Group:

- Revised FRS 27 *Separate Financial Statements*
- Revised FRS 28 *Investments in Associates and Joint Ventures*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosure of Interests in Other Entities*
- Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to FRS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

The adoption of the above amended FRS does not have any significant impact on the financial statements for the financial period under review.

## **6      Review of Group Performance**

### **2nd Quarter 2014 (“2Q 2014”) versus 2nd Quarter 2013 (“2Q 2013”)**

The Group posted a net profit of \$703,000 for 2Q 2014, a turnaround from a loss of \$4.5 million incurred in the same quarter last year.

The better performance was lifted by a 4% growth in operating income, mainly driven by higher net earned premium revenue and non-interest income, coupled with lower net claims incurred and allowances for loan losses.

Total operating expenses rose 7% to \$5.5 million, mainly on staff costs.

### **1st Half 2014 (“1H 2014”) versus 1st Half 2013 (“1H 2013”)**

The Group reported a net profit of \$1.9 million, reversing from a net loss of \$2.7 million a year ago, mainly on lower net claims incurred and allowances for loan losses. Net profit attributable to shareholders was \$1.2 million.

Revenue was up 1% helped by higher net earned premium revenue and non-interest income, partly affected by lower net interest income.

Total operating expenses rose 7% to \$10.8 million, mainly from higher staff costs.

The Group's loan assets including factoring receivables outstanding were \$336.2 million as at 30 June 2014 (as at 31 December 2013: \$335.6 million). This was a decrease of 11% against the bases of \$376.6 million as at 30 June 2013 due to higher loans repayments and lower factoring receivables.

For the regional operations, our Thailand subsidiary reported a net profit after non-controlling interests of \$1.7 million, down 17% from \$2.1 million in 2013 mainly on higher allowances for loan losses. Our Indonesia subsidiary posted a lower net profit of \$127,000 compared to \$155,000 in 2013 mainly on lower revenue but helped by lower allowances for loan losses. Our Malaysia subsidiary reported net loss of \$168,000 compared to net profit of \$791,000 in 2013, mainly due to lower business volume.

Overall, regional operations recorded lower net profit after non-controlling interests of \$1.3 million compared to \$2.6 million in 2013.

## **7      Variance from Prospect Statement**

The current announced results are in line with the prospect statement as disclosed in the Group's 1st Quarter 2014 results announcement dated 9 May 2014.



## 8 **Prospects**

Despite the challenging environment, the Group will continue to grow its businesses in Singapore and the region through the expansion and sharpened focus of its business development activities.

In Singapore, the business outlook is positive with a fair amount of deals in the pipeline, with continued efforts towards revenue growth. In Thailand, despite a contraction in the economy in the first half of the year due to the political crisis, factoring volume is still expected to grow for the full year, with economic drivers like the disbursement of government budget spending and the recovery of private consumption, tourism and exports. In Malaysia, the pipeline of deals has increased as a result of more government contracts being awarded to companies. In Indonesia, previous efforts to refocus its operations have started to pay off, resulting in more new clients and account activations.

For ECICS, the range of general insurance products has been extended. Despite an expected dip in the demand for bonds due to a reduction in construction activities for public and private housing amid softer property market sentiments, underlying business is expected to improve over the long term.

The Group is cognizant of the vagaries of economic conditions and will work to secure itself against potential downside from better asset quality and client selection.

## 9 **Dividend**

(a) Current financial period reported on

Nil.

(b) Corresponding period of the immediately preceding financial year

Nil.

(c) Dividend payment date

Not applicable.

(d) Book closure date

Not applicable.

## 10 **If no dividend has been declared (recommended), a statement to that effect**

No dividend is declared for the period ended 30 June 2014 (30 June 2013: Nil).

**11      Interested Person Transactions Mandate**

There is no general mandate obtained from shareholders on Interested Person Transactions.

By Order of the Board

**Chionh Yi Chian**  
**Company Secretary**  
8 August 2014



**IFS Capital Limited**

(Registration no: 198700827C)

**Confirmation By The Board Pursuant to Rule 705(4) of the Listing Manual**

On behalf of the Board of Directors of IFS Capital Limited ("the Company"), we, the undersigned, 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 and half-year ended 30 June 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

**Lim Hua Min**  
**Chairman**

**Lee Soon Kie**  
**Group Chief Executive Officer/Director**

Singapore  
8 August 2014