ISETAN
SINGAPORE

ANNUAL REPORT 2012

CONTENTS

Our Corporate

Slogan

Interfacing with Excellence

Vision

Becoming "my indispensable department store for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in the many different aspects of their lives. By doing so, we aim to become the world's foremost solution provider group with high profitability and sustained growth."

Philosophy

Striving to interface with integrity, flexibility and dynamism

> **We strive to interface with every customer.**
We wholeheartedly respond to customer needs and expectations through our focus on superlative service.

> **We strive to interface with co workers.**
We enhance our knowledge and skills together to create new value.

> **We strive to interface with our shareholders.**
We faithfully respond to shareholder expectations by pursuing ambitious targets and practising fair and transparent management.

> **We strive to interface with our partners.**
We cultivate the optimum partnerships for achieving our shared goal of delivering customer satisfaction.

> **We strive to interface with communities, society and the Earth.**
We contribute to the fulfillment of aspirations.

Cultivating irreplaceable relationships of trust far into the future

MILESTONES

STORES & SPECIALTY SHOP DEVELOPMENT

1972 Isetan Havelock made history by being the first Japanese department store in Singapore.

1979 Isetan Orchard opened at Liat Towers. This store established Isetan's presence along Singapore's tourist shopping belt.

1983 Isetan Katong opened at Parkway Parade marking the Company's penetration into suburban Singapore.

1986 Isetan Orchard was relocated to Wisma Atria at a cost of $100 million amidst the economic downturn and recession.

1993 Flagship store at Havelock was relocated to Isetan Scotts which opened at Shaw House.

1995 Isetan Tampines opened at Tampines Mall. This store is situated in Singapore's first regional centre.

1999 Isetan opened its first stand-alone Mango shop at Shaw Centre. Another successful designer label introduced into Singapore by Isetan.

1999 Isetan began operation of its full scale supermarket at its flagship store, Isetan Scotts.

2006 Isetan invested in Chengdu Isetan, Sichuan Province, People's Republic of China.

2009 Isetan commenced its online business with the launch of its revamped website.

2010 Isetan Serangoon Central opened at nex Mall, our first foray into the north-east part of Singapore.

CORPORATE & FINANCIAL DEVELOPMENT

1970 Isetan Emporium (Singapore) Private Limited was incorporated.

1981 Isetan became the first Japanese department store to offer its shares to the public. Name was changed to Isetan (Singapore) Limited.

1988 Isetan offered a 1 for 2 Rights issue of 10 million shares.

1989 Isetan made a private placement of 3 million shares.

2002 Isetan made a 1 for 4 bonus issue of 8.25 million shares.

Chairman's Statement

JUN YOKOYAMA
Chairman

Dear Shareholders,

BUSINESS PERFORMANCE

2012 proved to be a challenging year for the Isetan Singapore Group. The Singapore economy expanded by only 1.3% which mirrored the sluggish global environment. While the more competitive retail environment had influenced certain of our stores' performance, sales at our Isetan Orchard and Katong stores were also affected by makeover renovations at the respective malls. As a result, our total sales declined by 2.96%. The Group also experienced increases in certain operating expenses which could not be reduced in line with the slower sales, including the rise in rental costs and other expenses such as marketing and utility charges. Accordingly, our group profit after tax declined by 21.39% to $9.672 million as compared to $12.303 million in the previous year.

BUSINESS OUTLOOK

Moving forward, the uncertainties in the global economy are expected to affect domestic economic growth with the government forecast coming in at between 1% and 3% in 2013. Coupled with rising labour costs, resilient rental expenses and other cost increases will make it another challenging year for the Group. The competitive landscape has also changed with the entry of new fashion brands in recent years. We are, therefore, constantly changing our sources of merchandise to differentiate ourselves. We are also committing more resources in the areas that we are strong in to increase sales. In addition, we are looking at organic growth via the opening of a new store which I will elaborate on later. In view of the moderate economic growth projection in 2013, one of our areas of focus will be on

Chairman's Statement

prudent spending in order to meet our profit targets. We will continue our emphasis on core fundamentals such as our focus on customer needs and preferences, as well as service excellence.

NEW STORE (ISETAN JURONG EAST)

As announced in September 2012, the Company has secured a space at an upcoming mall, Westgate, next to Jurong East MRT station. The store, which will occupy a retail area of approximately 59,700 ft^2, is estimated to open at the end of 2013. Within the store, we will also operate our Isetan supermarket, our first in the suburbs. With its strategic location in Jurong East, a designated regional centre with a critical mass of a wide range of retail and lifestyle amenities, the store presents good potential for growth.

ONLINE SHOPPING (WWW.ISETAN.COM.SG)

Last year, our product lines offered online were expanded to include fashion items. I am happy to update that our online business has shown a healthy upward trend since its inception in 2009. Although this business is still in its nascent phase of development, it forms a new avenue for our customers' patronage and we are committed to strengthening this area.

ASSOCIATED COMPANY (CHENGDU ISETAN)

The performance of our associated company was affected by construction works relating to an underground mass rapid transport line in front of the store which were completed around the end of September 2012. Coupled with the effects of the territorial disputes over the Diaoyu Islands, sales at Chengdu Isetan declined by 10.5% over the previous year. Although the store still incurred a loss of about $1.3 million, our share of loss in 2012 was limited to $177,000 as no further losses were recognized beyond the Group's investment in the associated company.

DIVIDENDS

For the financial year ended 31 December 2012, the Board of Directors has proposed a final dividend of 7.5 cents per ordinary share. The proposed dividend will be subject to shareholders' approval at the forthcoming Annual General Meeting.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my appreciation to our management and staff who have worked very hard in these challenging times. I would also like to express my gratitude to all our customers, suppliers and shareholders for their kind support.

I would like to thank our former Chairman, Mr Ryuichi Aoki, who resigned from the Board with effect from 1 April 2013, for his stewardship and contributions to the Company.

I would also like to welcome on board our new Independent Director, Ms Lim Bee Choo. I am confident Ms Lim, who has many years of experience in the area of Human Resources, will be able to give good guidance and help steer the Company to greater heights.

Thank you.

JUN YOKOYAMA
Chairman
1 April 2013

MANAGEMENT
DISCUSSION OF RESULTS OF OPERATIONS AND FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Isetan Scotts (Flagship Store)

Isetan Orchard

The Isetan Group started trading in Singapore on 31 January 1972. Today, we pride ourselves as one of the leading department store operators in Singapore with our stores strategically located across the island, catering to a wide spectrum of customers.

OUR FLAGSHIP STORE (ISETAN SCOTTS)

Our flagship Scotts store is located at Shaw House. The store boasts a wide collection of international fashion designer lines, cosmetics and family-oriented merchandise catering to the local and tourist markets. The supermarket at the basement level with its emphasis on high quality Japanese products is especially popular with our customers, offering Japanese lifestyle concepts to the Singapore market through various food festivals.

ISETAN ORCHARD

Our other store within the Orchard shopping belt is located at Wisma Atria, next to the busy Orchard MRT station. The store offers many international designer labels that cater to the young, trendy and fashionable.

MANAGEMENT
DISCUSSION OF RESULTS OF OPERATIONS AND FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Isetan Tampines


Isetan Parkway


Isetan Serangoon Central

Together, our Scotts and Orchard stores provide us with a strong presence in Orchard Road and bring greater choice to our customers.

SUBURBAN REACH (ISETAN TAMPINES, ISETAN KATONG AND ISETAN SERANGOON)

Our venture into the suburban area started with our Katong Store in Parkway Parade in 1983. The store, which has enjoyed the patronage of our customers for many years, led us to open another store in Tampines Mall, in 1995. Situated in a regional centre, the Tampines store is a popular shopping destination, especially for the residents living in and around Tampines.

Our retail footprint in the suburban areas increased further with the opening of our Isetan Serangoon Central Store on 25 November 2010. Spanning three floors in “nex” shopping mall, it incorporates new design concepts and offers a wide variety of merchandise ranging from cosmetics, fashion wear to other family-oriented items.

NEW STORE (ISETAN JURONG EAST)

Our strategic push into the suburban areas will reach the western part of Singapore when we open our new store in an upcoming mall known as Westgate next to Jurong East MRT station in the later part of 2013. This store will be situated in a designated regional centre and will incorporate our first Isetan supermarket in a suburban area.

MANAGEMENT
DISCUSSION OF RESULTS OF OPERATIONS AND FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

OUR SERVICE

Pivotal to our efforts to deliver service excellence is our "company promise" initiative. Through this, we incorporate our customers' feedback and make continuous improvements to our processes and systems. We continue to invest in staff training so that they are equipped with the right skill sets and exposed to new ideas that can help them do their jobs better.

OUR MERCHANDISE

The entry of new specialty fashion lines in recent years has led to more competition for the consumer dollar. As such, we have adjusted our sourcing in order to bring in more exclusive merchandise and differentiation to our product mix. In addition, we have also diverted more of our resources to the areas that we are strong in.

Our merchandise strategy maintains a customer-centric approach, where the merchandise mix is constantly adjusted to cater to our customers' needs and wants. We work closely with our strategic partners to bring in new promotions and improve on our core promotions such as our Golf sales, Japan Fashion and Lifestyle Festival and Supermarket fairs.

OUR EMPLOYEES

Our workforce is our key asset and we invest in them by sending them for in-house and external training programmes so as to update or upgrade their skill sets. To better link our staff remuneration to the Company's performance, we also reward our staff with discretionary bonuses, tied to the Company's performance as well as individual performance.

ANALYSIS OF GROUP OPERATIONS

	2012 $'000	2011 $'000	2010 $'000
Sales	**354,234**	365,045	331,770
Other income	**10,889**	11,308	10,223
Share of loss of an associated company	**(177)**	(791)	(451)
Profit before tax	**10,091**	14,828	13,975
Income tax	**(419)**	(2,525)	(2,467)
Profit after tax	**9,672**	12,303	11,508
EPS (cents)	**23.5**	29.8	27.9
Return on Equity	**4.7%**	6.2%	6.1%
Dividend paid per share	**$0.10**	$0.075	$0.075

MANAGEMENT
DISCUSSION OF RESULTS OF OPERATIONS AND FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

INVESTMENT ACTIVITIES

	2012 $'000	2011 $'000	2010 $'000
Dividend and Interest Income	**2,356**	2,360	2,266

With the more intense competition and the sales being affected by makeover mall renovations at two of our stores, sales declined by 2.96%. Other income also declined mainly due to lower rental income, sundry revenue and the absence of a gain on the maturity of investment this year. Coupled with the increase in expenses like rental expense and other expenses, profit after tax came in at 78.6% of last year.

Management adopts a 'risk-based' approach in its investment activities. Dividend and interest income declined slightly from $2.360 million to $2.356 million.

POSSIBLE CHALLENGES
The uncertainties in the global economy will likely be a drag on the local economic growth. The Singapore economy is expected to expand by a modest 1% to 3% in 2013. Against this backdrop, competition will remain keen and we expect aggressive promotions to be prevalent in many retailers' sales activities in 2013.

The tight labour situation and high rental costs will continue to be problem areas for many retailers. To increase sales, marketing and promotion costs may also increase, thereby exacerbating the situation. Therefore, 2013 will possibly be another challenging year for many retailers and they have to keep their expenses in check very closely.

FINANCIAL POSITION
During the year, the Group's cash and cash equivalents increased by 6.6% from $92.884 million to $99.023 million with operating activities providing the main net cash inflow.

DIVIDEND
The Board of Directors has proposed a final dividend of 7.5 cents per ordinary share per ordinary share or the financial year ended 31 December 2012, subject to shareholders' approval at the forthcoming Annual General Meeting.

BOARD OF DIRECTORS

JUN YOKOYAMA (CHAIRMAN)

Academic and Professional qualifications		Directorship
Bachelor of Economics, Seikei University, (Japan)		**Date first appointed:** 1 April 2013
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
Nil	Nil	Nil

Mr. Yokoyama joined Isetan Company Limited (Japan) in 1981 and has held appointments in Sales and Merchandising in Isetan Company Limited. He has also held senior appointments in Isetan of Japan Sdn Bhd (Malaysia) and Isetan New York (U.S.A.). He was promoted to Executive Officer in 2010 where he was the General Manager for Isetan Urawa Store (Japan) until his present appointment as Executive Officer in charge of International Operations (Isetan Mitsukoshi Holdings Limited).

LIM TIEN CHUN (MANAGING DIRECTOR)

Academic and Professional qualifications		Directorship
Bachelor of Business Administration, University of Singapore.		**Date first appointed:** 7 February 1990 **Date of cessation as Director:** 15 February 2005 **Date of re-appointment as Director:** 3 December 2007 **Date of appointment as Managing Director:** 17 March 2008 **Date last re-elected** 24 April 2008
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
Nil	Nil	Nil

Mr. Lim joined Isetan (Singapore) Limited in 1977 and has held appointments in Advertising and Promotion, Planning and Budget Control, Sales and Merchandising. He was the General Manager (Sales and Merchandising) of the Company before he was posted to Jinan Isetan Company Ltd in the People's Republic of China as the General Manager in 2005. After his return from China in 2007, he assumed the post of Senior Director, Corporate Affairs until his appointment as Managing Director in 2008.

He is a member of the Singapore Institute of Directors (SID).

Board of Directors

PHUA PUEY JOY (DEPUTY MANAGING DIRECTOR)

Academic and Professional qualifications		Directorship
Bachelor of Business Administration, University of Singapore.		**Date first appointed:** 17 February 1992 **Date of appointment as Deputy Managing Director:** 16 March 2010 **Date last re-elected:** 22 April 2009
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
Nil	Nil	Nil

Mr. Phua joined Isetan (Singapore) Limited in 1977 and has held appointments in Advertising and Promotion, Sales and Merchandising, Operations Support and Corporate Planning, Finance and Management Accounting, Information Systems and Human Resource Management.

Besides his appointment as the Deputy Managing Director, he is also the General Manager (Administration) where he oversees the Human Resource, Operations Support, Information Systems, Finance and Accounting and Corporate Affairs Departments.

He is a member of the Singapore Institute of Directors (SID) and Investor Relations Professionals Association (Singapore) Limited (IRPAS).

GERARD CHENG POH CHUAN

Academic and Professional qualifications		Directorship
Bachelor of Arts (Economics and Statistics), University of Singapore. Master in Communications Management, University of South Australia		**Date first appointed:** 17 March 2008 **Date last re-elected:** 26 April 2011
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
Nil	Nil	Nil

Mr. Cheng joined Isetan (Singapore) Limited in 1980 and has held appointments in Merchandising, Advertising and Promotion, Sales, Human Resource, Corporate Affairs and Planning & Budget Control. He is currently the Director, Human Resource and Sales & Merchandising Support.

He is a member of the Singapore Institute of Directors (SID).

Board of Directors

ADRIAN CHAN PENGEE

Academic and Professional qualifications		**Directorship**
Bachelor of Law, National University of Singapore.		**Date first appointed:** 1 June 2004 **Date last re-elected** 27 April 2012
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
• UPP Holdings Limited • Yoma Strategic Holdings Limited • Global Investments Limited • Biosensors International Group Limited • AEM Holdings Limited	• Hogan Lovells Lee & Lee (Director) • Singapore Institute of Directors (Vice-Chairman) • Association of Small and Medium Enterprises (Honorary Secretary) • Corporate Practice Committee and Finance Committee of the Law Society of Singapore (Committee member) • Corporate Governance and Regulations Committee of the Singapore International Chamber of Commerce (Committee member) • Pro-Enterprise Panel (Panel member)	• Oniontech Limited

Mr. Chan is Head of Corporate and a Senior Partner at Lee & Lee. He actively practises in the areas of mergers and acquisitions, venture capital work, corporate and commercial law, capital markets, joint ventures, corporate finance, corporate restructuring, securities law, stock exchange practice and employment law.

BOARD OF DIRECTORS

CHEY CHOR WAI

Academic and Professional qualifications		Directorship
Bachelor of Accountancy, University of Singapore. Fellow Member of the Institute of Certified Public Accountants of Singapore, CPA Australia and The Association of Chartered Certified Accountants (United Kingdom). Certified Information Systems Auditor (USA)		**Date first appointed:** 1 July 2010 **Date last re-elected:** 26 April 2011
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
• Courts Asia Limited • Religare Health Trust Trustee Manager Pte. Ltd.	• Dover Park Hospice (Chairman) • Two family-owned private investment holding companies (Director)	Nil

Mr. Chey has more than 32 years' experience in the accounting and auditing industry. He joined the legacy Coopers & Lybrand firm in Singapore in 1976 after graduating from the University of Singapore with a Bachelor of Accountancy. He assumed various positions at the offices of Coopers & Lybrand in London, Singapore and New York and was admitted to the Partnership of Coopers & Lybrand Singapore in 1989.

He was the Managing Partner of Coopers & Lybrand CIEC Beijing office for 3 years from 1 January 1995. He rejoined Coopers & Lybrand Singapore office on 1 January 1998 as an assurance partner. Coopers & Lybrand later merged with Price Waterhouse to form PricewaterhouseCoopers (PwC). He was also concurrently the Admin Partner in PwC from 2001 to 2003. He retired at the end of June 2008, after 32 years with the firm.

He is a full member of the Singapore Institute of Directors.

LIM BEE CHOO

Academic and Professional qualifications		Directorship
Bachelor of Business Administration, National University of Singapore.		**Date first appointed:** 1 July 2012
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
Nil	Nil	Nil

Ms. Lim has more than 30 years' experience in the area of Human Resource Management. She has held senior positions in various companies which include Hewlett Packard, Sara Lee Corporation and Standard Chartered Bank. She is currently the Head of Human Resources, Asia Pacific, PayPal.

Board of Directors

RYUICHI AOKI

Academic and Professional qualifications		Directorship
Bachelor of Economics, Keio University (Japan)		**Date first appointed:** 1 May 2011 **Date last re-elected:** 27 April 2012 **Date resigned:** 1 April 2013
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
Nil	Nil	Nil

Mr. Aoki joined Isetan Company Limited (Japan) in 1980 and has held appointments in Sales and Merchandising in Isetan Company Limited and Ta Lee Isetan (Taiwan) respectively. He has also held positions in the Corporate Planning Division and International Operations in Isetan Company Limited prior to his previous appointment as the Executive Officer, International Operations in Isetan Mitsukoshi Holdings Limited (Japan). He resigned from Isetan (Singapore) Limited as of 1 April 2013.

HIROSHI ISONO

Academic and Professional qualifications		Directorship
Bachelor of Law, Rikko University (Japan)		**Date first appointed:** 1 April 2009 **Date last re-elected** 26 April 2011 **Date resigned:** 1 April 2013
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
Nil	Nil	Nil

Mr. Isono joined Isetan Company Limited (Japan) in 1983 and has held appointments in Sales and Merchandising in the Cosmetics and Fashion Accessories Department in Isetan Company Limited (Japan), as well as a Manager in Isetan of Japan Sdn Bhd (Malaysia).

He was the General Manager of Shenyang Isetan Co., Ltd (People's Republic of China) prior to his previous appointment as General Manager (Sales and Merchandising) in Isetan (Singapore) Limited. He resigned from Isetan (Singapore) Limited as of 1 April 2013.

TAN BOEN HIAN

Academic and Professional qualifications		Directorship
Bachelor of Science, Industrial Technology, University of Wisconsin- Stout (U.S.A.)		**Date first appointed:** 3 September 1981 **Date last re-elected:** 22 April 2009 **Date resigned:** 27 April 2012
Present Directorships in other listed companies (as at 31 December 2012)	Other Principal Commitments	Past Directorships in listed companies over the preceding three years (31 December 2009 to 31 December 2012)
Nil	Nil	Nil

Mr. Tan was the Technical Advisor of Furama Limited and retired from the aforementioned company as of January 2010. He resigned from Isetan (Singapore) Limited as of 27 April 2012.

Key Executives' Profiles

AS AT 31 DECEMBER 2012

LOH KAH LEONG

Merchandising Senior Manager

Mr. Loh joined the Company in 1989. He has served in Store Operations and also held various appointments in the Merchandising Department as a Buyer and as a Divisional Manager. Mr. Loh received his Bachelor of Business Administration from the National University of Singapore.

GERARD GOH KIM WAN

Merchandising Planning and Web Business Manager

Mr. Goh joined the Company in 1989. He has served in Finance and Accounting, Information Systems, Sales Promotions and Store Operations. He received his Bachelor of Arts from the National University of Singapore and attained the designation of 'Certified Public Accountant' from the Institute of Certified Public Accountants of Singapore.

ANG SIEW KHIM

Store Manager

Ms. Ang joined the Company in 1974. She has risen through the ranks and has served in Store Operations and Human Resource.

ROGER LIM KONG HUAT

Store cum Sales Service Manager

Mr. Lim joined the Company in 1978. He has served in Merchandising, Store Operations and the subsidiary company. He received his Bachelor of Arts from the University of Singapore.

HENG MOK HIANG

Operations Support Manager

Mr. Heng joined the Company in 1984. He has served in Store Operations, Merchandising Budget Control and Information Systems. He received his Bachelor of Business Administration from the National University of Singapore.

JAMES CHE WENG FOO

Sales Promotions and Isetan Cards Manager

Mr. Che joined the Company in 1983. He has served in Store Operations, Merchandising and Merchandise Planning & Budget Control. He received his Bachelor of Science from the National University of Singapore.

GERALD LIM WEE LEE

Legal/Contracts and Information Systems Manager

Mr. Lim joined the Company in 1990. He has served in Store Operations, Operations Support and Merchandising. He received his Bachelor of Science (Estate Management) from the National University of Singapore.

YEW KAI PING

Finance & Accounting, Corporate Affairs, Planning and Budget Control Manager

Mr. Yew joined the Company in 1988. He has served in Store Operations, Merchandising and Operations Support. He received his Bachelor of Business Administration from the National University of Singapore, Master in Business Administration from the Macquarie Graduate School of Management (Australia) and Master of Accounting from the Curtin University of Technology (Australia).

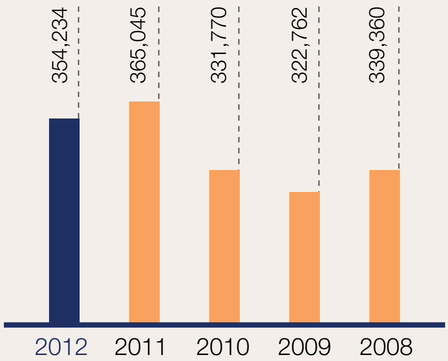
Group Financial Profile

	Year ended 31.12.2012 $'000	Year ended 31.12.2011 $'000	Year ended 31.12.2010 $'000	Year ended 31.12.2009 $'000	Year ended 31.12.2008 $'000
Operating results					
Sales	**354,234**	365,045	331,770	322,762	339,360
Profit before income tax	**10,091**	14,828	13,975	13,933	18,264
Income tax	**(419)**	(2,525)	(2,467)	(2,766)	(3,477)
Net profit	**9,672**	12,303	11,508	11,167	14,787
Total Assets					
Investment property	**2,790**	2,849	2,908	2,967	3,026
Property, plant & equipment	**78,152**	83,961	90,492	86,929	88,216
Financial assets, available-for-sale	**3,460**	3,059	3,240	3,347	2,658
Financial assets, held-to-maturity	**49,500**	43,250	39,000	24,874	18,874
Club memberships	**639**	637	649	709	754
Investment in associated company	**-**	177	959	1,647	2,598
Rental deposits	**6,887**	7,201	6,822	6,204	5,058
Other receivables	**254**	292	351	290	307
Current assets	**128,619**	126,577	114,377	115,338	120,201
	270,301	268,003	258,798	242,305	241,692
Shareholders' Equity and Total Liabilities					
Shareholders' equity	**203,754**	197,806	188,769	180,700	171,986
Current liabilities	**62,936**	66,112	65,848	58,181	65,970
Non-current liabilities	**3,611**	4,085	4,181	3,424	3,736
	270,301	268,003	258,798	242,305	241,692
Shareholders' Equity					
Share capital	**91,710**	91,710	91,710	91,710	91,710
General reserve	**17,000**	17,000	17,000	17,000	17,000
Fair value reserve	**1,344**	943	1,124	1,232	591
Currency translation reserve	**(228)**	(228)	(237)	-	-
Retained earnings	**93,928**	88,381	79,172	70,758	62,685
	203,754	197,806	188,769	180,700	171,986
Earnings per share (cents)	**23.5**	29.8	27.9	27.1	35.9
Dividend paid :					
Final Gross dividend per share (cents)					
- Ordinary	**7.5**	7.5	7.5	7.5	2.0
- Special	**2.5**	-	-	-	-
Net ($'000)	**4,125**	3,094	3,094	3,094	825
Net assets per share	**$4.94**	$4.80	$4.58	$4.38	$4.17

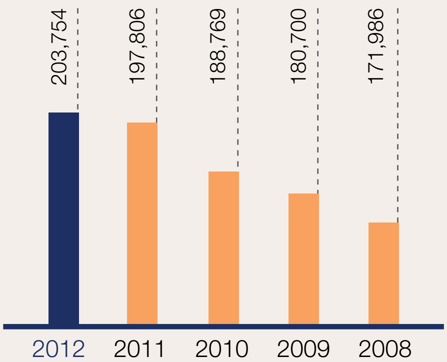
Certain prior years' figures have been reclassified to provide a meaningful comparison to the current year's figures.

Group Financial Profile

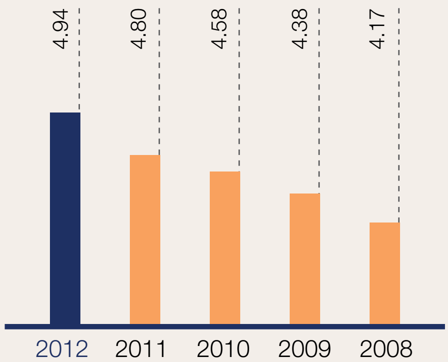
Sales
($'000)



Shareholders' Equity
($'000)



Net Assets Per Share
($)



Event Highlights

Fabulous promotions, culture-rich festivals and mouth-watering fairs are just some of the good deals we offered our customers in celebration of our 40th Anniversary in Singapore. Indeed, it was a meaningful year as we continue to adhere to our promise: doing business with the highest integrity and in a sincere spirit of service.

SISYU'S CALLIGRAPHY EXHIBITION

In celebration of Isetan Singapore's 40th Anniversary, we initiated an exhibition by renowned Japanese Calligrapher Sisyu. It was an excellent opportunity for us to introduce Japanese art to our local community.

From a young age of 6, Sisyu started to learn the basics of calligraphy over a span of more than 10 years, eventually becoming a professional calligraphic artist. Now, as a representative from Japan, the Japanese Government invites her to international conferences around the world to introduce her works. She was recently featured in the Venice Biennale, International Art Festival.

The talented Calligraphic Artist presented new styles of calligraphy including interactive picture works which change the animation of the meaning of the words when a person touches the calligraphy, painting and calligraphic work of a dragon told to be lucky by Chinese culture and Calligraphy released from paper and tradition making it three dimensional. The exhibition was held at Shaw Theatres Lido and was well received by the many Singaporeans and tourists alike who visited the exhibition.

FLAVOURFUL SEASONS FAIR

Summer Hokkaido Fair
Autumn Kyushu Fair
Spring Kyushu Fair

Seasonal delectable delights were in store for our customers. We took up the heat with Summer Hokkaido Fair highlighting Hokkaido Fresh milk ice cream, Hakodate Maru Cheese Soufflé and gratifying seafood goodness like Seafood tempura fish cake and frozen scallop Kaibashira. A flavoursome Autumn Kyushu Fair featured original traditional dessert like Pudding Dora and the Iron Chef Roll Cake by renowned French dessert chef Hiroyuki Sakai known as the "Iron Chef" in the popular TV Series in Japan. Our Spring Kyushu Fair hyped everyone with drum performances of Fukuoka Prefecture, Tuna cutting Demonstration and discounts on authentic Japanese condiments.

EVENT HIGHLIGHTS

ISETAN FASHION WEEK

In line with our slogan “Isetan gives new meaning to fashion”, we strive to present the latest trends right at our stores. We featured an electric mix of bold prints and cheerful blocking for dresses and shoes. Sleek, minimalist metallic pieces, designer collections and multi-label concepts for bags and accessories were also available.

GOLF SALE

Golf-enthusiasts are also close to our heart! A wide range of golf equipment, from clubs to bags and shoes to balls from top brands, was available to our Golf enthusiasts.

YOUNGSTERS EVENTS

Little Tots Fair
Pika Pika Carnival
Gunpla Expo World Tour

In line with our commitment to provide quality products to our every customer, we did not forget our young customers. The Little Tots Fair was an event held at Isetan Scotts, Isetan Katong and Isetan Serangoon Central where quality baby products from the most trusted baby brands were on sale. Pika Pika Carnival on the other hand was a new experience for kids who enjoyed Singapore’s First Motion Sensor Game and special Pokemon merchandise. We also brought in the Gunpla Expo World Tour Singapore 2012 where we featured the latest and exclusive items from Gundam Series. Along with the Exhibition, we had fun activities and limited edition Special Buys.

Corporate Information

BOARD OF DIRECTORS

Jun Yokoyama	(Chairman)
Lim Tien Chun	(Managing Director)
Phua Puey Joy	(Deputy Managing Director cum General Manager, Administration)
Gerard Cheng Poh Chuan	(Director, Human Resource and Sales & Merchandising Support)
Adrian Chan Pengee	(Independent Director)
Chey Chor Wai	(Independent Director)
Lim Bee Choo	(Independent Director)

REGISTERED OFFICE

Company Registration no. 197001177H
593 Havelock Road, #04-01
Isetan Office Building
Singapore 169641
Tel: (65) 6732 8866
Fax: (65) 6736 0913

Website: www.isetan.com.sg
E-mail: isetansin@isetan.com.sg

COMPANY SECRETARY

Lun Chee Leong

REGISTRAR

M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: (65) 6227 6660
Fax: (65) 6225 1452

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Certified Public Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424

Audit Partner: Ms Chua Lay See
(Appointed in 2008)

Corporate Governance Report

Isetan is committed to the standards of corporate governance practices and processes detailed in this report. This report is in compliance with the continuing obligations stipulated under Chapter 7 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

Isetan has adhered to the principles and guidelines of the Code of Corporate Governance (the "Code") and has provided an explanation for any deviation from the Code.

The details of the Board and the various committees are disclosed in the section on the Board of Directors. In addition, the particulars of the directors are also disclosed in the same section.

BOARD MATTERS

BOARD OF DIRECTORS

	Name of Director	Executive / Non-executive	Independent/ Non-independent
1	Jun Yokoyama (Chairman) (appointed on 1 April 2013)	Non-executive	Non-independent
2	Lim Tien Chun (Managing Director)*	Executive	Non-independent
3	Phua Puey Joy* (Deputy Managing Director)*	Executive	Non-independent
4	Gerard Cheng Poh Chuan*	Executive	Non-independent
5	Adrian Chan Pengee	Non-executive	Independent
6	Chey Chor Wai	Non-executive	Independent
7	Lim Bee Choo (appointed on 1 July 2012)	Non-executive	Independent
8	Ryuichi Aoki (resigned on 1 April 2013)	Non-executive	Non-independent
9	Hiroshi Isono (resigned on 1 April 2013)	Executive	Non-independent
10	Tan Boen Hian (resigned on 27 April 2012)	Non-executive	Independent

* Indicates the Board members who are also on the Executive Committee ("Exco")

COMMITTEES

	Audit Committee ("AC")	Nominating Committee ("NC")	Remuneration Committee ("RC")
Chairman	Chey Chor Wai	Adrian Chan Pengee	Lim Bee Choo** (Tan Boen Hian*)
Members	Adrian Chan Pengee Lim Bee Choo** (Tan Boen Hian*)	Chey Chor Wai Lim Bee Choo** (Tan Boen Hian*)	Adrian Chan Pengee Chey Chor Wai

* Resigned on 27 April 2012

** Appointed on 1 July 2012

Principle 1: The Board's Conduct of its affairs

The main role and responsibility of the Board of Isetan is to oversee the business affairs of the Company. The key matters for Board's overview and supervision include approving broad policies, strategies and objectives of the Company, monitoring management performance, approving annual budgets and major funding, investment and divestment proposals. The Board also assumes responsibility for corporate governance and approves all transactions involving the Company other than those in the ordinary course of business of the Company.

Corporate Governance Report

Matters which are specifically reserved to the Board for approval include:

(a) remuneration framework of all Board members;

(b) remuneration framework and packages of all key executives;

(c) matters involving a conflict of interest for a substantial shareholder or a director;

(d) share issuances, dividends and other returns to shareholders; and

(e) matters which require Board's approval as specified under the Company's interested person transaction policy.

The Board has required internal directives to be issued with regard to shares trading. These directives, including prohibitions on insider trading, have been made known to all directors and employees. The guidelines specifically prohibit trading in the Company's shares on short term considerations as well as during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the financial statements for the full year.

To assist in the execution of its responsibilities, the Board has established four Board committees, namely, the Exco, the NC, the AC, and the RC. The Exco aims to facilitate and expedite corporate processes, particularly where Board resolutions are required to be passed with urgency. The Exco also oversees the operational aspects of the Company, including the review of the strategic process and annual budget for the Company. The terms of reference and composition of the other board committees have been detailed in the respective sections of this report.

The Board met five times during the year. In addition, the Exco meets regularly and at least four times a year. Additional meetings are convened when deemed necessary by the Board. The record of the directors' attendance at Board and the respective committee meetings during the financial year ended 31 December 2012 is set out below.

		Directors' Attendance at Board and other committee meetings									
		No. of meetings (for the period from 1 January 2012 to 31 December 2012)									
		Board		Exco		NC		RC		AC	
	Name of Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
1	Ryuichi Aoki (Chairman) (resigned on 1 April 2013)	5	5	–	–	–	–	–	–	–	–
2	Lim Tien Chun (Managing Director)	5	5	14	14	–	–	–	–	–	–
3	Phua Puey Joy (Deputy Managing Director)	5	5	14	14	–	–	–	–	–	–
4	Hiroshi Isono (resigned on 1 April 2013)	5	5	14	14	–	–	–	–	–	–
5	Gerard Cheng Poh Chuan	5	5	14	14	–	–	–	–	–	–
6	Adrian Chan Pengee	5	5	–	–	1	1	1	1	4	4
7	Chey Chor Wai	5	5	–	–	1	1	1	1	4	4
8	Lim Bee Choo (appointed on 1 July 2012)	5	2	–	–	1	–	1	–	4	2
9	Tan Boen Hian (resigned on 27 April 2012)	5	2	–	–	1	1	1	1	4	1

All directors have been provided with a copy of the Company's Corporate Governance Policies Manual which serves as a guide to the Company's governance practices and policies. A formal letter is also issued to all directors, with reference made to the Company's Corporate Governance Policies Manual, on the directors' duties and obligations.

Corporate Governance Report

In addition, the Company has orientation programmes to ensure that incoming directors are familiar with the Company's business, structure and governance practices. The new director, Ms. Lim Bee Choo, received an orientation briefing by the management and internal auditor. She also attended a course organized by the Singapore Institute of Directors ("SID"). In recognition that directors require appropriate on-going training, the Company has encouraged all directors to sign up as members of the SID and to participate in its courses. Briefings are organized from time to time to update directors and, in particular, the AC on developments to the laws and regulations relevant to the Company and its business. During the year, KPMG LLP conducted a training session for the directors on the revised Singapore Code of Corporate Governance. The Directors also received training in the course of the year on the latest developments on Directors' duties. From time to time, the Company also arranges for training updates to be made to the directors on impending changes to the accounting and financial reporting standards in Singapore.

Principle 3: Chairman and Managing Director

The Chairman and Managing Director ("MD") are different persons with different roles and the Board will endeavor to maintain this division of responsibilities, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the Managing Director are clearly established, set out in writing and approved by the Board. The Chairman and the MD are not related.

The MD is the most senior executive in the Company and bears executive responsibility for the Company's business, while the Chairman is non-executive and bears responsibility for Board proceedings.

The key roles and responsibilities of the Chairman with regard to Board proceedings include the scheduling of meetings and preparation of meeting agenda with assistance from the Company Secretary, in consultation with the MD prior to the meeting. He assumes responsibility for ensuring that the directors are provided with accurate, adequate and timely information so that they may fulfil their responsibilities.

The Chairman is responsible for ensuring effective communication with shareholders, encourage constructive relations between Board and management, between executive and non-executive directors. The Chairman also has an oversight role in ensuring compliance with the Company's guidelines on corporate governance.

Principle 2: Board Composition and Guidance
Principle 4: Board Membership

As at 31 December 2012, the Board had eight directors, of whom four are non-executive. Three of the directors are independent. Also, none of the independent directors have served on the Board for more than nine years.

The Board comprises persons who as a group provide the necessary core competencies to meet the Company's objectives. While the Chairman and Executive Directors individually possess many years of experience in the retail industry, the independent directors add diversity and balance to the Board as they have diverse backgrounds and qualifications in the fields of legal, accounting and human resource management. The NC is of the view that the current size of the Board is appropriate and provides effective decision making in relation to the scope and nature of the Company's operations. The Board will continue to review the size of the Board on an ongoing basis. To provide a more effective check on management, the non-executive directors meet without the presence of the management. The NC is established by the Board to recommend the appointment/nomination and re-appointment of all directors to the Board. Subject to Article 95 of the Company's Articles of Association, all directors (other than the MD) are required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.

Prior to making recommendations to the Board, the NC adopts a formal and transparent process of reviewing nominations of directors for appointment to the Board and Board committees. The NC will first identify suitable candidates for Board membership using appropriate means, which may include recommendations from current Board members, external searches by search firms or the SID and other referrals. The criteria for evaluating the potential candidates include:

(a) skills, background, qualifications and work experience sought;

(b) the type of capabilities or qualities that are needed to complement the core competencies of the existing Board members; and

(c) the level of commitment in terms of time and effort in order to fulfill the director's obligations.

Corporate Governance Report

The evaluation also includes a face-to-face meeting with the intended candidate(s) to ascertain their suitability. The NC then recommends the suitable candidate(s) to the Board for appointment as a Director.

The NC has been tasked to assess the independence of the directors and has adopted a more stringent definition of independence than that set out in the Code of Corporate Governance as the independent directors are independent from substantial shareholders of the Company (and not merely 10% shareholders, as required by the Code). The NC is of the opinion that the directors who have been classified as independent are indeed independent. The NC comprises three directors, all of whom, including the Chairman, are independent. The NC requires all the independent directors to confirm their independence and their relationships with the directors, management and substantial shareholders of the Company by a declaration in writing annually. These declarations are subsequently reviewed and discussed by the NC before the NC confirms their independence. The Board is of the opinion that there are no directors who have multiple board representations which will affect his ability to carry out his duty as a director of the Company.

A summary table showing the directors who are executive or non-executive as well as independent or non-independent is shown on page 21. Members of the AC, NC and RC are also shown on the same page. All the directorships and chairmanships in listed companies held by the directors, both current and those held over the preceding three years, are shown on pages 10 to 14.

Principle 5: Board Performance

Under the terms of reference for the NC as approved by the Board, the NC has adopted a system for assessing the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board. The NC has implemented a process to allow for peer assessment of each director on the Board, to assess the director's contributions to the effectiveness of the Board. This evaluation process includes sending each director a questionnaire for completion. The responses are collated, analysed and summarised by the independent, external Company Secretary, so as to encourage frank and open feedback and discourse. The responses are then discussed by the NC for recommendations to be made to the Board. The NC assesses and recommends objective performance criteria to the Board for its approval and these performance criteria are unlikely to be altered unless the circumstances render it necessary, in which event the Board will furnish its reasons for so doing. The assessments are done on an annual basis, with the assessment of the individual director being done on a voluntary basis. Some of the performance criteria for the Board assessment process includes the appropriate size and composition of the Board, the effectiveness of the decision-making process, access to information by directors, the accountability of Board members, oversight over and management of the MD and Management and directors' standard of conduct. Some of the performance criteria for the individual director assessment process includes attendance at Board and Committee meetings, adequacy of preparation and contributions in various areas of expertise.

Principle 6: Access to Information

Management has supplied the Board with complete and adequate information in a timely manner to allow the directors to fulfill their duties properly. The Board has a procedure for directors, after consultation with the Chairman of the Board or the MD, to take independent professional advice at the Company's expense in the furtherance of their duties. The Board also has separate and independent access to the Company's senior management and the Company Secretary. The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies
Principle 8: Level & mix of remuneration
Principle 9: Disclosure on remuneration

The RC comprises entirely of independent non-executive directors. The RC has access to advice from the internal human resource department, and if required, the RC will have access to external advice. Under the terms of reference for the RC as approved by the Board, the key roles and responsibilities of the RC are, in consultation with the Chairman of the Board, to recommend an appropriate remuneration framework for the Board and key management personnel, and to determine specific remuneration packages for each executive director and key management personnel. These recommendations will then be submitted to the Board for endorsement.

Corporate Governance Report

The RC has established major key performance indicators for evaluating the performance of the executive directors and key management personnel. The remuneration packages paid to the executive directors and key management personnel are linked to the performance of both the Company and each individual. In addition, the Company operates a retirement benefit scheme for its employees, including executive directors and key management personnel who are eligible for it. Further information is disclosed in the Notes to the accounts under item 23.

For the current financial year, non-executive directors will, subject to shareholders' approval, receive only director's fees. The RC will continue to assess and recommend non-executive directors' fees that are appropriate to the level of their contributions, and submit its recommendations to the Board for its endorsement. The Board will then recommend the proposal for the remuneration of the non-executive directors for approval at a shareholders' meeting.

Under Article 87(2) of the Company's Articles of Association, if the MD is appointed for a fixed term, such term shall not exceed 5 years. Currently, neither the MD nor any of the other executive directors have been appointed or employed in their current positions for a fixed term under any service contract. Pursuant to Article 95 of the Company's Articles of Association, one-third of the directors retires from office at the Company's Annual General Meeting held in each year. Such retiring directors are eligible for re-nomination and re-election. No employee share scheme has been offered to any director or employee.

The breakdown of directors' remuneration (in percentage terms) for the period from 1 January 2012 to 31 December 2012 and the remuneration bands of directors and key executives for the period from 1 January 2012 to 31 December 2012 are set out in the Note (b) under "Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual".

There are no employees who are immediate family members of a director or the MD.

ACCOUNTABILITY AND AUDIT

Principle 11: Audit Committee
Principle 12: Internal Controls
Principle 13: Internal Audit

The AC comprises three independent non-executive directors. The Board is of the opinion that at least two members of the AC (including its Chairman) have sufficient accounting or related financial management expertise or experience to discharge its responsibilities. The external auditor also updates the AC periodically on the latest and upcoming changes to accounting standards and issues. In addition, the AC members also attended outside courses .

The AC has been conferred explicit authority to investigate any matter within its terms of reference, full access to and co-operation by management, full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

Under the terms of reference for the AC as approved by the Board and in accordance with Section 201B(5) of the Singapore Companies Act, the key roles and responsibilities of the AC include the following:

- reviewing with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and any matters which the external auditors wish to discuss in the absence of management;
- assessing the independence and objectivity of the external auditors;
- reviewing with the internal auditors, the scope and the results of internal audit procedures and their evaluation of the overall internal control systems;
- reviewing the adequacy and effectiveness of the Company's internal controls at least annually, including financial, operating and compliance controls, and risk management policies and systems established by the management;
- reviewing arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- reviewing any significant findings of internal investigations and management response;

Corporate Governance Report

- reviewing the effectiveness of the Company's external and internal auditors and approving the appointment, reappointment and removal of the Company's external and internal auditors and approving their remuneration and terms of engagement;

- reviewing interested person transactions to ensure that internal control procedures are adhered to;

- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance e.g. quarterly and annual financial statements, including announcement to the SGX-ST prior to the submission to the Board; and

- reporting actions and minutes of the AC meetings to the Board of Directors with such recommendations as the AC considers appropriate.

The AC met 4 times during the year in review. The Company Secretary, the Company's external and internal auditors and the management team responsible for finance attend the meetings. Wherever necessary, other members of the management team may also be invited to attend the AC meetings.

The AC reviews and recommends to the Board the release of the quarterly and full year financial statements. In the process, it also reviews the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a great impact on the financial statements. It also considers and approves the Audit Strategy and Planning Memorandum prepared by the external auditors and the Internal Audit Plan prepared by the internal auditors, and reviews the scope and results of both external and internal audits.

The AC has also met up with the external auditors in the absence of management, at least once annually. In addition, in some of other meetings with auditors, the AC has invited the presence of management to assist in its frank deliberations. The AC has received confirmation from the external auditors that they have received full assistance from the officers of the Company in the course of their audit.

The AC has nominated PricewaterhouseCoopers LLP for re-appointment as auditors of the Company at the forthcoming Annual General Meeting. The AC has reviewed the amount of non-audit fees paid to the auditors and is of the opinion that it will not affect the independence of the auditors.

The AC has met up with the internal auditors in the absence of management, at least once annually. The AC has received confirmation from the internal auditors that they have received full assistance from the officers of the Company in the course of their work. The internal audit function is carried out by KPMG LLP, whose primary line of reporting is to the Chairman of the AC. The internal audit plan and scope of work are prepared in consultation with, but independent of, management and submitted to and approved by the AC. The internal auditors assist the AC in assessing the Company's risk management, controls and governance processes and the reports of the internal auditors are distributed to the AC and discussed at the AC meetings. The internal auditors have confirmed to the AC that their work have met the standards set by The Institute of Internal Auditors.

As part of their statutory audit, the Company's external auditors reviews the Company's material internal controls relevant to financial reporting in order to design audit procedures that are appropriate in the circumstances. Any material non-compliance and internal control weaknesses identified by both the external and internal auditors are reported to the AC, together with the recommendations to address them. The Company's management follows up on these recommendations as part of their role in reviewing the Company's internal control systems. The AC also reviews the effectiveness of the actions taken by management on the recommendations made in this respect. To ensure an effective system of internal controls, the internal auditors have been engaged to carry out periodic assessments of enterprise-wide risks with management and the AC. Subsequently, a risk-based internal audit plan is formulated by the internal auditors where the current controls for the key risks are identified and action plans developed to address any gaps and weaknesses in the controls. Based on the work carried out by the internal auditors, the review undertaken by the external auditors as part of their statutory audit and the existing management controls in place, the AC and the Board are of the opinion that there are adequate internal controls in place to address risks relating to financial, operational, compliance and information technology matters. The Board, together with the AC and management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

Corporate Governance Report

The system of internal controls and risk management policies established by the Company (as further elaborated in the ensuing page, Risk Management Policies and Processes) is designed to manage, rather than eliminate, the risk of failure in achieving the Company's strategic objectives. It should be recognised that such systems are designed to provide reasonable assurance, but not an absolute guarantee, against material misstatement or loss.

The Company has put in place a "whistle-blowing" process whereby staff of the Company can raise concerns about possible improprieties in matters of financial reporting or other matters through a well-defined and accessible channel within the Company. The objective of the policy is to encourage the reporting of such matters in good faith, while providing the assurance that staff making such reports will be fairly treated. The "whistle-blowing" policy is communicated to all staff during the orientation for new staff and also via the Staff Handbook. Procedures have been established to ensure that such matters are promptly investigated, appropriate follow-up actions taken by management and results reported to the AC and Board of Directors. In addition, all staff have been informed of the contact details of the AC members so that they may report their concerns directly to the AC. The Company and/or the AC will also investigate anonymous complaints but may result in the matter not being satisfactorily resolved until the complainant is able to come forward and offer his/her assistance.

Where a whistle blowing case warrants immediate attention, it will be investigated promptly and reported to senior management as well as the AC. If there are no whistle blowing cases, a negative confirmation is conveyed by the management to the AC on a quarterly basis.

There were no concerns raised by staff during the year.

Principle 10: Accountability
Principle 14 and 15: Communication with Shareholders

The Board is accountable to the shareholders while management is accountable to the Board and provides the necessary information needed by the Board on a timely basis. In addition, the management provides management accounts to the directors on a monthly basis.

The Company avoids selective disclosure of information. The annual and quarterly announcements of financial statements and other price sensitive public reports and reports to regulators (where relevant) are published through SGXNET.

Shareholders have been given the opportunity to participate and vote in shareholders' meetings. If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. The Chairman, the Board of Directors, and members of the senior management team attend the shareholders' meetings to address questions and obtain feedback from shareholders. The external auditors are also present to address queries about the conduct of the external audit and the preparation and content of the auditors' report. All resolutions will be voted by poll and the detailed results for each resolution will be announced.

The Company's dividend policy is to provide our shareholders a stable annual dividend that takes into account the Company's performance as well as the resources needed to secure its future success and well-being. Special dividends may be proposed, when deemed appropriate, to share the Company's successes with our shareholders.

The Company's website is at www.isetan.com.sg. The Company's latest annual reports are available on the Company's website. If shareholders have any queries on investor relations, they may contact isetansin@isetan.com.sg.

Risk Management Policies and Processes

Risk Management

In implementing the plans to reach the Group's strategic goals, management has identified the principal business risks and put in place appropriate policies and procedures to prevent or minimise such risks. These risks are covered in further detail below:

Financial Risk

Due to its business activities, the Group is exposed to various kinds of financial risks such as market risks and interest rate risks. The guidelines undertaken to manage such risks are further elaborated on in the notes to the financial statements, under the heading of "Financial risk management".

In addition to the above, the Group also manages risks associated with accurate financial reporting. Besides the monthly review of management financial reports, regular internal reviews are also carried out to keep abreast of the latest Financial Reporting Standards and other regulatory requirements. If necessary, management consults with the external auditors and legal counsel, and adopts their advice on the reporting requirements.

Operations

The operational risks of the business include process risks, risk from loss of assets, risks from uncontrollable events and risks from legal liability. As far as possible, procedures and policies have been set out to guide staff on how to execute the relevant risk controls. Where necessary, practical drills are carried out periodically to reinforce the understanding of some of these procedures and policies. Insurance policies have also been taken up to cover the risks arising from loss of assets and legal liability.

Information Systems

The risks associated with the information system include system failure due to external factors (like power and telecommunication failure), loss of data due to hardware failure and threats from external sources (like computer viruses). To enable the usage of information necessary for the planning, executing, controlling and reviewing of the daily business operations, such risks are regularly assessed and appropriate procedures and contingency plans are put in place to manage these risks. The internal and external auditors also carry out regular IT control reviews as part of their audits .

Assessment of risks

The above risks as well as any new areas of risk are regularly identified, assessed and evaluated with the assistance of the internal auditors. The information gathered are then translated into a risk map, which is reviewed by the management and Audit Committee. Subsequently, a risk-based internal audit plan is formulated by the internal auditors that allow the internal audits to be focused on areas that are of concern to the management and the Audit Committee.

Directors' Report

For the financial year ended 31 December 2012

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the balance sheet of the Company as at 31 December 2012.

Directors

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

Mr Ryuichi Aoki	(Chairman)
Mr Lim Tien Chun	(Managing Director)
Mr Phua Puey Joy	(Deputy Managing Director)
Mr Hiroshi Isono	
Mr Gerard Cheng Poh Chuan	
Mr Adrian Chan Pengee	
Mr Chey Chor Wai	
Ms Lim Bee Choo	(appointed on 1 July 2012)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		**Holdings in which a director is deemed to have an interest**	
	At 31.12.2012	At 1.1.2012 or date of appointment, if later	**At 31.12.2012**	At 1.1.2012 or date of appointment, if later
The Company				
(Number of ordinary shares)				
Lim Tien Chun	**8,500**	8,500	**–**	–
Phua Puey Joy	**5,000**	5,000	**–**	–
Hiroshi Isono	**1,000**	1,000	**–**	–
Gerard Cheng Poh Chuan	**2,000**	2,000	**–**	–
Adrian Chan Pengee	**1,000**	1,000	**–**	–
Isetan Mitsukoshi Ltd				
(Number of ordinary shares of ¥50 each)				
Ryuichi Aoki	**2,686**	1,855	–	–
(Options to subscribe for ordinary shares of ¥50 each)				
Ryuichi Aoki	**8,200**	–	–	–

(b) The directors' interests in the share capital of the Company as at 21 January 2013 were the same as those as at 31 December 2012.

Directors' Report

For the financial year ended 31 December 2012

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that certain directors have employment relationships with related corporations and have received remuneration in those capacities.

Share options

There were no options granted, including any to controlling shareholders or their associates, directors and employees of the parent company (as defined in the Singapore Exchange Securities Trading Listing Manual) and its subsidiary, during the financial year to subscribe for unissued shares of the Company or its subsidiary.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary.

There were no unissued shares under option in the Company or its subsidiary at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year were as follows:

Mr Chey Chor Wai (Chairman)
Mr Adrian Chan Pengee
Ms Lim Bee Choo

All members of the Audit Committee are independent non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the results announcement for the quarters and full year; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2012 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice their independence and objectivity before confirming their re-nomination.

Directors' Report

For the financial year ended 31 December 2012

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

LIM TIEN CHUN Director	PHUA PUEY JOY Director

21 February 2013

Statement by Directors

For the financial year ended 31 December 2012

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 34 to 76 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

On behalf of the directors

LIM TIEN CHUN
Director

PHUA PUEY JOY
Director

21 February 2013

Independent Auditor's Report

To the Members of Isetan (Singapore) Limited for the financial year ended 31 December 2012

Report on the Financial Statements

We have audited the accompanying financial statements of Isetan (Singapore) Limited (the "Company") and its subsidiary (the "Group") set out on pages 34 to 76, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

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 (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.

Auditor's 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 balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards 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 2012, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore

21 February 2013

Consolidated Income Statement

For the financial year ended 31 December 2012

	Notes	The Group 2012 $'000	2011 $'000
Sales	4	**354,234**	365,045
Other income	5	**10,889**	11,308
Expenses			
- Changes in inventories of finished goods		**(573)**	1,148
- Purchases of inventories and related costs		**(258,883)**	(268,613)
- Employee compensation	6	**(21,472)**	(21,751)
- Depreciation expense		**(6,803)**	(6,832)
- Rental expense		**(37,076)**	(36,258)
- Other expenses	7	**(30,048)**	(28,428)
Total expenses		**(354,855)**	(360,734)
Share of loss of an associated company	17	**(177)**	(791)
Profit before income tax		**10,091**	14,828
Income tax expense	8	**(419)**	(2,525)
Net profit for the financial year		**9,672**	12,303
Attributable to:			
Equity holders of the Company		**9,672**	12,303
Earnings per share for profit attributable to the equity holders of the Company (cents per share)	9		
- Basic		**23.45 cents**	29.83 cents
- Diluted		**23.45 cents**	29.83 cents

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2012

	The Group	
	2012	2011
	$'000	$'000
Net profit for the financial year	**9,672**	12,303
Other comprehensive income:		
Financial assets, available-for-sale		
- Fair value gain/(loss)	**401**	(181)
Currency translation difference	**–**	9
Other comprehensive gain/(loss), net of tax	**401**	(172)
Total comprehensive income for the financial year	**10,073**	12,131
Total comprehensive income attributable to:		
Equity holders of the Company	**10,073**	12,131

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

Balance Sheets

As at 31 December 2012

	Notes	The Group 2012 $'000	The Group 2011 $'000	The Company 2012 $'000	The Company 2011 $'000
ASSETS					
Current assets					
Cash and cash equivalents	10	**99,023**	92,884	**97,586**	91,720
Trade and other receivables	11	**13,210**	14,604	**13,209**	14,579
Financial assets, held-to-maturity	13	**2,250**	4,500	**2,250**	4,500
Inventories	14	**13,623**	14,196	**13,623**	14,196
Other current assets	15	**513**	393	**513**	393
		128,619	126,577	**127,181**	125,388
Non-current assets					
Other receivables	11	**254**	292	**254**	292
Financial assets, available-for-sale	12	**3,460**	3,059	**3,438**	3,041
Financial assets, held-to-maturity	13	**49,500**	43,250	**49,500**	43,250
Club memberships	16	**639**	637	**639**	637
Investment in an associated company	17	**–**	177	**2,598**	2,598
Investment in a subsidiary	18	**–**	–	**3,308**	3,308
Rental deposits	19	**6,887**	7,201	**6,887**	7,201
Investment property	20	**2,790**	2,849	**–**	–
Property, plant and equipment	21	**78,152**	83,961	**78,124**	83,961
		141,682	141,426	**144,748**	144,288
Total assets		**270,301**	268,003	**271,929**	269,676
LIABILITIES					
Current liabilities					
Trade and other payables	22	**59,920**	62,259	**59,722**	62,141
Current income tax liabilities	8	**3,016**	3,853	**3,016**	3,853
		62,936	66,112	**62,738**	65,994
Non-current liabilities					
Other payables	23	**1,877**	1,773	**1,877**	1,773
Provisions for other liabilities and charges	24	**1,359**	1,363	**1,359**	1,363
Deferred income tax liabilities	25	**375**	949	**375**	949
		3,611	4,085	**3,611**	4,085
Total liabilities		**66,547**	70,197	**66,349**	70,079
NET ASSETS		**203,754**	197,806	**205,580**	199,597
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	26	**91,710**	91,710	**91,710**	91,710
General reserve	27	**17,000**	17,000	**17,000**	17,000
Fair value reserve	28	**1,344**	943	**1,325**	928
Currency translation reserve		**(228)**	(228)	**–**	–
Retained earnings	29	**93,928**	88,381	**95,545**	89,959
Total equity		**203,754**	197,806	**205,580**	199,597

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

	Notes	Share capital $'000	General reserve $'000	Fair value reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
2012							
Beginning of financial year		91,710	17,000	943	(228)	88,381	197,806
Total comprehensive income for the year		–	–	401	–	9,672	10,073
Dividend relating to 2011 paid	30	–	–	–	–	(4,125)	(4,125)
End of financial year		**91,710**	**17,000**	**1,344**	**(228)**	**93,928**	**203,754**
2011							
Beginning of financial year		91,710	17,000	1,124	(237)	79,172	188,769
Total comprehensive income for the year		–	–	(181)	9	12,303	12,131
Dividend relating to 2010 paid	30	–	–	–	–	(3,094)	(3,094)
End of financial year		91,710	17,000	943	(228)	88,381	197,806

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Profit before income tax		**10,091**	14,828
Adjustments for:			
- Depreciation expense		**6,803**	6,832
- Property, plant and equipment written off		**480**	32
- Impairment loss in value of club memberships (reversed)/charged		**(2)**	12
- Gain on disposal of property, plant and equipment		**(3)**	(35)
- Net gain on maturity of financial assets, held-to-maturity		**–**	(141)
- Interest income		**(2,192)**	(2,196)
- (Decrease)/increase in provisions for other liabilities and charges		**(4)**	38
- Dividend income		**(164)**	(164)
- Share of loss of an associated company		**177**	791
		15,186	19,997
Changes in working capital			
- Trade and other receivables		**1,480**	480
- Inventories		**573**	(1,148)
- Other assets		**189**	(388)
- Trade and other payables		**(2,235)**	816
Cash generated from operations		**15,193**	19,757
Income taxes paid		**(1,825)**	(2,163)
Loan repayments from directors		**10**	16
Net cash provided by operating activities		**13,378**	17,610
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**3**	47
Payments for property, plant and equipment		**(1,415)**	(1,342)
Proceeds from maturity of financial assets, held-to-maturity		**4,500**	18,500
Purchases of financial assets, held-to-maturity		**(8,500)**	(12,750)
Interest received		**2,134**	2,261
Dividend received		**164**	164
Net cash (used in)/provided by investing activities		**(3,114)**	6,880
Cash flows from financing activities			
Dividends paid		**(4,125)**	(3,094)
Net cash used in financing activities		**(4,125)**	(3,094)
Net increase in cash and cash equivalents		**6,139**	21,396
Cash and cash equivalents at beginning of the financial year		**92,884**	71,488
Cash and cash equivalents at end of the financial year	10	**99,023**	92,884

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

Notes to The Financial Statements

For the financial year ended 31 December 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Isetan (Singapore) Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is as follows:

593 Havelock Road
#04-01 Isetan Office Building
Singapore 169641

The principal activities of the Company are to carry on the business of operating department stores, operating a supermarket and to trade in general merchandise. The subsidiary has remained inactive since 16 February 2001 and earns mainly rental income.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Sales comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when a Group entity has delivered the goods to the customer, the customer has accepted the goods and collectability of the related receivables is reasonably assured.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(b) *Interest income*

Interest income, including income arising from other financial instruments, is recognised using the effective interest method.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(d) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions* (continued)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) *Disposals*

When a change in the Group ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) *Associated companies* (continued)

(ii) *Equity method of accounting*

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provide evidence of impairment of the assets transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Freehold land is stated at cost less accumulated impairment losses. All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Component of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring or using the asset for purpose other than to produce inventories.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) *Depreciation*

Freehold land and capital-work-in-progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land and freehold and leasehold buildings	50 years
Leasehold improvements	4 - 10 years
Shop renovations, furniture, fixtures and fittings	3 - 10 years
Office and shop equipment	1 - 8 years
Motor vehicles	6 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.5 Investment properties

Investment properties include those portions of freehold land and office buildings that are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated. Depreciation on the freehold building is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life of 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.6 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.7 Impairment of non-financial assets

Property, plant and equipment
Investment properties
Investment in subsidiaries and associated companies

Property, plant and equipment, investment properties and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit (CGU) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.8 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 11) and "cash and cash equivalents" (Note 10) on the balance sheet.

(ii) *Financial assets, held-to-maturity*

Financial assets, held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. The Group's financial assets, held-to-maturity include investments in fixed rate corporate bonds. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet which are presented as current assets.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.8 Financial assets (continued)

(a) *Classification* (continued)

(iii) *Financial assets, available-for-sale*

Financial assets, available-for-sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose off the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables and financial assets, held-to-maturity are subsequently carried at amortised cost using the effective interest method.

Dividend income on financial assets, available-for-sale are recognised separately in income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables/financial assets, held-to-maturity*

Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.8 Financial assets (continued)

(e) *Impairment* (continued)

(ii) *Financial assets, available-for-sale*

In addition to the objective evidence of impairment described in Note 2.8(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.9 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.10 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.11 Operating leases

(a) *When the Group is the lessee:*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment made (or received) by the Group is recognised as an expense (or income) when termination takes place.

Contingent rents are recognised as an expense in profit or loss when incurred.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.11 Operating leases (continued)

(b) *When the Group is the lessor:*

Assets leased out under operating leases are included in property, plant and equipment and investment properties and are stated at cost less accumulated depreciation and accumulated impairment losses.

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost comprises all costs in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.14 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss for the period the changes in estimates arise except for asset dismantlement, removal and restoration costs, which are adjusted against the cost of the related property, plant and equipment unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

2.15 Employee compensation

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to defined contribution plans are recognised as employee compensation expense when the contributions are due.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) *Retirement benefits*

The Company operates an unfunded, retirement benefit scheme for its employees. Benefits are payable based on the last drawn salary of the employees, who have completed service of at least 6 years with the Company and, have reached the requisite age as at the balance sheet date. Liability accrued under the scheme is the present value of the Company's benefit obligations at the balance sheet date and is shown as non-current other payables in the balance sheet. Present value is determined by discounting the estimated future cash outflows using the interest rates of corporate bonds that have terms to maturity approximating the terms of the related liability. The Group has no further payment obligations once the benefit has been paid to the employee upon retirement.

2.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

Notes to The Financial Statements

For the financial year ended 31 December 2012

2. Significant accounting policies (continued)

2.17 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Consolidation adjustments*

On consolidation, currency translation differences arising from the net investment in associated companies are taken to the currency translation reserve. When a foreign operation is disposed of, such currency translation differences are recognised in profit or loss as part of the gain or loss on disposal.

2.18 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.19 Dividends to Company's shareholders

Interim dividends are recorded in the financial year in which they are declared payable. Final and special dividends are recorded in the financial year in which the dividends are approved by the shareholders.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Held-to-maturity investments

The Group follows the guidance of FRS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances explained in FRS 39, it will be required to reclassify the entire held-to-maturity financial assets as available-for-sale. The investments will be required to be measured at fair value instead of at amortised cost upon reclassification.

Notes to The Financial Statements

For the financial year ended 31 December 2012

4. Revenue

	The Group	
	2012	2011
	$'000	$'000
Sale of goods	**354,234**	365,045

5. Other income

	The Group	
	2012	2011
	$'000	$'000
Rental income	**8,305**	8,450
Sundry income	**195**	220
Dividend income on financial assets, available-for-sale		
- Unlisted investments in a related corporation	**61**	68
- Listed equity investments	**103**	96
Technical fee from an associated company	**58**	64
Interest income		
- Fixed deposits	**230**	159
- Financial assets, held-to-maturity	**1,851**	1,920
- Others	**111**	117
Gain on disposal of property, plant and equipment	**3**	35
Gain from maturity of financial assets – held-to-maturity	**–**	141
Currency exchange (loss)/gain – net	**(28)**	38
	10,889	11,308

6. Employee compensation

	The Group	
	2012	2011
	$'000	$'000
Wages and salaries	**19,437**	19,630
Employer's contribution to defined contribution plans including Central Provident Fund	**1,906**	1,857
Retirement benefit scheme expense (Note 23)	**242**	270
	21,585	21,757
Less: Government Grant – Special Employment Credit	**(113)**	(6)
	21,472	21,751

Key management's remuneration is disclosed in Note 34(b).

The government introduced a Special Employment Credit (SEC) as part of the 2011 Budget Initiatives to support employers of older workers. The SEC is given to employers employing Singaporean employees aged above 55 and earning up to $1,700 a month. This initiative is further enhanced in 2012 to provide support for employing Singaporean employees aged above 50 and earning up to $4,000 a month.

Notes to The Financial Statements

For the financial year ended 31 December 2012

7. Other expenses

Included in other expenses are the following items:

	The Group	
	2012	2011
	$'000	$'000
Property, plant and equipment written off	**480**	32
Impairment loss on trade receivables	**114**	139
Impairment loss in value of club memberships (reversed)/charged	**(2)**	12
Royalty	**2,762**	3,394
Utilities	**4,067**	3,669
Sales and promotion	**5,167**	4,634
Supplies, repair and maintenance	**5,609**	5,355
Fees for card payments by customers	**2,967**	2,698
Property and miscellaneous taxes	**1,191**	1,161
Delivery	**1,152**	1,054

8. Income tax

(a) Income tax expense

	The Group	
	2012	2011
	$'000	$'000
Tax expense attributable to the results for the financial year is made up of:		
- Current income tax provision - Singapore	**2,663**	3,492
- Deferred income tax	**(552)**	(272)
	2,111	3,220
Over provision in preceding financial years:		
- Current income tax	**(1,670)**	(685)
- Deferred income tax	**(22)**	(10)
	419	2,525

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	The Group	
	2012	2011
	$'000	$'000
Profit before tax	**10,091**	14,828
Share of loss of an associated company, net of tax	**177**	791
Profit before tax and share of loss of an associated company	**10,268**	15,619
Tax calculated at a tax rate of 17% (2011: 17%)	**1,746**	2,655
Tax incentives	**(129)**	(26)
Expenses not deductible for tax purposes	**694**	781
Income not subject to tax	**(42)**	(19)
Utilisation of previously unrecognised tax losses	**(33)**	(31)
Income taxed at concessionary rate	**(125)**	(140)
Tax charge	**2,111**	3,220

Notes to The Financial Statements

For the financial year ended 31 December 2012

8. **Income tax** (continued)

(b) Movements in current income tax liabilities/(tax recoverable)

	The Group and The Company	
	2012	2011
	$'000	$'000
Beginning of financial year		
- current income tax liabilities	**3,853**	3,201
- tax recoverable	**(93)**	(85)
	3,760	3,116
Income tax paid	**(1,825)**	(2,163)
Current financial year's tax expense on results	**2,663**	3,492
Over provision in preceding financial year	**(1,670)**	(685)
Net tax payable at end of financial year	**2,928**	3,760
Net tax payable at end of the financial year is made up of:		
- current income tax liabilities	**3,016**	3,853
- tax recoverable (Note 15)	**(88)**	(93)
	2,928	3,760

9. **Earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2012	2011
Net profit attributable to equity holders of the Company ($'000)	**9,672**	12,303
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**41,250**	41,250
Basic earnings per share	**23.45 cents**	29.83 cents

There are no dilutive shares, hence fully diluted earnings per share equal to the basic earnings per share of 23.45 cents (2011: 29.83 cents).

10. **Cash and cash equivalents**

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**11,875**	9,671	**11,544**	9,610
Fixed deposits with financial institutions	**87,148**	83,213	**86,042**	82,110
	99,023	92,884	**97,586**	91,720

The fixed deposits with financial institutions mature on varying dates within 3 months (2011: 3 months) from the financial year end. The weighted average effective interest rate of these deposits as at 31 December 2012 is 0.32% (2011: 0.31%) per annum.

The exposure of cash and cash equivalents to interest rate risk and currency risk is disclosed in Note 33.

Notes to The Financial Statements

For the financial year ended 31 December 2012

11. Trade and other receivables

(a) Current

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Immediate holding corporation (Note 31)	**73**	38	**73**	38
- Non-related parties	**12,592**	14,056	**12,592**	14,056
- Associated company	**59**	66	**59**	66
	12,724	14,160	**12,724**	14,160
Less:				
Allowance for impairment of receivables – non-related parties	**(100)**	(100)	**(100)**	(100)
	12,624	14,060	**12,624**	14,060
Staff loans [Note 11(b)]	**119**	112	**119**	112
Staff advances	**1**	1	**1**	1
Interest receivable	**464**	407	**464**	405
Other receivables	**2**	24	**1**	1
	13,210	14,604	**13,209**	14,579

Concentrations of credit risk with respect to trade receivables are limited due to the large number of retail customers and the credit terms imposed on each customer. Due to these factors, management believes that there is no anticipated additional credit risk beyond the amount of allowance for impairment made in the Group's and Company's trade receivables.

Impairment loss on trade receivables recognised as an expense and included in 'other expenses' amounted to $114,000 (2011: $139,000).

(b) Non-current

	The Group and The Company	
	2012	2011
	$'000	$'000
Other receivables:		
Staff loans	**185**	222
Deposit paid - others	**69**	70
	254	292
Staff loans:		
Not later than one year [Note 11(a)]	**119**	112
Later than one year but not later than five years	**185**	222
	304	334

Notes to The Financial Statements

For the financial year ended 31 December 2012

11. Trade and other receivables (continued)

(b) Non-current (continued)

Staff loans included loans made to directors of the Company analysed as follows:

	The Group and The Company	
	2012	2011
	$'000	$'000
Not later than one year	**10**	10
Later than one year but not later than five years	**14**	24
	24	34

Loans to directors are granted under the Company's Executive Loan Scheme which was approved at the Annual General Meeting held on 27 September 1990. They are unsecured, interest bearing from 3% to 4.5% (2011: 3% to 4.5%) per annum and will be repayable progressively.

(c) At the balance sheet date the carrying amounts of trade and other receivables (current and non-current) approximated their fair values. The exposure to currency risk of trade and other receivables (current and non-current) is disclosed in Note 33.

12. Financial assets, available-for-sale

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**3,059**	3,240	**3,041**	3,221
Fair value gain/(loss) recognised in other comprehensive income	**401**	(181)	**397**	(180)
End of financial year	**3,460**	3,059	**3,438**	3,041

At the balance sheet date, financial assets, available-for-sale included the following:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Listed securities:				
- Equity securities				
- Singapore	**1,763**	1,362	**1,741**	1,344
Unlisted securities:				
- Equity securities				
- related corporation	**1,697**	1,697	**1,697**	1,697
	3,460	3,059	**3,438**	3,041

Notes to The Financial Statements

For the financial year ended 31 December 2012

12. Financial assets, available-for-sale (continued)

Financial assets, available-for-sale are denominated in the following currencies.

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Singapore Dollar	**1,763**	1,362	**1,741**	1,344
Malaysia Ringgit	**1,697**	1,697	**1,697**	1,697
	3,460	3,059	**3,438**	3,041

13. Financial assets, held-to-maturity

	The Group and The Company	
	2012	2011
	$'000	$'000
(i) **Current**		
Bonds with fixed interest rates ranging from 3.36% to 4.07% (2011: 3.00% to 5.00%) and the maturity dates ranging from 12 February 2013 to 27 September 2013 (2011: 5 March 2012 to 30 November 2012)	**2,250**	4,500
	2,250	4,500
(ii) **Non-current**		
Bonds with fixed interest rates ranging from 2.15% to 4.95% (2011: 2.15% to 4.30%) and the maturity dates ranging from 8 October 2014 to 1 April 2021 (2011: 12 February 2013 to 1 April 2021)	**49,500**	43,250
	51,750	47,750

The weighted average effective interest rates for the bonds are as follows:

	The Group and The Company	
	2012	2011
	%	%
(i) **Current**		
Bonds with fixed interest rates ranging from 3.36% to 4.07% (2011: 3.00% to 5.00%) and the maturity dates ranging from 12 February 2013 to 27 September 2013 (2011: 5 March 2012 to 30 November 2012)	**3.99**	4.33
(ii) **Non-current**		
Bonds with fixed interest rates ranging from 2.15% to 4.95% (2011: 2.15% to 4.30%) and the maturity dates ranging from 8 October 2014 to 1 April 2021 (2011: 12 February 2013 to 1 April 2021)	**3.69**	3.55

Notes to The Financial Statements

For the financial year ended 31 December 2012

13. Financial assets, held-to-maturity (continued)

The fair values of the bonds at the balance sheet date are as follows:

	The Group and The Company	
	2012	2011
	$'000	$'000
(i) **Current**		
Bonds with fixed interest rates ranging from 3.36% to 4.07% (2011: 3.00% to 5.00%) and the maturity dates ranging from 12 February 2013 to 27 September 2013 (2011: 5 March 2012 to 30 November 2012)	**2,227**	4,513
	2,227	4,513
(ii) **Non-current**		
Bonds with fixed interest rates ranging from 2.15% to 4.95% (2011: 2.15% to 4.30%) and the maturity dates ranging from 8 October 2014 to 1 April 2021 (2011: 12 February 2013 to 1 April 2021)	**51,204**	43,905
	53,431	48,418

The fair values are based on current bid prices.

The financial assets, held-to-maturity are denominated in Singapore Dollars and the exposure to interest rate risk and currency risk is disclosed in Note 33.

14. Inventories

	The Group and The Company	
	2012	2011
	$'000	$'000
Merchandise	**13,623**	14,196

The cost of inventories recognised as expense amounts to $259,456,000 (2011: $267,465,000).

15. Other current assets

	The Group and The Company	
	2012	2011
	$'000	$'000
Deposits paid	**56**	88
Prepayments	**369**	212
Tax recoverable (Note 8)	**88**	93
	513	393

Notes to The Financial Statements

For the financial year ended 31 December 2012

16. Club memberships

	The Group and The Company	
	2012	2011
	$'000	$'000
Club memberships		
- At cost	**1,292**	1,292
Less: Impairment loss	**(653)**	(655)
	639	637

Impairment loss reversal of $2,000 (2011: Impairment loss of $12,000) has been included in 'other expenses'.

17. Investment in an associated company

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Equity investment at cost			**5,305**	5,305
Less: Impairment loss			**(2,707)**	(2,707)
			2,598	2,598
Beginning of financial year	**177**	959		
Share of loss	**(177)***	(791)**		
Currency translation reserve	**–**	9		
End of financial year	**–**	177		

* The share of loss of an associated company was limited to $177,000 as no further losses were recognised beyond the Group's investment in the associated company. As at 31 December 2012, the Group has not recognised its share of loss of this associated company amounting to $322,000 (2011: Nil) because the Group's cumulative share of loss exceeds its interest in that entity and the Group has no obligation in respect of those losses.

** Amount included share of a one-time adjustment of $394,000 mainly due to changes in accounting estimates relating to amortisation of leasehold improvements of the associated company.

The summarised financial information of associated company, not adjusted for the proportion ownership interest held by the Group, is as follows:

	The Group	
	2012	2011
	$'000	$'000
- Assets	**12,070**	13,939
- Liabilities	**13,503**	13,170
- Revenue	**68,266**	76,261
- Net loss	**(1,325)**	(1,719)

Name of company	Principal activity	Country of business/ incorporation	Equity holding	
			2012	2011
			%	%
Chengdu Isetan Company Limited *	Retailing of general merchandise	People's Republic of China	**23**	23

* Audited by Ernst & Young Hua Ming - Chengdu Branch.

Notes to The Financial Statements

For the financial year ended 31 December 2012

18. Investment in a subsidiary

	The Company	
	2012	2011
	$'000	$'000
Unquoted equity investment, at cost	**5,000**	5,000
Less: Accumulated impairment losses	**(1,692)**	(1,692)
	3,308	3,308

The wholly-owned subsidiary, which is incorporated in and whose business is carried on in Singapore, is:

Name of subsidiary	Principal activities
Lexim (Singapore) Pte Ltd**	Wholesaling and retailing of general merchandise*

* The activities of the subsidiary were scaled down with effect from 16 February 2001 and it has since remained inactive, earning mainly rental income.

** Audited by PricewaterhouseCoopers LLP, Singapore.

19. Rental deposits

Rental deposits relate to deposits for securing the due performance of the Company for the rental of premises. At the balance sheet date, their carrying amounts approximated their fair values.

20. Investment property

	The Group	
	2012	2011
	$'000	$'000
Cost		
Beginning and end of financial year	**4,138**	4,138
Accumulated depreciation		
Beginning of financial year	**1,289**	1,230
Depreciation charge	**59**	59
End of financial year	**1,348**	1,289
Net book value		
End of financial year	**2,790**	2,849

The fair value of the investment property at 31 December 2012 is $8.0m (2011: $7.2m) as determined by an independent professional valuer. Valuation is made annually based on sales comparison method.

The following amounts are recognised in profit or loss.

	2012	2011
	$'000	$'000
Rental income from investment property	**263**	276
Direct operating expenses arising from investment property that generated rental income	**131**	147

Notes to The Financial Statements

For the financial year ended 31 December 2012

21. Property, plant and equipment

	Freehold land and buildings $'000	Leasehold land, buildings and improvements $'000	Shop renovations, furniture, fixtures and fittings $'000	Office and shop equipment $'000	Motor vehicles $'000	Capital work-in-progress $'000	Total $'000
The Group							
2012							
Cost							
Beginning of financial year	27,971	67,257	35,264	38,373	733	–	169,598
Additions	–	170	854	268	123	–	1,415
Disposals	–	–	–	–	(56)	–	(56)
Write-off	–	(15)	(1,108)	(93)	–	–	(1,216)
End of financial year	27,971	67,412	35,010	38,548	800	–	169,741
Accumulated depreciation							
Beginning of financial year	2,838	34,902	21,153	26,343	401	–	85,637
Depreciation charge	215	1,447	2,296	2,678	108	–	6,744
Disposals	–	–	–	–	(56)	–	(56)
Write-off	–	(15)	(656)	(65)	–	–	(736)
End of financial year	3,053	36,334	22,793	28,956	453	–	91,589
Net book value							
End of financial year	**24,918**	**31,078**	**12,217**	**9,592**	**347**	**–**	**78,152**
2011							
Cost							
Beginning of financial year	27,971	68,568	36,206	42,311	830	563	176,449
Additions	–	96	348	898	–	–	1,342
Disposals	–	–	–	–	(97)	–	(97)
Write-off	–	(1,407)	(1,034)	(4,599)	–	–	(7,040)
Adjustment	–	–	(256)	(237)	–	(563)	(1,056)
End of financial year	27,971	67,257	35,264	38,373	733	–	169,598
Accumulated depreciation							
Beginning of financial year	2,623	34,803	19,816	28,345	370	–	85,957
Depreciation charge	215	1,506	2,344	2,592	116	–	6,773
Disposals	–	–	–	–	(85)	–	(85)
Write-off	–	(1,407)	(1,007)	(4,594)	–	–	(7,008)
End of financial year	2,838	34,902	21,153	26,343	401	–	85,637
Net book value							
End of financial year	25,133	32,355	14,111	12,030	332	–	83,961

Notes to The Financial Statements

For the financial year ended 31 December 2012

21. Property, plant and equipment (continued)

	Freehold land and buildings	Leasehold land, buildings and improvements	Shop renovations, furniture, fixtures and fittings	Office and shop equipment	Motor vehicles	Capital work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Company							
2012							
Cost							
Beginning of financial year	27,971	67,257	35,264	38,373	733	–	169,598
Additions	–	170	854	235	123	–	1,382
Disposals	–	–	–	–	(56)	–	(56)
Write-off	–	(15)	(1,108)	(93)	–	–	(1,216)
End of financial year	27,971	67,412	35,010	38,515	800	–	169,708
Accumulated depreciation							
Beginning of financial year	2,838	34,902	21,153	26,343	401	–	85,637
Depreciation charge	215	1,447	2,296	2,673	108	–	6,739
Disposals	–	–	–	–	(56)	–	(56)
Write-off	–	(15)	(656)	(65)	–	–	(736)
End of financial year	3,053	36,334	22,793	28,951	453	–	91,584
Net book value							
End of financial year	**24,918**	**31,078**	**12,217**	**9,564**	**347**	**–**	**78,124**
2011							
Cost							
Beginning of financial year	27,971	68,568	36,206	42,311	830	563	176,449
Additions	–	96	348	898	–	–	1,342
Disposals	–	–	–	–	(97)	–	(97)
Write-off	–	(1,407)	(1,034)	(4,599)	–	–	(7,040)
Adjustment	–	–	(256)	(237)	–	(563)	(1,056)
End of financial year	27,971	67,257	35,264	38,373	733	–	169,598
Accumulated depreciation							
Beginning of financial year	2,623	34,803	19,816	28,345	370	–	85,957
Depreciation charge	215	1,506	2,344	2,592	116	–	6,773
Disposals	–	–	–	–	(85)	–	(85)
Write-off	–	(1,407)	(1,007)	(4,594)	–	–	(7,008)
End of financial year	2,838	34,902	21,153	26,343	401	–	85,637
Net book value							
End of financial year	25,133	32,355	14,111	12,030	332	–	83,961

Notes to The Financial Statements

For the financial year ended 31 December 2012

22. Trade and other payables (current)

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Trade payables (Non-related parties)	**49,240**	50,553	**49,240**	50,553
Rental deposits received	**1,451**	1,504	**1,294**	1,430
Rental in advance	**683**	696	**656**	696
Provision for unutilised leave [Note 22(a)]	**850**	949	**850**	949
Other creditors	**179**	102	**179**	102
Accrued royalty payable to immediate holding corporation	**2,762**	3,394	**2,762**	3,394
Accrued operating expenses	**4,755**	5,061	**4,741**	5,017
	59,920	62,259	**59,722**	62,141

The exposure of trade and other payables to currency risk is disclosed in Note 33.

(a) Provision for unutilised leave

	The Group and The Company	
	2012	2011
	$'000	$'000
Beginning of financial year	**949**	965
Provision utilised during the year	**(157)**	(78)
Provision made during the year	**58**	62
End of the financial year	**850**	949

The provision made during the year has been included in employee compensation.

23. Other payables (non-current)

Other payables refer to liability under unfunded retirement benefit scheme [see Note 2.15(c)]:

	The Group and The Company	
	2012	2011
	$'000	$'000
Beginning of financial year	**1,773**	1,625
Utilised during the year	**(138)**	(122)
Charged to profit or loss as employee compensation	**242**	270
End of the financial year	**1,877**	1,773

Notes to The Financial Statements

For the financial year ended 31 December 2012

23. Other payables (non-current) (continued)

The principal assumption used is:

	The Group and The Company	
	2012	2011
Discount rate	**4.5%**	4.5%

24. Provisions for other liabilities and charges

Provisions for other liabilities and charges are the estimated costs of dismantlement, removal or restoration of property, plant and equipment arising from the acquisition or use of assets, which are capitalised and included in the cost of property, plant and equipment.

Movements in these provisions were as follows:

	The Group and The Company	
	2012	2011
	$'000	$'000
Beginning of financial year	**1,363**	1,325
Increase in provisions for other liabilities and charges	**15**	38
Provision utilised during the year	**(19)**	–
End of financial year	**1,359**	1,363

25. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting are shown on the balance sheets as follows:

	The Group and The Company	
	2012	2011
	$'000	$'000
Deferred income tax liabilities:		
- to be settled within one year	**375**	387
- to be settled after one year	**–**	562
	375	949

Notes to The Financial Statements

For the financial year ended 31 December 2012

25. Deferred income taxes (continued)

The movement in the deferred income tax account is as follows:

	The Group and The Company	
	2012	2011
	$'000	$'000
Beginning of financial year	**949**	1,231
Credited to profit or loss	**(574)**	(282)
End of the financial year	**375**	949

The movement in the Company's and Group's deferred tax assets and liabilities during the year is as follows:

Deferred tax liabilities/(assets)

	Accelerated tax depreciation	Other	Provisions	Total
	$'000	$'000	$'000	$'000
At 1 January 2012	1,042	69	(162)	949
Charged/(credited) to profit or loss	(602)	10	18	(574)
At 31 December 2012	**440**	**79**	**(144)**	**375**
At 1 January 2011	1,315	80	(164)	1,231
Charged/(credited) to profit or loss	(273)	(11)	2	(282)
At 31 December 2011	1,042	69	(162)	949

In addition, as at 31 December 2012, the subsidiary has unrecognised tax losses of approximately $2,397,000 (2011: $2,595,000) available for offsetting against future taxable income subject to confirmation by the tax authority, and there being no substantial change in shareholders in accordance with the relevant provisions of the Income Tax Act. These unutilised tax losses do not have expiry dates.

26. Share capital of Isetan (Singapore) Limited

The Company's share capital comprises fully paid-up 41,250,000 (2011: 41,250,000) ordinary shares with no par value, amounting to a total of $91,710,000 (2011: $91,710,000).

27. General reserve

The general reserve of the Group and the Company is distributable. The general reserve is to meet contingencies or for such other purposes as the Directors shall determine to be conducive to the interests of the Company.

Notes to The Financial Statements

For the financial year ended 31 December 2012

28. Fair value reserve

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**943**	1,124	**928**	1,108
Fair value gains/(losses) on financial assets, available-for-sale	**401**	(181)	**397**	(180)
End of financial year	**1,344**	943	**1,325**	928

29. Retained earnings

(a) Retained earnings of the Group and the Company are distributable.

(b) Movements in retained earnings for the Company are as follows:

	The Company	
	2012	2011
	$'000	$'000
Beginning of financial year	**89,959**	80,091
Net profit for the financial year	**9,711**	12,962
Dividends paid (Note 30)	**(4,125)**	(3,094)
End of financial year	**95,545**	89,959

Movements in retained earnings for the Group are shown in the Consolidated Statement of Changes in Equity.

30. Dividends

	The Group and The Company	
	2012	2011
	$'000	$'000
Ordinary dividends paid		
Final dividend of 7.5 cents and special dividend of 2.5 cents (2011: final dividend 7.5 cents) per share, in respect of the financial year ended 31 December 2011 (2011: financial year ended 31 December 2010)	**4,125**	3,094

The Directors have proposed a final dividend for the financial year ended 31 December 2012 of 7.5 cents per share amounting to $3,093,750. These financial statements do not reflect this proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

31. Immediate and ultimate holding corporation

The Company's immediate holding corporation is Isetan Mitsukoshi Ltd, incorporated in Japan. The ultimate holding corporation is Isetan Mitsukoshi Holdings Ltd, incorporated in Japan.

Notes to The Financial Statements

For the financial year ended 31 December 2012

32. Commitments

(a) Operating lease commitments – where the Group is a lessee

The Group has various operating lease agreements with non-related parties for its store outlets. Most leases contain renewal options. Certain leases contain escalation clauses and provide for contingent rentals based on percentage of sales derived from the relevant outlets. The lease agreements do not contain any restriction on the Group's activities concerning dividends, additional debt or further leasing.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	The Group and The Company	
	2012	2011
	$'000	$'000
Not later than one year	**35,404**	22,211
Later than one year but not later than five years	**58,116**	34,406
More than five years	**11,766**	4,086
	105,286	60,703

(b) Operating lease commitments – where the Group is a lessor

The Group leases out certain shop, warehouse and office building spaces to non-related parties. The future aggregate minimum lease receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Not later than one year	**5,941**	6,361	**5,639**	6,098
Later than one year but not later than five years	**1,533**	3,438	**898**	3,438
	7,474	9,799	**6,537**	9,536

33. Financial risk management

The Board of Directors provides guidelines for overall risk management as well as policies covering specific areas.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates locally and has limited exposure to currency risk arising from sales and purchases transactions denominated in Japanese Yen ("Yen") and investment denominated in Malaysia Ringgit ("MYR"). The cash flows of the Group and its financial assets and liabilities are mainly denominated in Singapore Dollars.

Notes to The Financial Statements

For the financial year ended 31 December 2012

33. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	Yen $'000	MYR $'000	Others $'000	Total $'000
2012					
Financial assets:					
Cash and cash equivalents	98,708	312	–	3	99,023
Trade and other receivables	13,332	73	–	59	13,464
Other financial assets	60,456	–	1,697	–	62,153
	172,496	385	1,697	62	174,640
Financial liabilities:					
Trade and other payables	58,992	20	–	58	59,070
Net financial assets	**113,504**	**365**	**1,697**	**4**	**115,570**
Less: Net financial assets denominated in the respective entities' functional currencies	(113,504)	–	–	–	(113,504)
Currency exposure	**–**	**365**	**1,697**	**4**	**2,066**
2011					
Financial assets:					
Cash and cash equivalents	92,708	173	–	3	92,884
Trade and other receivables	14,792	38	–	66	14,896
Other financial assets	56,401	–	1,697	–	58,098
	163,901	211	1,697	69	165,878
Financial liabilities:					
Trade and other payables	61,232	20	–	58	61,310
Net financial assets	102,669	191	1,697	11	104,568
Less: Net financial assets denominated in the respective entities' functional currencies	(102,669)	–	–	–	(102,669)
Currency exposure	–	191	1,697	11	1,899

Notes to The Financial Statements

For the financial year ended 31 December 2012

33. **Financial risk management** (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD $'000	Yen $'000	MYR $'000	Others $'000	Total $'000
2012					
Financial assets:					
Cash and cash equivalents	97,271	312	–	3	97,586
Trade and other receivables	13,331	73	–	59	13,463
Other financial assets	60,434	–	1,697	–	62,131
	171,036	385	1,697	62	173,180
Financial liabilities:					
Trade and other payables	58,794	20	–	58	58,872
Net financial assets	**112,242**	**365**	**1,697**	**4**	**114,308**
Less: Net financial assets denominated in the entity's functional currency	(112,242)	–	–	–	(112,242)
Currency exposure	**–**	**365**	**1,697**	**4**	**2,066**
2011					
Financial assets:					
Cash and cash equivalents	91,544	173	–	3	91,720
Trade and other receivables	14,767	38	–	66	14,871
Other financial assets	56,383	–	1,697	–	58,080
	162,694	211	1,697	69	164,671
Financial liabilities:					
Trade and other payables	61,114	20	–	58	61,192
Net financial assets	101,580	191	1,697	11	103,479
Less: Net financial assets denominated in the entity's functional currency	(101,580)	–	–	–	(101,580)
Currency exposure	–	191	1,697	11	1,899

The Group's and Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

Notes to The Financial Statements

For the financial year ended 31 December 2012

33. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Price risk*

The Group is exposed to equity securities price risk because of the quoted and unquoted investments held by the Group which are classified on the consolidated balance sheet as financial assets, available-for-sale. The quoted equity securities are listed in Singapore. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

If prices for equity securities listed in Singapore change by 5% (2011: 5%) with all other variables, including the tax rate, being held constant, other comprehensive income will:

	Increase/(decrease)	
	2012	2011
	Other comprehensive income	Other comprehensive income
	$'000	$'000
Group		
- increase by	**88**	68
- decrease by	**(88)**	(68)
Company		
- increase by	**87**	67
- decrease by	**(87)**	(67)

If the price of equity securities not traded in an active market were to change by 1% (2011: 1%), based on the market risk variable - interest rate, the impact on other comprehensive income would be $2,000 (2011: $2,000).

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has significant interest-bearing assets in the form of short-term fixed deposits with fixed interest rates ranging from 0.22% to 0.44% (2011: 0.25% to 0.32%) per annum and investments in bonds and notes issued by recognised financial institutions and local companies with fixed interest rates ranging from 2.15% to 4.95% (2011: 2.15% to 5.00%) per annum. As the interest-bearing assets are at fixed rates, the Group's income is substantially independent of changes in cash flow interest rate risk.

The Group has insignificant financial liabilities that are exposed to interest rate risks.

Notes to The Financial Statements

For the financial year ended 31 December 2012

33. **Financial risk management** (continued)

(b) Credit risk

The Group's and Company's major classes of financial assets are bank deposits, financial assets, held-to-maturity and trade receivables.

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales are made only to customers with adequate financial standing and appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality financial institutions.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
By types of customers				
Related parties	**156**	138	**156**	138
Non-related parties	**13,308**	14,758	**13,307**	14,733
	13,464	14,896	**13,463**	14,871

(i) *Financial assets that are neither past due or impaired (fully performing)*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings assigned by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially from companies and individuals with a good collection track record with the Group. Other financial assets that are neither past due nor impaired are mainly investment in fixed rate corporate bonds.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables that are past due but not impaired is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Past due 3 months	**477**	445	**477**	445
Past due over 3 months	**208**	213	**208**	213
	685	658	**685**	658

Notes to The Financial Statements

For the financial year ended 31 December 2012

33. Financial risk management (continued)

(b) Credit risk (continued)

(ii) *Financial assets that are past due and/or impaired* (continued)

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Gross amount	**114**	139	**114**	139
Less: Allowance for impairment	**(40)**	(25)	**(40)**	(25)
Less: Debts written off	**(74)**	(114)	**(74)**	(114)
	–	–	**–**	–
Beginning of financial year	**100**	100	**100**	100
Allowance made	**40**	25	**40**	25
Allowance utilised	**(40)**	(25)	**(40)**	(25)
End of financial year	**100**	100	**100**	100

The impaired trade receivables arise mainly from sales to individual customers who have significant financial difficulties to pay.

(c) Liquidity risk

The Group and Company manage the liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments, having an adequate amount of committed credit facilities and the ability to close out market positions at short notice.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years
	$'000	**$'000**
Group		
At 31 December 2012		
Trade and other payables	**58,546**	**524**
At 31 December 2011		
Trade and other payables	60,776	535
Company		
At 31 December 2012		
Trade and other payables	**58,432**	**440**
At 31 December 2011		
Trade and other payables	60,657	535

Notes to The Financial Statements

For the financial year ended 31 December 2012

33. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base to secure its future success. To achieve the Group's planned capital structure, it may take certain actions like adjusting the amount of dividend payment and issuing new shares.

As part of the Group's capital management process, the long term strategic planning and annual budgeting processes will determine if there are any new capital requirements to support the Group's business plans. If so, the Group's capital plan will be prepared for discussion and further deliberation by the Board.

The Group and the Company are not subjected to any externally imposed capital requirements for the financial years ended 31 December 2011 and 2012.

(e) Fair value measurements

The following table presents our assets measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2012				
Assets				
Financial assets, available–for–sale				
– Equity securities	1,763	–	1,697	3,460
Total assets	1,763	–	1,697	3,460
2011				
Assets				
Financial assets, available–for–sale				
– Equity securities	1,362	–	1,697	3,059
Total assets	1,362	–	1,697	3,059
Company				
2012				
Assets				
Financial assets, available–for–sale				
– Equity securities	1,741	–	1,697	3,438
Total assets	1,741	–	1,697	3,438
2011				
Assets				
Financial assets, available–for–sale				
– Equity securities	1,344	–	1,697	3,041
Total assets	1,344	–	1,697	3,041

Notes to The Financial Statements

For the financial year ended 31 December 2012

33. Financial risk management (continued)

(e) Fair value measurements (continued)

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The financial instrument included in Level 3 comprises of an investment that does not have quoted prices from active markets for the fair value to be based on. Instead the fair value is measured using estimated discounted cash flows that incorporates assumptions based on market conditions existing at each balance sheet date.

The Group's carrying amount of the financial assets, available-for-sale included in Level 3 will not change significantly if the assumptions used in the discounted cash flow analysis are changed from management's estimates.

(f) Financial Instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 12 and Note 13.

34. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year:

(a) Sales and purchases of goods and services

	The Group	
	2012	2011
	$'000	$'000
Commission paid to immediate holding corporation	**4**	9
Royalty payable to immediate holding corporation	**2,762**	3,394
Purchases from immediate holding corporation	**22**	236
Professional fees paid to a firm of which a director is a member	**43**	42
Technical fee receivable from an associated company	**58**	64

Outstanding balances with the immediate holding corporation and associated company as at 31 December 2012 arising from the sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 11 and 22, respectively.

Notes to The Financial Statements

For the financial year ended 31 December 2012

34. Related party transactions (continued)

(b) Key management's remuneration

The key management's remuneration is analysed as follows:

	The Group	
	2012	2011
	$'000	$'000
Key management of the Group		
- directors of the Company		
Wages and salaries	**871**	1,087
Central Provident Fund	**23**	21
Other benefits	**164**	184
	1,058	1,292

35. Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Managing Director and the Directors in charge of the various functional areas. Operating segments that have similar economic characteristics and similar nature of products and services are aggregated into a single reportable segment.

The Exco sees the business being organized into two reportable segments:

- The retail segment is involved in the business of retailing and operating of department stores.

- The other segment is mainly involved in the leasing of property owned by the Group.

Segment assets consist primarily of property, plant and equipment, inventories, receivables, operating cash and investment property and exclude tax recoverable, short-term bank deposits and financial investments. Segment liabilities comprise payables and provisions. Capital expenditure comprise additions to property, plant and equipment.

Notes to The Financial Statements

For the financial year ended 31 December 2012

35. Segment information (continued)

There are no sales or other transactions between the reportable segments.

	Retail $'000	Other $'000	Total consolidated $'000
Group			
2012			
Segment revenue			
Sales to external customers	354,234	–	354,234
Rental income	3,958	4,347	8,305
Segment result	4,681	3,003	7,684
Other income			2,584
Share of loss of an associated company			(177)
Profit before income tax			10,091
Income tax expense			(419)
Net profit			9,672
Other segment items			
Capital expenditure	1,383	32	1,415
Depreciation expense	6,407	396	6,803
Assets and liabilities			
Segment assets	105,321	10,659	115,980
Unallocated assets:			
Investment in associated company			–
Cash and cash equivalents			99,023
Financial assets, held-to-maturity			51,750
Financial assets, available-for-sale			3,460
Tax recoverable			88
Total consolidated assets			270,301
Segment liabilities	62,958	198	63,156
Unallocated liabilities:			
Current income tax liabilities			3,016
Deferred income tax liabilities			375
Total consolidated liabilities			66,547

Notes to The Financial Statements

For the financial year ended 31 December 2012

35. Segment information (continued)

	Retail $'000	Other $'000	Total consolidated $'000
Group			
2011			
Segment revenue			
Sales to external customers	365,045	–	365,045
Rental income	4,119	4,331	8,450
Segment result	9,776	2,985	12,761
Other income			2,858
Share of loss of an associated company			(791)
Profit before income tax			14,828
Income tax expense			(2,525)
Net profit			12,303
Other segment items			
Capital expenditure	1,342	–	1,342
Depreciation expense	6,440	392	6,832
Assets and liabilities			
Segment assets	112,992	11,048	124,040
Unallocated assets:			
Investment in associated company			177
Cash and cash equivalents			92,884
Financial assets, held-to-maturity			47,750
Financial assets, available-for-sale			3,059
Tax recoverable			93
Total consolidated assets			268,003
Segment liabilities	65,277	118	65,395
Unallocated liabilities:			
Current income tax liabilities			3,853
Deferred income tax liabilities			949
Total consolidated liabilities			70,197

Geographical information

The Group operates in Singapore and accordingly, no geographical information is presented.

Notes to The Financial Statements

For the financial year ended 31 December 2012

36. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2013 or later periods and which the Group has not early adopted:

- *FRS 110 Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2014)

  FRS 110 replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess. The Group has yet to assess the full impact of FRS 110 and intends to apply the standard from 1 January 2014.

- *FRS 111 Joint Arrangements* (effective for annual periods beginning on or after 1 January 2014)

  FRS 111 introduces a number of changes. The "types" of joint arrangements have been reduced to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated and equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations currently.

  The Group will apply FRS 111 from 1 January 2014.

- *FRS 112 Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)

  FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities. The Group will apply FRS 112 prospectively from 1 January 2013.

- *FRS 113 Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013)

  FRS 113 provides consistent guidance across IFRSs on how fair value should be determined and which disclosures should be made in the financial statements. The Group will apply FRS 113 prospectively from 1 January 2013.

37. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Isetan (Singapore) Limited on 21 February 2013.

Additional Disclosure Requirements

For the financial year ended 31 December 2012

Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual

(a) Material contracts

Other than as disclosed in the financial statements and in this report, there were no material contracts of the Company and its subsidiary, involving the interests of the managing director, any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

(b) Directors' and Key Executives' Remuneration

(i) Breakdown of Directors remuneration (in percentage terms) for the period from 1 January 2012 to 31 December 2012:

	Directors	**Fees/ Salary %**	**Bonus %**	**Share options %**	**Other benefits %**	**Total %**
		Remuneration band from $250,000 to $499,999				
1	Lim Tien Chun (Managing Director)	55.04	30.63	–	14.33	100
2	Phua Puey Joy (Deputy Managing Director)	54.24	34.93	–	10.83	100
		Remuneration band below $250,000				
1	Ryuichi Aoki (Chairman)	–	–	–	–	–
2	Hiroshi Isono	67.07	1.12	–	31.81	100
3	Gerard Cheng Poh Chuan	55.19	35.44	–	9.37	100
4	Adrian Chan Pengee	100	–	–	–	100
5	Chey Chor Wai	100	–	–	–	100
6	Lim Bee Choo (appointed on 1 July 2012)	100	–	–	–	100
7	Tan Boen Hian (resigned on 27 April 2012)	100	–	–	–	100

(ii) Remuneration bands of directors and key executives of the Company

Number of directors of the Company in remuneration bands:

	2012	2011
$250,000 to $499,999	**2**	3
Below $250,000	**7**	7
Total	**9***	10**

* Includes 1 person who ceased to be a director of the Company during the financial year.

** Includes 2 persons who ceased to be directors of the Company during the financial year.

Key executives of the Company in remuneration band:

	2012	2011
Below $250,000	**8**	9
Total	**8**	9

The names of the key executives are set out on page 15 under "Key Executives' Profiles".

Additional Disclosure Requirements

For the financial year ended 31 December 2012

Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual (continued)

(c) Auditor's remuneration

The following information relates to remuneration of the independent auditor of the Company during the financial year.

	The Group	
	2012	2011
	$'000	$'000
Auditor's remuneration paid/payable		
- current year	**178**	178
- prior year	**(5)**	11
Other fees paid/payable for non-audit services rendered	**100**	106

(d) Appointment of auditors

The Group has complied with Rules 712 and 715 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

(e) Review of the provision of non-audit services by the auditors

The Audit Committee has undertaken a review of non-audit services provided by the auditors and they would not, in the opinion of the Audit Committee, affect their independence.

(f) Internal controls

Please refer to the information disclosed under the section "Accountability and Audit" of the Corporate Governance Report on page 26.

(g) Property, plant and equipment

Details of the Group's freehold and leasehold land and buildings are as follows:

Location - Singapore	Tenure	Use of property	
593, Havelock Road, Isetan Office Building	Freehold	Office building	Lettable Floor Area 16,582 ft^2
5, Kallang Pudding Road	Freehold	Warehouse	Lettable Floor Area 54,917 ft^2
Apartment in Valley Park	Leasehold – 999 years	Residential apartment	Strata Area 1,356 ft^2
435, Orchard Road, Podium Block Wisma Atria	Leasehold – 99 years from 1 April 1962	Department store	Strata Area 104,732 ft^2

Additional Disclosure Requirements

For the financial year ended 31 December 2012

Additional Disclosure Requirements of the Singapore Exchange Securities Trading Listing Manual (continued)

(h) Investment property

Location - Singapore	Tenure	Use of property	
112, Killiney Road, T.W. Building	Freehold	Office unit	Strata Area 4,316 ft^2

(i) Treasury shares

There were no treasury shares held as at 31 December 2012 and 31 December 2011.

(j) Dealing in Securities

Please refer to information disclosed in the Corporate Governance Report under Principle 1, on page 22.

(k) Interested person transactions

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 each)			
	Transactions not conducted under shareholders' mandate pursuant to Rule 920		Transactions conducted under shareholders' mandate pursuant to Rule 920	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Name of interested person				
Isetan Mitsukoshi Ltd	**2,762**	3,630	**–**	–

Statistics of Shareholdings

As at 15 March 2013

Class of shares : Fully paid ordinary shares
Voting rights : One vote per share

The Company does not have any treasury shares.

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 15 MARCH 2013

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 to 999	90	7.89	30,872	0.07
1,000 to 10,000	904	79.30	2,460,941	5.97
10,001 to 1,000,000	142	12.46	10,599,887	25.70
1,000,001 AND ABOVE	4	0.35	28,158,300	68.26
TOTAL	1,140	100.00	41,250,000	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2013

	NO. OF SHARES			
NAME	DIRECT INTEREST	% OF ISSUED SHARE CAPITAL	DEEMED INTEREST	% OF ISSUED SHARE CAPITAL
ISETAN MITSUKOSHI LTD	21,750,000	52.73	–	–
ISETAN FOUNDATION	3,437,500	8.33	–	–
ISETAN MITSUKOSHI HOLDINGS LTD	–	–	21,750,000	52.73

By virtue of section 7 of the Companies Act (Cap 50), Isetan Mitsukoshi Holdings Ltd, the holding corporation of Isetan Mitsukoshi Ltd, is deemed to have an interest in the 21,750,000 shares held by Isetan Mitsukoshi Ltd in the Company.

TOP 20 SHAREHOLDERS AS AT 15 MARCH 2013

No.	Name	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1	ISETAN MITSUKOSHI LTD	21,750,000	52.73
2	ISETAN FOUNDATION	3,437,500	8.33
3	MORPH INVESTMENTS LTD	1,500,800	3.64
4	YAP BOH SIM	1,470,000	3.56
5	CITIBANK NOMINEES SINGAPORE PTE LTD	882,000	2.14
6	THE BANK OF TOKYO-MITSUBISHI UFJ, LTD - SINGAPORE BRANCH	850,000	2.06
7	PHILLIP SECURITIES PTE LTD	818,475	1.98
8	DBS NOMINEES PTE LTD	722,880	1.75
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	466,875	1.13
10	CHEONG FOONG YIM CHRISTINA	382,000	0.93
11	HL BANK NOMINEES (S) PTE LTD	292,000	0.71
12	NOMURA SECURITIES SINGAPORE PTE LTD	235,500	0.57
13	LEONG JULIA (MRS HOW JULIA)	210,000	0.51
14	CHUA KUAN LIM CHARLES	189,000	0.46
15	THIA CHENG SONG	175,000	0.43
16	LEE YUEN SHIH	173,250	0.42
17	WEE AIK KOON PTE LTD	166,250	0.40
18	UOB NOMINEES (2006) PTE LTD	162,500	0.39
19	CHENG GOOD HIANG	157,000	0.38
20	LEONG CHAO SEONG	147,000	0.36
21	WONG POH FONG	147,000	0.36
	TOTAL	34,335,030	83.24

The percentage of shareholding held in the hands of the public is 38.89% which is more than 10% of the issued share capital of the Company. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 42nd Annual General Meeting of the Company will be held at the Seletar Rooms, Holiday Inn Atrium Singapore, Level 3, 317 Outram Road, Singapore 169075 on Thursday, 25 April 2013 at 10.00 a.m. for the following purposes: -

1 To receive and adopt the Directors' Report and Accounts for the financial year ended 31 December 2012 ("**FY2012**") together with Auditor's Report thereon;

2 To re-elect the following Director retiring under Article 95: -

2.1 Mr. Gerard Cheng Poh Chuan

2.2 Mr. Chey Chor Wai

(Note: Mr. Chey Chor Wai, upon re-election, shall remain as the Chairman of the Audit Committee. He is also a member of the Nominating and Remuneration Committees. Mr. Chey is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Ltd.);

3 To re-elect the following Directors retiring under Article 102: -

3.1 Mr. Jun Yokoyama

3.2 Ms. Lim Bee Choo

(Note: Ms. Lim Bee Choo, upon re-election, shall remain as the Chairman of the Remuneration Committee. She is also a member of the Audit and Nominating Committees. Ms. Lim is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Ltd.);

4 To declare a Final Dividend of 7.5 cents per share for FY 2012;

5 To approve the payment of Directors' fees of up to S$180,000/- for the financial year ending 31 December 2013 (payable quarterly in arrears) (31 December 2012: S$157,000);

6 To re-appoint the existing auditors of the Company and to authorise the Directors to fix their remuneration; and

7 To transact any other business that may be transacted at the Annual General Meeting.

BY ORDER OF THE BOARD
Lun Chee Leong
Company Secretary

Singapore: 10 April 2013

Notes:

(1) A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.

(2) The instrument or form appointing a proxy must be deposited at the Company's Registered Office at 593 Havelock Road #04-01, Isetan Office Building, Singapore 169641 not less than 48 hours before the time set for holding the above Meeting.

Notice of Books Closure

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 8 May 2013 for the purpose of determining Members' entitlements to the dividends to be proposed at the Annual General Meeting of the Company to be held on 25 April 2013.

Duly completed registrable transfer of shares in the Company (the "Shares") received up to the close of business at 5.00 p.m. on 7 May 2013 by the Company's Share Registrar, M&C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, will be registered to determine Members' entitlements to such dividends. Subject to the aforesaid, members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with the Shares as at 8 May 2013 will be entitled to such proposed dividends.

The proposed dividends, if approved at the Annual General Meeting, will be paid on 17 May 2013.

BY ORDER OF THE BOARD
Lun Chee Leong
Company Secretary

Singapore: 10 April 2013

Corporate Directory

OUR STORES

Isetan Scotts
Shaw House
350 Orchard Road
Singapore 238868
Tel: 6733 1111
Fax: 6734 7083

Isetan Orchard
Wisma Atria
435 Orchard Road
Singapore 238877
Tel: 6733 7777
Fax: 6733 9438

Isetan Katong
Parkway Parade
80 Marine Parade Road
Singapore 449269
Tel: 6345 5555
Fax: 6345 1864

Isetan Tampines
Tampines Mall
4 Tampines Central 5
Singapore 529510
Tel: 6788 7777
Fax: 6781 7773

Isetan Serangoon Central
nex Mall
23 Serangoon Central
Singapore 556083
Tel: 6363 7777
Fax: 6634 9959

HEADQUARTERS

Isetan (Singapore) Limited

Isetan Administration Office
593 Havelock Road
#04-01 Isetan Office Building
Singapore 169641
Tel: 6732 8866
Fax: 6736 0913

Isetan Scotts Office
350 Orchard Road
#11-05 Shaw House
Singapore 238868
Tel: 6733 8366
Fax: 6734 5967

Warehouse
5 Kallang Pudding Road #01-03
Singapore 349309
Tel: 6746 7552
Fax: 6746 9220

SUBSIDIARY COMPANY

Lexim (S) Pte Ltd
593 Havelock Road
#03-01 Isetan Office Building
Singapore 169641
Tel: 6732 8866
Fax: 6733 7424

ASSOCIATED COMPANY

Chengdu Isetan Department Store Ltd
Isetan Chengdu Office
6 Da Ke Jia Lane
Block B, Lido Plaza, 8th Floor
Chengdu, Sichuan Province
People's Republic of China

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ISETAN (SINGAPORE) LIMITED

PROXY FORM

IMPORTANT :

For investors who have used their CPF monies to buy Isetan (Singapore) Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY

Annual General Meeting to be held on 25 April 2013 at 10.00 a.m.
(Venue : Seletar Rooms, Holiday Inn Atrium Singapore, Level 3, 317 Outram Road, Singapore 169075)
(Before completing this form please see notes overleaf)

I/We, ______________________________ (NRIC No./Passport No: ______________)

of ____

being a member/members of the above named Company hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 25 April 2013 and at any adjournment thereof in the manner indicated below:

No.	Resolution	For	Against
1	Adoption of Accounts		
2.1	Re-election of Mr Gerard Cheng Poh Chuan under Article 95		
2.2	Re-election of Mr Chey Chor Wai under Article 95		
3.1	Re-election of Mr Jun Yokoyama under Article 102		
3.2	Re-election of Ms Lim Bee Choo under Article 102		
4	Declaration of Final Dividend		
5	Approval of Directors' Fees for the financial year ending 31 December 2013 of up to S$180,000/-		
6	Re-appointment of Auditors and authorise the Directors to fix their remuneration		

Signed this ____________ day of __________________ 2013

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

____

Signature(s) of Shareholder(s)

(Please see overleaf for Notes)

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50) you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A Member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 593 Havelock Road #04-01, Isetan Office Building, Singapore 169641, not less than 48 hours before the time set for the Meeting.

4. Where a Member appoints two proxies, the appointments shall be invalid unless he specifies the proportion (expressed as a percentage of the whole) of his holding to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer 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 seal or under the hand of any officer or attorney duly authorised.

6. 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 meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instruments appointing a proxy or proxies. In addition, in the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

ISETAN
SINGAPORE

Company Registration No: 197001177H

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Email : isetansin@isetan.com.sg