Assurance and Advisory
Business Services

Company Registration No. 199904281D

Directors' Report and Audited Financial Statements

NTEGRATOR INTERNATIONAL PTE LTD AND SUBSIDIARIES

31 December 2004

Ernst & Young

Ntegrator International Pte Ltd and Subsidiaries

General Information

Bernard Chen Tien Lap	(appointed on 4 January 2005)
Han Meng Siew	(appointed on 15 July 2004)
Chang Joo Whut	
Tay Choon Chong	
Loudon Frank Mclean Owen	(appointed on 4 October 2004)
Charles George St John Reed	
Sw Chan Kit	(resigned on 15 July 2004)
Stanley Chan Pui Ling	(resigned on 4 October 2004)

Company Secretaries

Sw Chan Kit	
Jim Lim Kheng Huat	(appointed on 17 February 2004)
Wendy Lee Su Lin	(appointed on 17 February 2004)
Low Yong Sen	(resigned on 17 February 2004)

Registered Office

4 Leng Kee Road,
#06-04 SIS Building,
Singapore 159088

Bankers

Malayan Banking Berhad
The Development Bank of Singapore Ltd
United Overseas Bank Limited
Hong Leong Finance Ltd

Auditors

Ernst & Young

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Ntegrator International Pte Ltd and Subsidiaries

Directors' Report

The directors are pleased to present their report to the member together with the audited financial statements of Ntegrator International Pte Ltd (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2004 and balance sheet of the Company as at 31 December 2004.

Change of company's name

The Company was incorporated in 24 July 1999 as Kenbience International Pte Ltd. On 28 December 2004, the Company changed its name to Ntegrator International Pte Ltd.

Directors

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

Bernard Chen Tien Lap	Non-Executive Chairman
Han Meng Siew	Deputy Chairman
Chang Joo Whut	Managing Director
Tay Choon Chong	
Loudon Frank Mclean Owen	
Charles George St John Reed	

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 is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following director who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company or related corporations as stated below :

	Direct interest		Deemed interest	
Name of Director	**At beginning of financial year/date of appointment**	**At end of financial year**	**At beginning of financial year/date of appointment**	**At end of financial year**
The Company				
Ordinary shares of S$0.10 each				
Han Meng Siew	–	–	–	3,000,000
Chang Joo Whut	–	1,000,000	–	–

Directors' interest in shares (cont'd)

Name of Director	Direct interest: At beginning of financial year/date of appointment	Direct interest: At end of financial year	Deemed interest: At beginning of financial year/date of appointment	Deemed interest: At end of financial year
Options to subscribe for ordinary shares of S$0.10 each at exercise price of S$0.268 per share				
Han Meng Siew	–	700,000	–	–
Chang Joo Whut	–	700,000	–	–
Tay Choon Chong	–	200,000	–	–
Loudon Frank Mclean Owen	–	100,000	–	–
Charles George St John Reed	–	200,000	–	–

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

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company 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 the director is a member, or with a company in which the director has a substantial financial interest.

The Company has a Share Option Scheme for granting of options to its full-time employees, directors and consultants of the Company and each subsidiary of the Company. The total number of ordinary shares over which the Company may grant under the Share Option Scheme shall not exceed 20% of the issued share capital of 24,080,210 ordinary shares of S$0.10 each.

The options shall be granted for a term of three years to purchase the ordinary shares of the Company at a price determined solely at the discretion of the Compensation Committee of the Company, which is set up to administer the Share Option Scheme. The options will vest and become exercisable beginning on the first anniversary of the date of grant. In the event of an initial public offering of the ordinary shares, takeover or trade sale of the Company, the options granted will become exercisable in full prior to these events. Any options which are not exercised shall lapse automatically and become null and void.

Details of the options to subscribe for ordinary shares of S$0.10 each of the Company granted to directors, executive officers and employees of the Group pursuant to the Scheme are as follows:

Date of grant	Balance at 1.1.2004	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2004	Exercise price	Exercisable period
26.4.2004 *	–	2,877,333	–	–	2,877,333	S$0.268	14.1.2004 to 13.1.2010
22.10.2004	–	3,110,000	–	–	3,110,000	S$0.268	22.10.2005 to 21.10.2011
	–	5,987,333	–	–	5,987,333		

* The Compensation Committee has determined that the date of grant for these options is fixed on 14 January 2003.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Han Meng Siew
Director

Chang Joo Whut
Director

Singapore
8 March 2005

Ntegrator International Pte Ltd and Subsidiaries

Statement by the Directors

We, Han Meng Siew and Chang Joo Whut, being two of the directors of Ntegrator International Pte Ltd, do hereby state that, in the opinion of the directors :-

(i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flows statement together with the notes thereto 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 2004, and of the results of the business, changes in equity and cash flows of the Group for the year then ended, and

(ii) 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 board of directors,

Han Meng Siew
Director

Chang Joo Whut
Director

Singapore
8 March 2005

Ntegrator International Pte Ltd and Subsidiaries

Auditors' Report to the Members of
Ntegrator International Pte Ltd

We have audited the financial statements of Ntegrator International Pte Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 6 to 34 for the financial year ended 31 December 2004. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) 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 Singapore Companies Act, Cap. 50 (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 2004, and the results, changes in equity and cash flows of the group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
8 March 2005

Ntegrator International Pte Ltd and Subsidiaries

Consolidated Profit and Loss Account for the financial year ended 31 December 2004

	Notes	2004	2003
		S$	S$
Revenues			
Revenue from contract work-in-progress system integration services		21,414,510	12,547,093
Revenue from maintenance services		1,649,022	801,921
Sales of goods		8,503,947	8,371,062
Interest income from banks		20,141	10,233
Other revenue		63,553	-
Total revenues		31,651,173	21,730,309
Cost and operating expenses			
Changes in stocks and contract work-in-progress		(1,737,790)	1,652,743
Equipment and consumables used		(18,299,823)	(17,099,607)
Freight costs		(698,785)	(333,937)
Commission and consultancy expenses		(1,688,023)	(789,995)
Travelling expenses		(341,372)	(377,246)
Staff costs		(3,167,265)	(3,048,738)
Depreciation of plant and equipment		(233,106)	(178,728)
Foreign exchange translation loss, net		(514,079)	(86,337)
Other operating expenses		(804,119)	(973,447)
Total costs and operating expenses	3	(27,484,362)	(21,235,292)
Operating profit		4,166,811	495,017
Finance costs	4	(52,586)	(8,123)
Profit before income tax		4,114,225	486,894
Income tax	5	(839,430)	(116,326)
Profit after income tax and before minority interest		3,274,795	370,568
Minority interests, net of income tax		59,201	7,609
Net profit for the financial year		3,333,996	378,177
Earning per share (cents)			
- Basic	6	13.8	2.1

The accounting policies and explanatory notes on pages 10 to 34 form an integral part of the financial statements.

Ntegrator International Pte Ltd and Subsidiaries

Balance Sheets as at 31 December 2004

	Notes	Group 2004 S$	Group 2003 S$	Company 2004 S$	Company 2003 S$
Non-current assets					
Plant and equipment	7	337,274	471,677	–	–
Deferred expenditure	8	375,062	–	375,062	–
Investments in subsidiaries	9	–	–	4,350,000	4,350,000
Cash and cash equivalents	10	964,008	844,500	–	–
Trade receivables	13	5,235,650	–	–	–
		6,911,994	1,316,177	4,725,062	4,350,000
Current assets					
Stocks	11	459,727	476,653	–	–
Contract work-in-progress	12	174,858	1,386,770	–	–
Trade receivables	13	8,772,894	9,386,980	–	–
Other receivables	14	345,552	181,073	5,000	–
Loan to a subsidiary	15	–	–	3,800	37,000
Cash and cash equivalents	10	5,147,202	1,960,751	34,254	8
		14,900,233	13,392,227	43,054	37,008
Current liabilities					
Contract work in progress	12	913	18,347	–	–
Trade payables	16	10,425,915	8,262,552	–	2,000
Other payables	17	706,502	5,840	410,172	–
Deferred revenue	18	128,623	228,126	–	–
Finance lease liabilities	19	13,052	27,158	–	–
Interest bearing loans and borrowings	20	1,134,068	729,533	–	–
Income tax payable		831,036	126,000	–	–
		13,240,109	9,397,556	410,172	2,000
Net current assets/ (liabilities)		1,660,124	3,994,671	(367,118)	35,008
Non-current liabilities					
Finance lease liabilities	19	(24,512)	(37,561)	–	–
Deferred tax liabilities	21	(32,510)	(12,745)	–	–
		(57,022)	(50,306)	–	–
Net assets		8,515,096	5,260,542	4,357,944	4,385,008
Equity					
Issued share capital	22	2,408,021	2,408,021	2,408,021	2,408,021
Share premium	23	2,029,477	2,029,477	2,029,477	2,029,477
Foreign currency translation reserve		(25,124)	(12,979)	–	–
Retained profits/ (accumulated losses)	23	3,998,723	664,727	(79,554)	(52,490)
		8,411,097	5,089,246	4,357,944	4,385,008
Minority interests		103,999	171,296	–	–
Total equity and minority interest		8,515,096	5,260,542	4,357,944	4,385,008

The accounting policies and explanatory notes on pages 10 to 34 form an integral part of the financial statements.

Ntegrator International Pte Ltd and Subsidiaries

Consolidated Statement of Changes in Equity for the financial year ended 31 December 2004

	Notes	2004 S$	2003 S$
Issued share capital	22		
Balance at beginning of financial year		2,408,021	1,200,000
Issued during the financial year :-			
Nil (2003: 1,208,021) ordinary shares of S$1 each at S$2.68 per share for cash to provide for additional working capital		–	1,208,021
Sub-division of one ordinary share of S$1 each into 10 ordinary shares of S$0.10 each		–	–
Balance at end of financial year		2,408,021	2,408,021
Share premium			
Balance at beginning of financial year		2,029,477	–
Premium of Nil (2003 : S$1.682) per share on Nil (2003 : 1,208,021) shares of S$1 each issued during the financial period		–	2,029,477
Balance at end of financial year		2,029,477	2,029,477
Foreign currency translation reserve			
Balance at beginning of financial year		(12,979)	–
Translation adjustment for the financial year		(12,145)	(12,979)
Balance at end of financial year		(25,124)	(12,979)
Retained profits			
Balance at beginning of financial year		664,727	286,550
Net profit for the financial year		3,333,996	378,177
Balance at end of financial year		3,998,723	664,727
Total equity		8,411,097	5,089,246

The accounting policies and explanatory notes on pages 10 to 34 form an integral part of the financial statements.

Ntegrator International Pte Ltd and Subsidiaries

Consolidated Cash Flows Statement for the financial year ended 31 December 2004

	Notes	2004 S$	2003 S$
Cash flows from operating activities:			
Profit before income tax		4,114,225	486,894
Adjustments for:			
Depreciation of plant and equipment		233,106	178,728
Loss on disposals of plant and equipment		1,515	–
Interest expense		52,586	8,123
Interest income		(20,141)	(10,233)
Foreign currency translation difference		(16,294)	(21,632)
		4,364,997	641,880
Decrease/(increase) in stocks and contract work-in-progress		1,211,404	(1,652,743)
Increase in trade and other receivables		(4,786,043)	(4,736,926)
Increase in trade and other payables		2,764,522	4,168,894
Cash generated from/(used in) operations		3,554,880	(1,578,895)
Interest received		20,141	10,233
Interest paid		(52,586)	(8,123)
Income tax paid		(114,629)	(65,778)
Net cash from/(used in) operating activities		3,407,806	(1,642,563)
Cash flows from investing activities:			
Purchase of plant and equipment		(112,906)	(296,489)
Proceeds from disposals of plant and equipment		8,741	–
Net cash flows used in investing activities		(104,165)	(296,489)
Cash flows from financing activities:			
(Repayment)/proceeds from loan from a financial institution		(595,128)	729,533
Repayment of finance leases		(27,155)	(29,579)
Proceeds from issuance of share capital by the Company		–	3,237,498
Proceeds from issuance of share capital by subsidiaries to minority shareholders		–	187,558
Payments for deferred expenditure		(375,062)	–
Increase in fixed deposits pledged with financial institutions		(119,508)	(444,500)
Net cash flows (used in)/from financing activities		(1,116,853)	3,680,510
Net increase in cash and cash equivalents		2,186,788	1,741,458
Cash and cash equivalents at beginning of financial year	10	1,960,751	219,293
Cash and cash equivalents at end of financial year	10	4,147,539	1,960,751

The accounting policies and explanatory notes on pages 10 to 34 form an integral part of the financial statements.

1. Corporate information

Ntegrator International Pte Ltd (the "Company") is a limited liability company incorporated in Singapore. The registered office and principal place of business of the Company is at 4 Leng Kee Road, #06-04 SIS Building, Singapore 159088.

The Company was incorporated in 24 July 1999 as Kenbience International Pte Ltd. On 28 December 2004, the Company changed its name to Ntegrator International Pte Ltd.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Group operates in 4 (2003 : 3) countries. The Group and Company had 50 and Nil (2003: 47 and Nil) employees as at 31 December 2004 and 31 December 2003 respectively.

2. Summary of significant accounting policies

(a) ***Basis of preparation***

The financial statements have been prepared on a historical cost basis and in accordance with Singapore Financial Reporting Standards as required by the Singapore Companies Act, Cap. 50.

The accounting policies applied by the Company are consistent with those used in the previous financial year.

The financial statements are presented in Singapore Dollars ("S$").

(b) ***Foreign currency translation***

Transactions in foreign currencies are measured in S$ and recorded at exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are measured using the exchange rates ruling at that date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates or, in the case of items carried at fair value, the exchange rates that existed when the values were determined. All resultant exchange differences are recognised in the profit and loss account.

Assets and liabilities for foreign entities are translated into S$ equivalents at exchange rates ruling at balance sheet date. Revenue and expenses are translated at average exchange rates for the year, which approximate the exchange rates at the date of transactions. All resultant exchange differences are taken directly to foreign currency translation reserve, a separate component of equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the profit and loss account as a component of the gain or loss on disposal.

(c) ***Principles of consolidation***

The consolidated financial statements comprise the financial statements of the company and its subsidiaries, after the elimination of all material intragroup transactions and balances, and resulting unrealised profits. Unrealised losses resulting from intragroup transactions are also eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which the group cease to have control of the subsidiaries. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(d) ***Revenue recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised :

Rendering of systems integration services

System integration services substantially involve the procurement, design, integration and installation of voice, video and data communication equipment and networks. Revenue is recognised upon successful installation and acceptance of the project by the customer. For a project which is to be completed in stages, revenue is recognised upon successful installation of each stage and acceptance of the project by the customer. An expected loss on the project is recognised as an expense immediately when it is probable that total project costs will exceed total project revenue.

In the previous financial year, it was disclosed that revenue is recognised by reference to the stage of completion of the project activity at the balance sheet date, when the outcome of the project can be estimated reliably. The directors have reviewed the description of this policy and are of the opinion that the preceding paragraph reflects more appropriately the policy of the Group.

Sales of goods

Revenue are recognised upon the transfer of risk and rewards of ownership of the goods to the customers which generally coincide with their delivery and acceptance.

Maintenance revenue

Maintenance revenue is recognised upon rendering of the service to the customer over the duration of maintenance contracts. Maintenance revenue that is billed in advance of the services being rendered is deferred on the balance sheet as deferred revenue.

(e) ***Employee benefits***

Pensions

The Group makes contributions to state pension scheme. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

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

(f) ***Plant and equipment***

Plant and equipment are stated at cost less accumulated depreciation and any impairment loss. All items of plant and equipment are initially recorded at cost.

The initial cost of plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of plant and equipment.

Depreciation is calculated on the straight-line basis over the estimated useful life of the asset as follows :

Furnitures	-	5 years
Fittings	-	2 years
Office equipment	-	5 years
Computers	-	3 years
Telephones	-	5 years
Software	-	3 years
Motor vehicle	-	10 years
Demo equipment	-	2 years

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of plant and equipment.

(g) ***Subsidiaries***

A subsidiary is a company in which the Group, directly or indirectly holds more than 50% of issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less any impairment losses.

(h) ***Stocks***

Stocks consist of voice, video and data communication equipment.

Stocks are valued at the lower of cost (determined on a weighted average basis) and net realisable value. The costs of stocks comprise the purchase price, import and other taxes, handling and other costs directly attributable to the acquisitions of the goods.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sales. Provision is made for damaged, obsolete and slow-moving items.

(i) ***Contract work-in-progress***

Contract work-in-progress refers to system integration services that are not completed, delivered and accepted by customers as at the balance sheet date.

Contract-in-progress is stated at costs less progress billings received or receivable. Costs include cost of equipment and software purchased for the projects, subcontracting costs and other direct expenses attributable to the project activity. When it is probable that expected total project costs will exceed the expected total project revenue, a provision for expected loss on the project is recognised as an expense immediately.

Where project costs incurred to date less any expected losses exceed progress billings, the surplus is presented as "Excess of costs incurred over progress billings" (as a current asset). Where progress billings exceed project costs incurred to date less any expected losses, the surplus is classified as "Excess of progress billings over work-in-progress" (as a current liability).

(j) ***Trade and other receivables***

Trade receivables, which generally have been granted on between 30 - 90 days credit terms, are recognised and carried at original invoice amount less allowance for any uncollectible amounts. Trade receivables are classified as non-current assets when they are due after 12 months from the balance sheet date. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as identified.

(k) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

For the purposes of consolidated cashflow statement, cash and cash equivalents are shown net of outstanding bank overdrafts, which are repayable on demand and which form an integral part of the cash management of the Group, and restricted cash.

(l) ***Trade and other payables***

Liabilities for trade and other amounts payable, which are normally settled on 30 to 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. Trade payables are classified as non-current liabilities when they are due after 12 months from the balance sheet date.

(m) ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(n) ***Leases***

Finance lease

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at amounts equal, at the inception of the lease, to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Lease payable under operating leases are recognised as an expense in the profit and loss account as incurred.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(o) ***Income taxes***

Deferred income tax is provided, using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries except where timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unabsorbed capital allowances, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

(o) ***Income taxes (Cont'd)***

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

(p) ***Borrowing costs***

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred.

(q) ***Impairment of assets***

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years.

3. Total costs and operating expenses

	Group	
	2004	**2003**
	S$	S$
Total costs and operating expenses include :		
Auditors' remuneration	30,282	21,239
Defined contribution pension plans	161,169	223,699
Directors' remuneration	474,841	396,345
Executive officers' remuneration	700,850	480,200
Loss on disposals of plant and equipment	1,515	–
Expensed assets	1,065	2,090
Operating leases – offices	171,170	149,554

4. Finance costs

	Group 2004 S$	Group 2003 S$
Interest expense on bank loans and bank overdraft	49,094	1,966
Finance charges on finance lease liabilities	3,492	6,157
	52,586	8,123

5. Income tax

Major components of income tax expense for the years ended 31 December were :

	2004	2003
Current	875,000	126,000
Deferred (Note 21)	(2,000)	(10,238)
Current year tax expense	873,000	115,762
Under/(over) provision in respect of previous year		
- current	(56,000)	8,564
- deferred (Note 21)	22,430	(8,000)
	839,430	116,326

A reconciliation between the income tax expense and profit before income multiplied by the applicable tax rates for the years ended 31 December was as follows :

	2004	2003
Profit before income tax	4,114,226	486,894
Tax at 20% (2003 : 22%)	822,845	107,117
Adjustments for tax effect of :		
Expenses not deductible for tax purposes	9,759	8,395
Statutory stepped income exemption	(10,500)	(11,550)
Change in tax rate on deferred tax liabilities	(6,119)	–
Double tax deduction	–	(1,780)
Difference of tax rates of other countries	(18,230)	(556)
Tax losses of overseas subsidiaries not available for set-off	48,832	7,492
Deferred tax assets not recognised	5,413	–
Others	21,000	6,644
Current year tax expense	873,000	115,762

6. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Fully diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive options.

The following reflects the income and share data used in the basic and fully diluted earnings per share computations for the years ended 31 December :

	Group	
	2004	**2003**
	S$	S$
Net profit attributable to ordinary shareholders for basic and fully diluted earnings per share	3,333,996	378,177
Weighted average number of ordinary shares on issue applicable to basic earnings per share	24,080,210	17,626,399
Effect of dilutive share options	–	–
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	24,080,210	17,626,399

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

7. Plant and equipment - Group

	Office equipment	Computers	Telephones	Software	Motor vehicle	Demo equipment	Furniture	Fittings	Capital work-in-progress	Total
	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$
Cost										
Balance at 1.1.04	50,738	135,696	5,730	33,610	56,000	170,535	70,765	117,012	69,615	709,701
Addition	21,797	24,314	659	1,668	–	50,075	5,922	2,771	5,700	112,906
Reclassification	–	–	–	67,415	–	–	–	–	(67,415)	–
Disposals	(600)	(3,947)	–	–	–	(1,008)	–	–	(7,900)	(13,455)
Foreign currency translation	(1,057)	(799)	(24)	(60)	–	(1,479)	(414)	(1,006)	–	(4,839)
Balance at 31.12.04	70,878	155,264	6,365	102,633	56,000	218,123	76,273	118,777	–	804,313
Accumulated depreciation										
Balance at 1.1.04	13,425	57,142	1,147	16,036	9,333	42,827	18,790	79,324	–	238,024
Charge for the year	17,364	51,130	1,295	22,513	5,600	89,699	15,586	29,919	–	233,106
Disposals	(290)	(2,741)	–	–	–	(168)	–	–	–	(3,199)
Foreign currency translation	(252)	(211)	(5)	(2)	–	(86)	(76)	(260)	–	(892)
Balance at 31.12.04	30,247	105,320	2,437	38,547	14,933	132,272	34,300	108,983	–	467,039
Charge for 2003	8,727	40,235	910	11,077	5,600	42,522	13,161	56,496	–	179,728
Net book value										
As at 31.12.04	40,631	49,944	3,928	64,086	41,067	85,851	41,973	9,794	–	337,274
As at 31.12.03	37,313	78,554	4,583	17,574	46,667	127,708	51,975	37,688	69,615	471,677

As at 31 December 2004, the net book value of plant and equipment held under finance leases was S$49,532 (2003 : S$85,448).

8. Deferred expenditure

This represents a portion of the total expenses to be incurred in connection with the initial public offering of the ordinary shares of the Company.

9. Investments in subsidiaries

	Company 2004 S$	Company 2003 S$
Unlisted shares, at cost	4,350,000	4,350,000

Name	Principal activities	Country of incorporation	Cost 2004 S$	Cost 2003 S$	Equity interest 2004 %	Equity interest 2003 %
Held by the Company						
* Ntegrator Pte Ltd	Engaging in system integration of voice, video and data communication networks	Singapore	4,350,000	4,350,000	100	100
Held by Ntegrator Pte Ltd						
** Ntegrator Philippines Inc	To provide system integration services and sale of voice, video and data communication equipment networks, the provision of maintenance and support services, and project management services for network infrastructure.	Philippines			60	60
# Ntegrator Sdn Bhd	To provide system integration services and sale of voice, video and data communication equipment and networks, the provision of maintenance and support services, and project management services for network infrastructure.	Malaysia			60	60

9. Investments in subsidiaries (Cont'd)

Name	Principal activities	Country of incorporation	Cost		Equity interest	
			2004 S$	2003 S$	2004 %	2003 %
@ Ntegrator (Thailand) Limited	To provide system integration services and sale of voice, video and data communication equipment and networks, the provision of maintenance and support services, and project management services for network infrastructure.	Thailand			60	–

* Audited by Ernst & Young, Singapore

** Audited by Punongbayan & Araullo, Certified Public Accountants, Philippines

Audited by Mohd Noor & Associates, Chartered Accountants, Malaysia

@ The subsidiary was incorporated on 18 November 2004 and had remained dormant. There is no statutory audit requirement for the period from 18 November 2004 to 31 December 2004.

10. Cash and cash equivalents

	Group		Company	
	2004	2003	2004	2003
	S$	S$	S$	S$
Cash on hand	557	18	–	–
Cash at banks	5,146,645	1,780,517	34,254	8
	5,147,202	1,780,535	34,254	8
Fixed deposits	964,008	1,024,716	–	–
Less : Restricted cash classified as non-current assets	(964,008)	(844,500)	–	–
	–	180,216	–	–
	5,147,202	1,960,751	34,254	8
Bank overdrafts (Note 20)	(999,663)	–	–	–
	4,147,539	1,960,751	34,254	8

Restricted cash represents the amount of fixed deposits pledged with financial institutions as securities for credit facilities granted to the Group.

Fixed deposits are placed for varying periods of between four and twelve months depending on the immediate cash requirements of the Group, and earn interest at rates between 0.25% and 1.25% (2003 : 0.25% and 1.375%) per annum.

11. Stocks

Included in stocks are items amounting to S$170,343 (2003 : S$Nil) which the Group has purchased after orders have been received from its customers.

12. Contract work-in-progress

	Group 2004 S$	Group 2003 S$
Cost incurred to date	175,541	1,387,044
Less : Progress billings	(1,596)	(18,621)
	173,945	1,368,423
Comprising :		
Excess of costs incurred over progress billings	174,858	1,386,770
Excess of progress billings over costs incurred	(913)	(18,347)
	173,945	1,368,423

13. Trade receivables

	2004	2003
Trade receivables	6,176,392	6,031,073
Retention sums	41,863	244,271
Bill receivables	7,790,289	3,111,636
Less : Amount classified as non-current assets	(5,235,650)	–
	2,554,639	3,111,636
	8,772,894	9,386,980

Bills receivable relate to irrevocable letters of credit issued in favour of the Group by financial institutions on behalf of the customers for goods and services supplied by the Group.

The bill receivables as at 31 December 2004 arose from two projects completed during the financial year for an overseas customer who had arranged for a financial institution in its country to issue irrevocable letters of credit in favour of the Group for the settlement of the projects. The total amount is to be settled over a three-year period with effect from October 2005.

14. Other receivables

	Group		Company	
	2004	**2003**	**2004**	**2003**
	S$	S$	S$	S$
Advance payments for project costs	151,295	–	–	–
Deposits	49,172	57,698	–	–
Prepayments	73,197	65,710	–	–
Staff advances	39,568	33,500	–	–
Others	32,320	24,165	–	–
	345,552	181,073	–	–

The staff advances are made for the purpose of overseas business travel.

15. Loan to a subsidiary

The loan to a subsidiary is unsecured, interest-free and has no fixed term of repayment, and expected to be repaid within the next 12 months.

16. Trade payables

	Group 2004	Group 2003	Company 2004	Company 2003
Trade payables	1,821,085	4,316,738	–	–
Bills payables	4,998,160	1,596,831	–	–
Accrued project costs	3,147,430	2,005,516	–	–
Accrued operating expenses	459,240	343,467	–	2,000
	10,425,915	8,262,552	–	2,000

17. Other payables

	Group 2004	Group 2003	Company 2004	Company 2003
A subsidiary	–	–	277,257	–
Accrued initial public offering expenses	132,915	–	132,915	–
Advance payments from customers	554,648	–	–	–
Others	18,939	5,840	–	–
	706,502	5,840	410,172	–

The amount due to a subsidiary is unsecured, interest-free and has no fixed term of repayment and expected to be repaid within the next 12 months.

18. Deferred revenue

Deferred revenue represents maintenance revenue received in advance of services being rendered.

19. Finance lease liabilities

The Group purchased certain motor vehicles, computers and software under finance lease agreements which expire over the next five years. The discount rate implicit in the leases ranges from 3.3% to 6.0% (2003 : 3.3% to 6.0%) per annum. Future minimum lease payments under these agreements together with the present value of the net minimum lease payments are as follows : -

	Minimum payments 2004	Present value of payments 2004	Minimum payments 2003	Present value of payments 2003
	S$	S$	S$	S$
Not later than one year	14,845	13,052	30,647	27,158
Later than one year but not later than five years	27,016	24,512	41,861	37,561
Total minimum lease payments	41,861	37,564	72,508	64,719
Less: Amount representing finance charges	(4,297)	–	(7,789)	–
Present value of minimum lease payments	37,564	37,564	64,719	64,719

The finance lease liabilities are secured by a pledge of the assets (Note 6) and guaranteed by a director of the Company.

20. Interest bearing loans and borrowings

	Group 2004	Group 2003
	S$	S$
Loans from a financial institution	134,405	729,533
Bank overdrafts (Note 10)	999,663	–
Balance at end of financial year	1,134,068	729,533

20. Interest bearing loans and borrowings (Cont'd)

The loan from a financial institution is secured by a cash deposit amounting to S$250,000 (2003 : S$250,000) and is guaranteed by the Company, two directors of the Company and two executive officers of a subsidiary. The loan bears average interest of 5.25% (2003 : 5.25%) per annum and is repayable within the next 12 months.

The bank overdrafts are unsecured but guaranteed by the Company, two directors of the Company and three executive officers of a subsidiary. They bear average interest of 7% per annum (2003 : Nil) and are repayable upon demand.

21. Deferred tax liabilities

	Group	
	2004	**2003**
	S$	S$
Balance at beginning of financial year	12,745	31,000
Foreign currency translation adjustment	(665)	(17)
Under/(over) provision in the previous year	22,430	(8,000)
Write-back for the financial year	(2,000)	(10,238)
Balance at end of financial year	32,510	12,745
Deferred income tax assets and liabilities :		
Deferred tax liabilities		
Excess of net book value over tax written value of plant and equipment	39,990	27,998
Others	19,010	5,200
	59,000	33,198
Deferred tax assets		
Others	(26,490)	(20,453)
Net deferred tax liabilities	32,510	12,745

As at the balance sheet date, the Group has unutilised tax losses and unabsorbed capital allowances of S$ 86,000 (2003 : Nil) and S$ 11,000 (2003 : Nil) respectively that are available for offset against future taxable profits of a subsidiary in which the losses and capital allowance arose for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of the country in which the subsidiary operates.

22. Share capital

	Group and Company	
	2004	**2003**
	S$	S$
Authorised :		
Balance at beginning of financial year - 10,000,000 (2003 : 2,500,000) ordinary shares of S$1 each	10,000,000	2,500,000
Increase during the financial year : - Nil (2003 : 7,500,000) ordinary shares of S$1 each	–	7,500,000
	10,000,000	10,000,000
Sub-division of one ordinary share of S$1 each into 10 ordinary shares of S$0.10 each	–	–
Balance at end of financial year 100,000,000 ordinary shares of S$0.10 each (2003 : 10,000,000 ordinary shares of $1 each)	10,000,000	10,000,000
Issued and fully-paid :		
Balance at beginning of financial year - 2,408,021 (2003 : 1,200,000) ordinary shares of S$1 each	2,408,021	1,200,000
Movement during the financial year - Issued during the financial year Nil (2003; 1,208,021) ordinary shares of S$1 each at S$2.68 per share for cash to provide for additional working capital	–	1,208,021
Sub-division of one ordinary share of S$1 each into 10 ordinary shares of S$0.10 each	–	–
Balance at end of financial year - 24,080,210 shares of S$0.10 each (2003: 2,408,021 ordinary shares of S$1 each)	2,408,021	2,408,021

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The Company has a Share Option Scheme for granting of options to its full-time employees, directors and consultants of the Company and each subsidiary of the Company. The total number of ordinary shares over which the Company may grant under the Share Option Scheme shall not exceed 20% of the issued share capital of 24,080,210 ordinary shares of S$0.10 each.

The options shall be granted for a term of three years to purchase the ordinary shares of the Company at a price determined solely at the discretion of the Compensation Committee, which is set up to administer the Share Option Scheme. The options will vest and become exercisable beginning on the first anniversary of the date of grant. In the event of an initial public offering of the ordinary shares, takeover or trade sale of the Company, the options granted will become exercisable in full prior to these events. Any options which are not exercised shall lapse automatically and become null and void.

22. Share capital (Cont'd)

On 26 April 2004, a total of 900,000, 1,200,000 and 777,333 options were granted to directors, executive officers and employees of the Company and subsidiaries at an exercisable price of S$0.268 per share. The Compensation Committee of the Company has determined that the date of grant for these options is fixed on 14 January 2003.

On 22 October 2004, a total of 1,200,000, 1,050,000 and 860,000 options were granted to directors, executive officers and employees of the Company and subsidiaries at an exercisable price of S$0.268 per share.

No options were exercised as at the date of these financial statements.

23. Reserves

	Company	
	2004	2003
	S$	S$
Share premium		
Balance at beginning of financial year	2,029,477	–
Premium of Nil (2003 : S$1.68) per share on Nil (2003 : 1,208,021) ordinary shares of S$1 each issued during the financial period (Note 22)	–	2,029,477
Balance at end of financial year	2,029,477	2,029,477
Accumulated losses		
Balance at beginning of financial year	(52,489)	(26,150)
Loss for the financial year	(27,065)	(26,339)
Balance at end of financial year	(79,554)	(52,489)

The application of the share premium account is governed by Section 69 to 69F of the Singapore Companies Act, Cap 50.

Details of the reserves of the Group are shown in the consolidated statement of changes in equity.

24. Commitments

Operating lease commitments

The Group has entered into a commercial property lease for its office. The lease has remaining non-cancellable terms of 17 (2003 : 4) months.

Future minimum lease payments under the non-cancellable leases are as follows as at 31 December :

	Group	
	2004	**2003**
	S$	S$
Not later that one year	158,509	69,426
Later than one year but not later than five years	55,713	18,086
	214,222	87,512

Other commitments

On 15 November 2003, Ntegrator Philippines Inc, a subsidiary, entered into an "nPower Partner Reseller" Agreement (the "Agreement") with Nortel Networks Singapore Pte Ltd. Under the Agreement, Ntegrator Philippines Inc is granted by Nortel Network a personal, non-transferable and non-exclusive right to purchase software and hardware equipment from Nortel Networks for resale to end users in the Philippines and the right to use the "solutions by Nortel Networks" logo trademark in support of the sale of the equipment. The agreement is renewable upon mutual consent of both parties.

25. Related party disclosure

Certain directors of the Company and a subsidiary have provided personal guarantees to various financial institutions to secure banking facilities for the Group which include letters of credits and revolving loan and bank overdraft facilities. As at 31 December 2004, the amount of guarantees totalled S$26,570,000 (2003 : S$11,183,000).

26. Segment information

The primary reporting format of the Group is business segment and its secondary format is geographical segment. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses. No disclosures of capital expenditure and depreciation of plant and equipment by business segments are made as the directors do not consider the information would be meaningful.

In determining the geographical segment of the Group, revenues are attributed to the segments based on the location of the customers, and the assets and capital expenditure are attributed to segments based on the location of the assets.

Segment accounting policies are the same as the policies of the Group as described in Note 2.

The operating businesses are organised and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that serves different markets. Summary details of the business segments are as follows:

(a) the network infrastructure segment engages in integration of network infrastructure that enable the customers to communicate electronically within an organisation or with another organisation whether located in the same country or globally. The type of information transmitted can be voice, data and/or video.

(b) the voice communication systems segments provides the customers with seamless integration of a wide variety of voice and data signals used in large institutional telecom applications.

(c) the project management and maintenance service segment provide installation and implementation services of the network infrastructure or voice communication systems that have been purchased by the customers from our principals, and maintenance and support services mainly for the network infrastructure and voice communication systems.

26. Segment information (cont'd)

Business segment

	Network Infrastructure Projects		Voice Communication Systems		Project Management & Maintenance Services		Consolidated	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	S$	S$	S$	S$	S$	S$	S$	S$
Segment revenue Sales to external customers	21,414,510	10,438,515	8,503,946	9,859,967	1,649,023	1,421,595	31,567,479	21,720,076
Unallocated revenue							83,694	10,233
Total revenue							31,651,173	21,730,309
Segment result	6,834,118	3,046,801	1,104,760	832,116	862,800	893,117	8,801,678	4,772,034
Unallocated expenses							(4,634,867)	(4,277,017)
Operating profit							4,166,811	495,017
Finance costs							(52,586)	(8,123)
Profit before income tax							4,114,225	486,894
Income tax							(839,430)	(116,326)
Profit after income tax and before minority interest							3,274,795	370,568
Minority interests, net of income tax							59,201	7,609
Net profit for the financial year							3,333,996	378,177

26. Segment information (cont'd)

Business segment (cont'd)

	Network Infrastructure Projects		Voice Communication Systems		Project Management & Maintenance Services		Consolidated	
	2004 S$	2003 S$	2004 S$	2003 S$	2004 S$	2003 S$	2004 S$	2003 S$
Segment assets	13,070,672	5,855,592	1,238,594	4,472,320	212,984	922,491	14,522,250	11,250,403
Unallocated assets	–	–	–	–	–	–	7,289,977	3,458,001
Total assets	13,070,672	5,855,592	1,238,594	4,472,320	212,984	922,491	21,812,227	14,708,404
Segment liabilities	7,995,594	4,767,537	2,199,851	3,160,287	561,532	395,406	10,756,977	8,323,230
Unallocated liabilities	–	–	–	–	–	–	2,540,154	1,124,632
Total liabilities	7,995,594	4,767,537	2,199,851	3,160,287	561,532	395,406	13,297,131	9,447,862

26. Segment information (cont'd)

Geographic segments

	Singapore		Myanmar		Vietnam		Others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$
Segment revenue										
Sales to external customers	11,027,335	11,997,167	8,488,068	3,693,780	10,223,192	5,266,126	1,828,884	763,003	31,567,479	21,720,076

Other geographical information :

	Singapore		Myanmar		Vietnam		Others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$
Segment assets	21,934,761	14,241,254	–	–	–	–	417,467	467,150	21,812,228	14,708,404
Capital expenditure	33,591	264,930	–	–	–	–	79,315	31,559	112,906	296,489

27. Financial risk management objectives and policies

The Group, in its normal course of business, is exposed to market risk, including primarily credit risk, changes in interest rates and currency exchange rates arising from changing business and market conditions. The overall business strategies of the Group, its tolerance for risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. In determining its risk management policies, the management ensures that an acceptable balance is made between the cost of risks occurring and the cost of managing the risk. The Group does not hold or issue derivative financial instruments for trading purposes. The policies are as follows:

Credit risk

Credit risk arises from the failure of a customer or counter party to settle their financial and contractual obligations to the Group as and when they fall due resulting in a loss. The management monitors exposure to credit risk on an ongoing basis and performs credit evaluations on customers requiring credit. The Group usually does not require collateral from its customers. Cash term, advance payments and letters of credits are required from customers considered to be of high credit risks.

The Group's maximum exposure to credit risk in the event the counter parties fail to perform their obligations as at 31 December 2004 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has a concentration of credit risk in a financial institution in a foreign country which has issued irrevocable letters of credit in favour of the Group. As at 31 December 2004, such letters of credit, which are classified as bills receivables, amounted to S$ 7,790,289 (2003: Nil) and it represented 56% of the total trade receivables of the Group. Except for the foregoing, the Group's portfolio of financial instruments is broadly diversified along industry, product and geographic lines, and transactions are entered into with diverse creditworthy counter parties, thereby mitigating any significant concentration of credit risk.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates mainly to its surplus funds placed with banks and debt obligations.

Surplus funds are placed in fixed deposits with reputable banks which yield better returns than cash at bank. The deposits generally have short-term maturities so as to provide the Group with the flexibility to meet working capital and capital investment needs.

The Group's borrowings, which are exposed to interest rates risk arising from changing market conditions are kept at a minimum level. It is the Group's policy to obtain the most favourable interest rate borrowings available.

27. Financial risk management objectives and policies (Cont'd)

Liquidity risk

Liquidity risk arises in the general funding of the Group's trading activities. It includes the risks of not being able to fund trading activities at settlement dates and liquidate positions in a timely manner at a reasonable price.

The management manages the liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Group's business operations and development activities. The Group obtains additional funding through bank borrowings and finance lease arrangements.

Foreign currency risk

The Group provides its services and sells goods in several countries and, as a result, is exposed to movements in foreign currency exchange rates. The management manages the foreign currency risks by monitoring the timing of the inception and settlement of foreign currency transactions and ensuring the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

Fair values

Except for non-current trade receivables and payables, the carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables, and short-term loans approximate their fair values due to their short-term nature.

It is not practicable to determine, with sufficient reliability, the fair value of non-current trade receivables of the Group as at 31 December 2004 as there is no appropriate market discount factor or other methods that could reasonably estimate the fair values readily available.

28. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors on 8 March 2005.