

AUDITORS' REPORT

ON THE FINANCIAL STATEMENTS OF INFO-COMMUNICATIONS DEVELOPMENT AUTHORITY OF SINGAPORE

We have audited the financial statements of Info-communications Development Authority of Singapore ("IDA") and the consolidated financial statements of the Group for the year ended 31 March 2004 set out on pages 55 to 74. These financial statements are the responsibility of IDA's management. 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 our audit to obtain reasonable assurance 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 management, 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 accompanying financial statements of IDA and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Info-communications Development Authority of Singapore Act ("Act") and Singapore Financial Reporting Standards and so as to give a true and fair view of the state of affairs of IDA and of the Group as at 31 March 2004 and the results, changes in equity of IDA and of the Group, and the cash flows of the Group for the year ended on that date;
- (b) the accounting and other records required by the Act to be kept by IDA and those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act; and
- (c) the receipt, expenditure and investment of moneys, and the acquisition and disposal of assets by IDA during the year have been in accordance with the provisions of the Act.



PricewaterhouseCoopers
Certified Public Accountants

Singapore, 25 August 2004

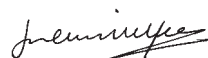
INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

| | Notes | GROUP | | IDA | |
|--|-------|-----------------|-----------------|-----------------|-----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Revenue | | | | | |
| Licence and frequency fees | 4 | 85,812 | 74,694 | 85,812 | 74,694 |
| Service fees | 4 | 70,891 | 69,883 | 70,891 | 69,883 |
| Other income | | 6,528 | 8,474 | 4,696 | 6,022 |
| | | <u>163,231</u> | <u>153,051</u> | <u>161,399</u> | <u>150,599</u> |
| Less: | | | | | |
| Operating expenses | | | | | |
| Assets expensed off | | 517 | 464 | 517 | 464 |
| Audit fees | | 160 | 144 | 123 | 104 |
| Bad debts written off | | 129 | 59 | 124 | - |
| Board members' allowances | | 144 | 120 | 144 | 120 |
| Depreciation of property, plant and equipment | 11 | 3,757 | 8,564 | 3,304 | 8,133 |
| Overseas travelling | | 2,261 | 2,464 | 2,170 | 2,346 |
| Other expenses | | 6,244 | 4,636 | 6,009 | 4,553 |
| Professional services | | 15,379 | 12,766 | 15,269 | 12,596 |
| Regulatory and promotion expenses | | 3,785 | 4,077 | 3,782 | 4,036 |
| Repairs and maintenance | | 2,031 | 1,737 | 1,777 | 1,615 |
| Rental expense | | 7,285 | 8,131 | 7,285 | 8,112 |
| Salaries, CPF and other contributions | 5 | 100,351 | 97,292 | 98,939 | 95,797 |
| Staff training | | 3,592 | 4,169 | 3,545 | 4,097 |
| Staff welfare | | 3,425 | 2,915 | 3,405 | 2,882 |
| Supplies and services | | 1,842 | 1,956 | 1,790 | 1,867 |
| Operating expenditure before development fund expenses | | <u>150,902</u> | <u>149,494</u> | <u>148,183</u> | <u>146,722</u> |
| Operating surplus before development fund expenses | | <u>12,329</u> | <u>3,557</u> | <u>13,216</u> | <u>3,877</u> |
| Development fund expenses | 6 | (40,672) | (35,406) | (40,672) | (35,406) |
| Operating deficit | | <u>(28,343)</u> | <u>(31,849)</u> | <u>(27,456)</u> | <u>(31,529)</u> |
| Non-operating (deficit)/surplus | 7 | <u>(2,933)</u> | <u>(14,400)</u> | <u>(13,835)</u> | <u>1,954</u> |
| Deficit before grants | | <u>(31,276)</u> | <u>(46,249)</u> | <u>(41,291)</u> | <u>(29,575)</u> |
| Grants | | | | | |
| Operating grants - Government | | 29,590 | 28,173 | 29,590 | 28,173 |
| Development grants - Government | | 24,889 | 29,915 | 24,889 | 29,915 |
| Total operating and development grants - Government | 8 | 54,479 | 58,088 | 54,479 | 58,088 |
| Deferred capital grants amortised - Government | | 772 | 1,171 | 772 | 1,171 |
| Surplus before contribution to Consolidated Fund and income tax | | <u>23,975</u> | <u>13,010</u> | <u>13,960</u> | <u>29,684</u> |
| Provision for contribution to Consolidated Fund | 20 | (3,071) | (6,530) | (3,071) | (6,530) |
| Income tax | 9 | 4,495 | 11 | - | - |
| Net surplus attributable to IDA | | <u>25,399</u> | <u>6,491</u> | <u>10,889</u> | <u>23,154</u> |



Lam Chuan Leong
Chairman
25 August 2004



Tan Ching Yee (Mrs)
Chief Executive Officer

BALANCE SHEETS

AS AT 31 MARCH 2004

| | Notes | GROUP | | IDA | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Capital account | | 385,972 | 386,572 | 356,165 | 356,765 |
| Accumulated surpluses | | 143,752 | 118,353 | 136,690 | 125,801 |
| | | <u>529,724</u> | <u>504,925</u> | <u>492,855</u> | <u>482,566</u> |
| Deferred capital grants - Government | | 1,118 | 1,274 | 1,118 | 1,274 |
| Trust and agency funds | 10 | 9,005 | 4,376 | 9,005 | 4,376 |
| | | <u>539,847</u> | <u>510,575</u> | <u>502,978</u> | <u>488,216</u> |
| Represented by: | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 3,776 | 5,741 | 3,301 | 4,954 |
| Subsidiaries | 12 | - | - | 259,008 | 255,364 |
| Non-current investments | 13 | 178,745 | 188,487 | 42,229 | 5,975 |
| Staff loans receivable | 14 | 118 | 175 | 118 | 175 |
| | | <u>182,639</u> | <u>194,403</u> | <u>304,656</u> | <u>266,468</u> |
| Current assets | | | | | |
| Current investments | 15 | 68,191 | 62,240 | - | - |
| Short term loan to a subsidiary company | | - | - | - | 300 |
| Trade receivables | | 45,488 | 44,247 | 45,488 | 44,186 |
| Grants receivable | 8 | 56 | 528 | 56 | 528 |
| Due from subsidiaries - non-trade | 12 | - | - | 344 | 581 |
| Other receivables | 16 | 4,266 | 5,333 | 1,964 | 3,117 |
| Staff loans receivable | 14 | 26 | 33 | 26 | 33 |
| Tax recoverable | 9 | 139 | - | - | - |
| Cash and cash equivalents | 17 | 635,126 | 621,481 | 545,799 | 589,661 |
| | | <u>753,292</u> | <u>733,862</u> | <u>593,677</u> | <u>638,406</u> |
| Less: | | | | | |
| Current liabilities | | | | | |
| Fees received in advance | 18 | 60,521 | 59,983 | 60,521 | 59,983 |
| Trade payables | | 7,375 | 6,037 | 7,367 | 5,972 |
| Other payables | 19 | 33,972 | 40,623 | 33,413 | 40,141 |
| Advances and deposits | | 460 | 1,885 | 393 | 1,600 |
| Provision for income tax | 9 | - | 27 | - | - |
| Provision for contribution to Consolidated Fund | 20 | 3,071 | 6,530 | 3,071 | 6,530 |
| | | <u>105,399</u> | <u>115,085</u> | <u>104,765</u> | <u>114,226</u> |
| Net current assets | | <u>647,893</u> | <u>618,777</u> | <u>488,912</u> | <u>524,180</u> |
| Non-current liabilities | | | | | |
| Deferred income | 18 | (257,184) | (279,005) | (257,184) | (279,005) |
| Provision for pensions and medical benefits | 21 | (42,411) | (27,803) | (42,411) | (27,803) |
| Deferred taxation | 9 | (95) | (173) | - | - |
| | | <u>(299,690)</u> | <u>(306,981)</u> | <u>(299,595)</u> | <u>(306,808)</u> |
| Net assets of trust and agency funds | 10 | <u>9,005</u> | <u>4,376</u> | <u>9,005</u> | <u>4,376</u> |
| | | <u>539,847</u> | <u>510,575</u> | <u>502,978</u> | <u>488,216</u> |



Lam Chuan Leong
Chairman
25 August 2004



Tan Ching Yee (Mrs)
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

| | Capital account \$'000 | GROUP Accumulated surpluses \$'000 | Total \$'000 | Capital account \$'000 | IDA Accumulated surpluses \$'000 | Total \$'000 |
|---|------------------------------|---|-----------------|------------------------------|---|-----------------|
| Balance at 1 April 2003 | 386,572 | 118,353 | 504,925 | 356,765 | 125,801 | 482,566 |
| Credited to income statements (note 13) | (600) | - | (600) | (600) | - | (600) |
| Net surplus and total recognised gain for the financial year | - | 25,399 | 25,399 | - | 10,889 | 10,889 |
| Balance at 31 March 2004 | 385,972 | 143,752 | 529,724 | 356,165 | 136,690 | 492,855 |
| Balance at 1 April 2002 | 386,572 | 111,862 | 498,434 | 356,765 | 102,647 | 459,412 |
| Net surplus and total recognised gain for the financial year | - | 6,491 | 6,491 | - | 23,154 | 23,154 |
| Balance at 31 March 2003 | 386,572 | 118,353 | 504,925 | 356,765 | 125,801 | 482,566 |

CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

| | Notes | GROUP | |
|---|-------|----------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 |
| Cash flows from operating activities | | | |
| Deficit before grants | | (31,276) | (46,249) |
| Adjustments for: | | | |
| Depreciation of fixed assets | 11 | 3,757 | 8,564 |
| Net loss on sale of fixed assets | 7 | - | 160 |
| Unrealised gain on non-current investment (Write back)/provision for diminution in value of non-current investments | 6,13 | (1,036) | - |
| Net profit on sale of current investments | 7 | (164) | (325) |
| Provision for pensions and medical benefits | | 17,811 | 3,370 |
| Dividend income | 7 | (2,036) | (697) |
| Interest income | | (10,361) | (11,488) |
| Deficit before working capital changes | | (23,554) | (23,284) |
| Changes in working capital: | | | |
| Trade and other receivables | | (174) | (21,887) |
| Trade and other payables | | (5,313) | (30,454) |
| Advances and deposits | | (1,425) | (239) |
| Fees received in advance and deferred income | | (21,283) | (10,373) |
| Net cash used in operations | | (51,749) | (86,237) |
| Contribution to Consolidated Fund | | (6,530) | (8,676) |
| Pensions and medical benefits paid | | (3,203) | (2,573) |
| Income tax refund/(paid) | 9 | 4,251 | (3,196) |
| Repayment of staff loans received | | 64 | 618 |
| Net cash outflow from operating activities | | (57,167) | (100,064) |
| Cash flows from investing activities | | | |
| Net cash flows from sale and purchase of non-current investments | | 11,027 | (12,066) |
| Net cash flows from sale and purchase of current investments | | (5,787) | 8,141 |
| Purchase of fixed assets | 11 | (1,818) | (4,696) |
| Proceeds from sale of fixed assets | | 26 | 66 |
| Dividends received | | 2,036 | 697 |
| Interest income received | | 10,361 | 11,175 |
| Net cash inflow from investing activities | | 15,845 | 3,317 |
| Cash flows from financing activities | | | |
| Operating and development grants received | 8 | 54,967 | 32,835 |
| Net cash inflow from financing activities | | 54,967 | 32,835 |
| Net increase/(decrease) in cash and cash equivalents held | | 13,645 | (63,912) |
| Cash and cash equivalents at 1 April 2003/2002 | | 621,481 | 685,393 |
| Cash and cash equivalents at 31 March | 17 | 635,126 | 621,481 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

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

1. General

The Info-communications Development Authority of Singapore ("IDA") is a statutory board established in Singapore under the Info-communications Development Authority of Singapore Act ("Act") on 1 December 1999.

IDA is domiciled in Singapore and has its principal place of business at:

8 Temasek Boulevard
Suntec Tower Three #14-00
Singapore 038988

2. Principal activities

The principal activities of IDA are:

- (a) to develop and promote the efficiency and international competitiveness of the info-communications industry in Singapore;
- (b) to ensure that the telecommunication services are readily accessible and delivered competitively, at performance standards that meet the social, industrial and commercial needs of Singapore;
- (c) to exercise licensing and regulatory functions in respect of telecommunication systems and services in Singapore;
- (d) to promote the use of the Internet, broadband and electronic commerce and to establish regulatory frameworks for that purpose;
- (e) to plan, promote, develop and implement information and communications technology systems and services for Government ministries, departments and agencies; and
- (f) to provide consultancy and advisory services concerning info-communications technology.

The principal activities of the subsidiaries are disclosed in Note 12.

3. Significant accounting policies

(a) Effect of changes in Singapore Companies Legislation

Pursuant to Finance Circular Minute No. M44/2003 on Accounting Standards for Statutory Boards, with effect from financial year commencing on or after 1 April 2003, Statutory Boards are required to prepare and present their statutory financial statements in accordance with Singapore Financial Reporting Standards ("FRS"). These financial statements, including comparative figures, have been prepared in accordance with FRS.

Previously, IDA and the Group prepared their statutory financial statements in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have material impact on the accounting policies and figures presented in the statutory financial statements for financial year ended 31 March 2003.

(b) Basis of preparation

These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current event and actions, actual results may ultimately differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

(c) Revenue recognition

Licence and frequency fees are recognised on the accrual basis, except for certain types of fees that are recognised in the financial year in which they are received, net of goods and services tax where applicable.

Services fees are recognised when the services are rendered to customers, net of goods and services tax.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined such income will accrue to the Group.

Dividends are recognised when the right to receive payment is established.

Profits and losses on the sale of property, plant and equipment and investments are recognised in the income statements on disposal.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of IDA and all its subsidiaries made up to the end of the financial year.

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with policies adopted by the Group.

(e) Grants and contributions received

All Government grants and contributions from other organisations are accounted for on the accrual basis.

(i) Capital account

Government grants for the establishment of IDA and investments in subsidiaries and in other investments are recorded in the capital account.

(ii) Operating grants

Government grants and contributions from other organisations to meet current financial year's operating expenditure are recognised as income in the same financial year.

(iii) Development grants

Government grants and contributions from other organisations for specific development project expenditure are recognised as income to the extent of the development expenditure incurred during the financial year.

(iv) Deferred capital grants

Government grants and contributions from other organisations utilised for the purchase of depreciable assets are recorded in the deferred capital grants account. Deferred capital grants are recognised in the income statements over the periods necessary to match the depreciation of the assets purchased with the related grants. Upon disposal of these assets, the balance of the related deferred capital grants is recognised in the income statements to match the net book value of the assets written off.

(v) Trust and agency funds

Government grants and contributions from other organisations where IDA is not the owner and beneficiary of the funds are accounted for as trust and agency funds. Income and expenditure in respect of agency funds are taken directly to the funds accounts and the net assets relating to these funds are shown as a separate line item in the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

(f) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives. The expected useful lives are as follows:

| | Years |
|-----------------------------------|--------|
| Buildings | 50 |
| Equipment, furniture and fittings | 3 - 10 |
| Plant and machinery | 5 - 7 |

Other assets comprise entrance fees paid in respect of club memberships. The club membership entrance fees are amortised over the lease period of the land on which the clubs are sited. No depreciation is provided for capital work in progress.

A full year's depreciation is charged in the year of purchase. No depreciation is charged in the year of disposal.

Assets below \$2,000, application software below \$10,000, computer accessories and related professional fees are expensed off in the year of purchase.

Repairs and maintenance are taken to the income statements during the financial period in which they are incurred. The cost of major renovations and restorations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and depreciated over the remaining useful life of the asset.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statements.

(g) Investments

Quoted investments in debt securities, that are intended to be held as current and non-current assets, are stated at market value on a portfolio investment basis.

Quoted investments in equities that are intended to be held long-term are stated at market value on an individual basis.

The unrealised profit or loss on revaluation of investments is taken to the income statements.

Investments in subsidiaries are stated at cost less impairment losses in IDA's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Unquoted investments in debt securities and in equities that are intended to be held long-term, are stated at cost and provision is only made in recognition of a diminution in the value of the investments which is other than temporary, determined on an individual investment basis.

Cost is determined on the weighted average method.

On disposal of an investment, including subsidiaries, the difference between net disposal proceeds and its carrying amount is taken to the income statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

(h) Impairment of long lived assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(i) Trade receivables

Trade receivables are carried at original invoice amount less allowance made for doubtful receivables based on a review of all outstanding amounts at the year end. An allowance for doubtful receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. Bad debts are written off when identified.

(j) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statements on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(k) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, provisions for pensions and tax losses carried forward. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Employee benefits

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

(n) Provision for pensions and medical benefits

Provision for pensions and medical benefits for eligible retired employees is estimated by management based on the most recent valuation by professional actuaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

(o) Foreign currency translation

(i) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency ("the measurement currency") that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements of IDA are presented in Singapore Dollars, being the measurement currency of IDA.

(ii) Transactions and balances

Foreign currency transactions are translated into Singapore Dollars using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statements.

(p) Cash and cash equivalents

Cash and cash equivalents are stated in the balance sheet at cost. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise fixed deposits with financial institutions and bank and cash balances.

(q) Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

4. Licence and frequency fees, and service fees

(a) Licence fees comprise annual fees, initial fees and fees set aside for development projects. Annual fees are charged to the service providers in Singapore based on either a percentage of their annual gross turnover of the services provided by the service providers or a flat fee, depending on the types of licence issued. Initial fees are one-off fees charged to certain service providers for their long term licences and are recognised over the period of the licences.

(b) Frequency fees are mainly fees charged for the use of radio frequency spectrum for telecommunication, broadcasting and other radio networks. Fees set aside for development projects are recognised on a realisation basis.

(c) Service fees are mainly fees charged for professional services rendered to Government Ministries and Statutory Boards under the Civil Service Computerisation Programme ("CSCP").

5. Staff costs

| | GROUP | | IDA | |
|---|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Wages and salaries | 89,787 | 85,034 | 88,562 | 83,724 |
| Employer's contribution to Central Provident Fund | 10,185 | 10,413 | 10,041 | 10,241 |
| Other related staff costs | 379 | 1,845 | 336 | 1,832 |
| | <u>100,351</u> | <u>97,292</u> | <u>98,939</u> | <u>95,797</u> |

The number of persons employed at the end of the financial year by the Group and IDA are 1,115 (2003: 1,102) and 1,105 (2003: 1,086) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

6. Development fund expenses

| | GROUP and IDA | |
|--|---------------|---------------|
| | 2004 | 2003 |
| | \$'000 | \$'000 |
| Cluster Development Fund project expenses | 1,003 | 2,128 |
| Infocomm 21 Fund project expenses | 21,836 | 22,022 |
| Singapore-One project expenses | 2,050 | 5,765 |
| Development fund expenses funded by development grants from government | 24,889 | 29,915 |
| e-Lifestyle Marketing project expenses | 2,240 | 2,001 |
| Wired with Wireless project expenses | 13,543 | 3,490 |
| | 40,672 | 35,406 |

The development fund expenses relate to promoting expenses to develop Singapore Info-communications industry and includes a provision for diminution of \$600,000 (2003: \$Nil) made for investments that are funded by development grant.

All development fund expenses are funded by development grants received from Government, except for expenses incurred for e-Lifestyle Marketing Project and Wired with Wireless Project which are funded by IDA itself.

(a) Cluster Development Fund project expenses

The Cluster Development Fund was established in 1995 to accelerate the realisation of the IT2000 Masterplan and to nurture a vibrant IT industry. Its objectives are to provide seed funding for IT2000 flagship projects, to encourage industry initiatives by sharing risks, to co-invest in strategic projects and companies, and to support the development of critical IT skills.

(b) Infocomm 21 Fund project expenses

The Infocomm 21 Fund was established in 2000 to facilitate the implementation of the Infocomm 21 Strategic Plan to develop Singapore into a premier Infocomm Capital in the Asia-Pacific.

(c) Singapore-One project expenses

Singapore-One Development Fund was established to accelerate the growth of broadband multimedia industry in Singapore. It serves to nurture early adoption of broadband technology by both business and consumers in order to jumpstart the broadband multimedia industry in Singapore.

(d) e-Lifestyle Marketing project expenses

Under this initiative, IDA will undertake several programmes in phases to target low-income households, different ethnic groups and the late adopters of infocomm technology. These programmes are aimed to raise their awareness about how infocomm technology can enhance their quality of life.

(e) Wired with Wireless project expenses

To position Singapore as a living lab and business catalyst for wireless developments in Asia, the 'Wired with Wireless' programme promotes the development of mobile infrastructure, products and services. The three main areas of focus are location-based services, mobile commerce and wireless multimedia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

7. Non-operating (deficit)/surplus

| | GROUP | | IDA | |
|---|-----------------|-----------------|-----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Income | | | | |
| Interest from: | | | | |
| - Fixed deposits and current account | 3,303 | 4,496 | 3,263 | 4,334 |
| - Quoted debt securities | 7,053 | 6,963 | 322 | 245 |
| - Others | 5 | 29 | 5 | 29 |
| Dividend income | 2,036 | 697 | 20 | - |
| Net profit on sale of current investments | 164 | 325 | - | - |
| Unrealised gain/(loss) on non-current investments | 1,036 | 386 | (50) | 386 |
| Others | 456 | 835 | 594 | 966 |
| | <u>14,053</u> | <u>13,731</u> | <u>4,154</u> | <u>5,960</u> |
| Expenditure | | | | |
| (Provision for diminution)/write-back in value of non-current investments | 849 | (23,767) | - | - |
| Net loss on liquidation of subsidiary | - | - | (157) | - |
| Net foreign exchange loss | (3) | (358) | - | - |
| Net loss on sale of property, plant and equipment | - | (160) | - | (160) |
| Provision for pensions and medical benefits | (17,811) | (3,846) | (17,811) | (3,846) |
| Others | (21) | - | (21) | - |
| | <u>(16,986)</u> | <u>(28,131)</u> | <u>(17,989)</u> | <u>(4,006)</u> |
| Non-operating (deficit)/surplus | <u>(2,933)</u> | <u>(14,400)</u> | <u>(13,835)</u> | <u>1,954</u> |

8. Operating and development grants - Government

| | GROUP and IDA | |
|---|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Balance at 1 April 2003/2002 | (528) | 25,641 |
| Operating grants - government | 29,590 | 28,173 |
| Development grants - government | 25,377 | 4,662 |
| Net grants received during the financial year | 54,967 | 32,835 |
| Transfer from capital account (Note 13) | 600 | - |
| Transfer to deferred capital grants (Note 11) | (616) | (916) |
| Grants receivable carried forward | 56 | 528 |
| Grants recognised in the income statements | <u>54,479</u> | <u>58,088</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

9. Income tax

- (a) IDA is exempted from paying income tax, except for any dividend income received from its subsidiaries. The Group's income tax relates wholly to the subsidiaries of IDA. The Group's income tax charge is made up as follows:

| | GROUP | |
|---|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Current income tax | 136 | 76 |
| Deferred taxation | (78) | 173 |
| | 58 | 249 |
| Overprovision in prior financial years - current income tax | (4,553) | (260) |
| | (4,495) | (11) |

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to surplus before taxation due to the following factors:

| | GROUP | |
|---|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Surplus before income tax after Consolidated Fund | 20,904 | 6,480 |
| IDA's surplus exempted for tax purposes | (10,889) | (23,154) |
| | 10,015 | (16,674) |
| Tax calculated at a tax rate of 20% (2003: 22%) | 2,003 | (3,668) |
| Expenses exempt for tax purposes | 3 | 4,364 |
| Expenses not deductible for tax purpose | 2 | 27 |
| Effect of concessionary tax rate | - | (654) |
| Income not subject to tax | (252) | (11) |
| Utilisation of tax loss previously not recognised | (1,681) | - |
| Effect of change in tax rate | (16) | - |
| Deferred tax asset not recognised | 1 | 191 |
| Others | (2) | - |
| | 58 | 249 |

- (b) Movements in provision for current tax

| | GROUP | |
|---|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Balance at 1 April 2003/2002 | 27 | 3,407 |
| Net income tax refund/(paid) | 4,251 | (3,196) |
| Current financial year's income tax expense | 136 | 76 |
| Overprovision in prior financial years | (4,553) | (260) |
| Balance at 31 March | (139) | 27 |

The overprovision in prior financial years relates mainly to gain on sale of investments in a subsidiary in those years being brought to tax by the Comptroller of Income Tax ("CIT"). The subsidiary has objected to the assessment and a refund has been received from the CIT during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

(c) Movements in provision for deferred taxation

| | GROUP | |
|---|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Balance at 1 April 2003/2002 | 173 | - |
| Tax (credited)/charged to income statements | (78) | 173 |
| Balance at 31 March | 95 | 173 |

The deferred tax charge relates to temporary differences recognised for accelerated tax depreciation.

10. Trust and agency funds

Trust and agency funds represent grants and professional fees receivable from the Government and other statutory boards that are held by IDA as agent in relation to IDA's function as the Government Chief Information Office ("GCIO"), and other programmes to promote mainly manpower development in the info-communications industry.

The income and expenditure for the year taken directly to the funds accounts, and the net assets of these funds at the balance sheet date, are as follows:

| | GROUP and IDA | |
|--|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Income | | |
| Contributions | 33,024 | 44,934 |
| Professional fee income | 26,236 | 16,854 |
| Interest income | 2 | 13 |
| | 59,262 | 61,801 |
| Expenditure | | |
| Delivery of Electronic Public Services | (3,989) | (20,286) |
| New Primary Government Data Centre | (15,943) | (13,426) |
| Implementation of Public Sector Smart Card, Phase II | (800) | (898) |
| Public Sector Service-wide Technical Architecture | (185) | (1,215) |
| Secure Email II | (1,322) | (1,511) |
| Technology Experimentation Programme for Public Sector | (547) | (176) |
| Security Monitoring and Alert Infrastructure | (675) | (37) |
| Public Services Online Programme II | (8,984) | (4,816) |
| National IT Literacy Programme | (5,156) | (11,110) |
| Public Services Infrastructure | (8,711) | - |
| Other expenses | (8,321) | (7,519) |
| | (54,633) | (60,994) |
| Net surplus for the financial year | 4,629 | 807 |
| Balance at 1 April 2003/2002 | 4,376 | 3,569 |
| Balance at 31 March | 9,005 | 4,376 |
| Represented by: | | |
| Bank and cash balances | 6,377 | 12,664 |
| Receivables | 3,329 | 684 |
| Loan payable to Government, with no fixed term of repayment and at interest rate of 6% p.a. | - | (7,170) |
| Payables | (701) | (1,802) |
| Net assets | 9,005 | 4,376 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

11. Property, plant and equipment

| | Capital work in- progress \$'000 | Buildings \$'000 | Equipment, furniture and fittings \$'000 | Plant and machinery \$'000 | Other assets \$'000 | Total \$'000 |
|--|---|---------------------|---|----------------------------------|---------------------------|-----------------|
| GROUP | | | | | | |
| <u>Cost</u> | | | | | | |
| At 1 April 2003 | 368 | 561 | 31,924 | 7,568 | 388 | 40,809 |
| Additions | 600 | 12 | 871 | 335 | - | 1,818 |
| Disposals | - | - | (341) | (285) | - | (626) |
| Reclassifications | (792) | 236 | 327 | 229 | - | - |
| At 31 March 2004 | 176 | 809 | 32,781 | 7,847 | 388 | 42,001 |
| <u>Accumulated Depreciation</u> | | | | | | |
| At 1 April 2003 | - | 540 | 27,271 | 7,135 | 122 | 35,068 |
| Depreciation for the year | - | 171 | 3,157 | 416 | 13 | 3,757 |
| Disposal | - | - | (315) | (285) | - | (600) |
| At 31 March 2004 | - | 711 | 30,113 | 7,266 | 135 | 38,225 |
| Net book value at 31 March 2004 | 176 | 98 | 2,668 | 581 | 253 | 3,776 |
| <u>Net book value at 31 March 2003</u> | <u>368</u> | <u>21</u> | <u>4,653</u> | <u>433</u> | <u>266</u> | <u>5,741</u> |
| IDA | | | | | | |
| <u>Cost</u> | | | | | | |
| At 1 April 2003 | 368 | 561 | 30,363 | 7,568 | 388 | 39,248 |
| Additions | 600 | 12 | 730 | 335 | - | 1,677 |
| Disposals | - | - | (312) | (285) | - | (597) |
| Reclassifications | (792) | 236 | 327 | 229 | - | - |
| At 31 March 2004 | 176 | 809 | 31,108 | 7,847 | 388 | 40,328 |
| <u>Accumulated depreciation</u> | | | | | | |
| At 1 April 2003 | - | 540 | 26,497 | 7,135 | 122 | 34,294 |
| Depreciation for the year | - | 171 | 2,704 | 416 | 13 | 3,304 |
| Disposal | - | - | (286) | (285) | - | (571) |
| At 31 March 2004 | - | 711 | 28,915 | 7,266 | 135 | 37,027 |
| Net book value at 31 March 2004 | 176 | 98 | 2,193 | 581 | 253 | 3,301 |
| <u>Net book value at 31 March 2003</u> | <u>368</u> | <u>21</u> | <u>3,866</u> | <u>433</u> | <u>266</u> | <u>4,954</u> |

At 31 March 2004, IDA has legal title to the land and building that is presently the Singapore Philatelic Museum ("SPM"), with an original cost amounting to \$3,179,000. The land and building has been accounted for in the fixed assets of IDA and Group at a written down value of \$1 as at 31 March 2004 as it is not probable that future economic benefits will accrue to IDA and the land and building is, in substance, being held in trust for the operations of the Singapore Philatelic Museum on behalf of the National Heritage Board.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

12. Subsidiaries

(a)

| | IDA | |
|--------------------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Unquoted shares, at cost | 259,008 | 255,364 |

(b) The subsidiaries, which are all incorporated and carry on businesses in Singapore, are as follows:

| Name | Principal activities | Cost of IDA's investment | | % of paid up capital held by IDA Subsidiaries | | | |
|--|--|--------------------------|----------------|---|-----------|-----------|-----------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 % | 2003 % | 2004 % | 2003 % |
| Held by IDA: | | | | | | | |
| Infocomm Investments Pte Ltd | Investment holding and investment management | 245,195 | 235,364 | 84 | 81 | 16 | 19 |
| Singapore Communication Investments Private Limited | Dormant | 10,000 | 10,000 | 100 | 100 | - | - |
| IT Co-Investment Fund Pte Ltd | Dormant | - | 10,000 | - | 100 | - | - |
| Singapore Network Information Centre (SGNIC) Pte Ltd | Registry of internet domain names | 3,813 | - | 100 | - | - | 100 |
| Paynet Pte. Ltd. | Dormant | * | - | 100 | - | - | - |
| | | <u>259,008</u> | <u>255,364</u> | | | | |

* Investment cost is less than \$1,000.

- (c) During the year, as part of IDA's Group restructuring exercise, Infocomm Investments Pte Ltd transferred its wholly owned subsidiary, Singapore Network Information Centre (SGNIC) Pte Ltd, to IDA at its net book value.
- (d) As at March 2004, Singapore Communication Investments Private Limited is under members' voluntary liquidation.
- (e) IT Co-Investment Fund Pte Ltd has been liquidated during the year.
- (f) Paynet Pte. Ltd. has been newly incorporated during the year.
- (g) The amount due from subsidiaries (non-trade) is unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

13. Non-current investments

(a)

| | GROUP | | IDA | |
|---|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Quoted investments, at cost | | | | |
| Equity shares | 733 | 1,486 | - | - |
| Debt securities | 146,981 | 161,320 | 41,893 | 4,989 |
| | 147,714 | 162,806 | 41,893 | 4,989 |
| Add: Unrealised appreciation in value | 1,510 | 386 | 336 | 386 |
| Less: Provision for diminution in value | (441) | (3,522) | - | - |
| | 148,783 | 159,670 | 42,229 | 5,375 |
| Unquoted investments, at cost | | | | |
| Equity shares | 9,808 | 8,734 | - | - |
| Debt securities | 51,044 | 49,382 | 600 | 600 |
| | 60,852 | 58,116 | 600 | 600 |
| Less: Provision for diminution in value | (30,890) | (29,299) | (600) | - |
| | 29,962 | 28,817 | - | 600 |
| | 178,745 | 188,487 | 42,229 | 5,975 |

(b) Included in the quoted debt securities in IDA is an amount of \$37 million (2003: \$Nil) held in the name of a subsidiary for managing investments on behalf of IDA.

(c) Movements in provision for diminution in value are as follows:

| | GROUP | | IDA | |
|--|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Quoted investments | | | | |
| Balance at the beginning of the financial year | 3,522 | 4,328 | - | - |
| Movement during the financial year | (1,840) | (355) | - | - |
| Utilised during the financial year | (1,241) | (451) | - | - |
| Balance at the end of the financial year | 441 | 3,522 | - | - |
| Unquoted investments | | | | |
| Balance at the beginning of the financial year | 29,299 | 10,700 | - | - |
| Movement during the financial year | 1,591 | 24,122 | - | - |
| Utilised during the financial year | - | (5,523) | - | - |
| Balance at the end of the financial year | 30,890 | 29,299 | - | - |

Included in the provision for diminution in value of unquoted investments is an amount of \$600,000 which is incurred in relation to an investment funded by development grant. This provision in diminution has been disclosed as part of development fund expenses in the income statements in Note 6. Similarly, the amount has been transferred from capital account and credited to the income statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

Quoted investments, at market value

| | GROUP | | IDA | |
|--|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| The aggregate market values of quoted investments are: | | | | |
| Equity shares | 292 | 149 | - | - |
| Debt securities | 148,491 | 159,521 | 42,229 | 5,375 |
| | <u>148,783</u> | <u>159,670</u> | <u>42,229</u> | <u>5,375</u> |

The non-current investments in quoted debt securities bear interest at rates ranging from 3.46% to 5.55% per annum (2003: 1.35% to 5.55% per annum) and have maturity dates falling between April 2005 and June 2008 (2003: April 2004 and June 2008).

14. Staff loans receivable

| | GROUP and IDA | |
|-----------------------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Housing loans | 61 | 114 |
| Other loans | 83 | 94 |
| | <u>144</u> | <u>208</u> |
| Amounts due within one year | (26) | (33) |
| Amounts due after one year | <u>118</u> | <u>175</u> |

The staff loans, with interest charged at 5% per annum (2003: 5% per annum), are repayable by monthly instalments over a maximum period of 30 years for housing loans and 3 to 7 years for other loans.

15. Current investments

| | GROUP | | IDA | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| At market value: | | | | |
| Quoted debt securities | <u>68,191</u> | <u>62,240</u> | <u>-</u> | <u>-</u> |

The current investments in quoted debt securities bear interest at rates ranging from 1.05% to 3.55% per annum (2003: 1.30% to 3.19% per annum).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

16. Other receivables

| | GROUP | | IDA | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Sundry debtors and deposits | 1,847 | 2,381 | 1,476 | 2,350 |
| Interest receivable | 1,961 | 2,564 | 30 | 393 |
| Prepayments | 458 | 388 | 458 | 374 |
| | <u>4,266</u> | <u>5,333</u> | <u>1,964</u> | <u>3,117</u> |

17. Cash and cash equivalents

(a)

| | GROUP | | IDA | |
|--|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Fixed deposits with financial institutions | 549,346 | 605,026 | 541,255 | 581,776 |
| Bank and cash balances | 85,780 | 16,455 | 4,544 | 7,885 |
| | <u>635,126</u> | <u>621,481</u> | <u>545,799</u> | <u>589,661</u> |

The fixed deposits with financial institutions of the Group and IDA mature on varying dates within 1 month (2003: 2 months) from the financial year end. The interest rate range of these deposits as at 31 March 2004 was 0.25% - 0.70% (2003: 0.3125% - 0.69%).

- (b) Included in the fixed deposits with financial institutions in IDA is an amount of \$512 million (2003: \$Nil) held in the name of a subsidiary for managing investments on behalf of IDA.
- (c) The fixed deposits with financial institutions, and bank and cash balances of the Group and IDA include an amount of approximately \$4.2 million (2003: \$6 million) relating to grants received in advance from the Government that has been specifically earmarked for future approved development project expenditure.
- (d) The fixed deposits with financial institutions, and banks and cash balances of the Group and IDA include an amount of approximately \$42 million (2003: \$28 million) relating to the provision for pensions and medical benefits that has been specifically set up for payments of pensions and medical benefits to pensioners.

18. Fees received in advance and deferred income

Fees received in advance comprise mainly annual licence fees received in advance from licensees and initial licence and frequency fees that are to be recognised in the income statements in the next financial year. Deferred income relates to the initial licence and frequency fees that are to be recognised in the income statements after the next financial year and over the remaining period of the licences.

19. Other payables

| | GROUP | | IDA | |
|---|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Accrual of expenses under development funds | 4,753 | 8,270 | 4,753 | 8,270 |
| Accrual for operating and other expenses | 29,078 | 31,619 | 28,519 | 31,137 |
| Accrual for purchase of fixed assets | 141 | 734 | 141 | 734 |
| | <u>33,972</u> | <u>40,623</u> | <u>33,413</u> | <u>40,141</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

20. Provision for contribution to Consolidated Fund

Contribution to consolidated Fund, in accordance with the applicable financial circular issued by the Government, is derived by applying a rate of 22% (2003: 22%) on the net surplus of IDA.

21. Provision for pensions and medical benefits

| | GROUP and IDA | |
|------------------------------------|---------------|---------------|
| | 2004 | 2003 |
| | \$'000 | \$'000 |
| Balance at 1 April 2003/2002 | 27,803 | 27,006 |
| Provision for the financial year | 17,811 | 3,370 |
| Payments during the financial year | (3,203) | (2,573) |
| Balance at 31 March | <u>42,411</u> | <u>27,803</u> |

The provision has been estimated by management based on the latest valuation of the pension scheme as at 31 December 2003 performed by an independent firm of professional actuaries.

The principal assumptions used by the professional actuaries in determining the pensions and medical benefits are as follows:

| | |
|-------------------------|---------------------------------|
| Discount rate: | 3.5% |
| Mortality age: | 82 years |
| Medical inflation rate: | 4% reducing to 3% after 5 years |

22. Commitments

(a) Capital and investment commitments

At the balance sheet date, capital and investment commitments not provided for in the financial statements are as follows:

| | GROUP | | IDA | |
|---|--------------|--------------|----------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Capital expenditure contracted for | 973 | 619 | 973 | 619 |
| Commitment for investments approved but not contracted for | <u>4,228</u> | <u>5,522</u> | <u>-</u> | <u>-</u> |

(b) Lease commitments

At the balance sheet date, the Group and IDA have non-cancellable operating lease commitments payable as follows:

| | GROUP and IDA | |
|----------------------------|---------------|--------------|
| | 2004 | 2003 |
| | \$'000 | \$'000 |
| Within one year | 6,701 | 7,538 |
| Between one and five years | 22,616 | 894 |
| | <u>29,317</u> | <u>8,432</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

(c) Other commitments

Under the IDA Housing Loan Scheme, IDA has a contractual obligation with a financial institution to:

- (i) subsidise the interest payable by IDA's staff on housing loans from the financial institution if the current interest rate exceeds certain prescribed rates under the Scheme; and
- (ii) pay to the financial institution any fire insurance premiums due to the financial institution which cannot be recovered from IDA's staff.

At the balance sheet date, total housing loans under the Scheme amounted to approximately \$928,663 (2003: \$1,646,947). Liabilities arising from the Scheme are accrued for in the financial year in which they are incurred.

23. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices and foreign currency exchange rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under policies approved by the Management and the Board of Directors. The Management and the Board provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

(i) Foreign exchange risk

The Group's business is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US dollars in the form of its operations and investments in private equity. However, as the timing and amounts of these transactions and exposures are dependent upon the incurrence of events and the eventual exit of the private equity investments, which is uncertain in nature, the Group has not undertaken any measure to manage this risk as it is not cost effective to do so.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing assets consist mainly of time deposits and fixed income securities.

(iii) Credit risk

The Group has no significant concentrations of credit risk.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the Group's underlying businesses, the Group aims at maintaining flexibility in funding by keeping its liquid assets in a balanced mix of cash, time deposits, short-term notes and marketable debt securities.

24. Net fair values

The carrying values of the following financial assets and financial liabilities approximate to their fair values: staff loans receivable, current investments, non-current investments in quoted debt securities, trade receivables and payables, other receivables and payables, provision for pensions and medical benefits, and cash.

As disclosed in Note 15 to the financial statements, certain non-current investments in equity shares are unquoted. Their fair values are not disclosed as it is not practicable within constraints of timeliness of costs to determine their fair values with sufficient reliability.

25. Authorisation of financial statements

These financial statements were authorised for issue by the Board of IDA on 25 August 2004.