

FY2005 First Half Financial Statement

Miscellaneous

Name of Announcer *	ACCORD CUSTOMER CARE SOLN LTD
Company Registration No.	200009059G
Announcement submitted on behalf of	ACCORD CUSTOMER CARE SOLN LTD
Announcement is submitted with respect to *	ACCORD CUSTOMER CARE SOLN LTD
Announcement is submitted by *	Woo Kah Wai
Designation *	Company Secretary
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>> Announcement Details

The details of the announcement start here ...

Announcement Title * FY2005 First Half Financial Statement

Description

Accord Customer Care Solutions Limited is pleased to announce its FY2005 First Half Financial Statement in the attachment below.

BY ORDER OF THE BOARD

Woo Kah Wai
Company Secretary

21 September 2005
Singapore

Attachments:

 [ACCSQ2FY05.pdf](#)
Total size = **542K**
(2048K size limit recommended)

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

ACCORD CUSTOMER CARE SOLUTIONS LIMITED

2005 First Half Financial Statement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Notes	Q2-05	Restated Q2-04	YTD 30-Jun-05	Restated YTD 30-Jun-04	Q2 Inc/Dec %	YTD Inc/Dec %
In S\$'000							
Revenue	1(a)(i)	64,379	70,666	140,103	103,594	-9%	35%
COGS and spare parts	1(a)(i)	(48,314)	(49,710)	(104,233)	(65,451)	-3%	59%
Gross Profit	1(a)(i)	16,065	20,956	35,870	38,143	-23%	-6%
Other Operating Income	1(a)(ii)	383	365	1,386	463	5%	199%
Staff Costs	1(a)(iii)	(12,295)	(11,261)	(26,324)	(20,432)	9%	29%
Depreciation Expenses		(1,274)	(1,179)	(2,598)	(2,204)	8%	18%
Other Operating Expenses	1(a)(iv)	(6,464)	(7,625)	(14,957)	(13,430)	-15%	11%
Profit/ (Loss) from operations		(3,585)	1,256	(6,623)	2,540	-385%	-361%
Finance cost	1(a)(v)	(524)	(350)	(947)	(710)	50%	33%
Profit/ (Loss) before share of results of associates		(4,109)	906	(7,570)	1,830	-554%	-514%
Share of results of associates		-	185	-	168	-100%	-100%
Profit/ (Loss) before income tax		(4,109)	1,091	(7,570)	1,998	-477%	-479%
Income tax expenses	1(a)(vi)	(9)	(688)	(325)	(1,206)	-99%	-73%
Profit/ (Loss) after income tax		(4,118)	403	(7,895)	792	-1122%	-1097%
Minority interests		773	(123)	757	(73)	-728%	-1137%
Net Profit/(Loss) attributable to shareholders		(3,345)	280	(7,138)	719	-1295%	-1093%

1(a) (i) Revenue and Cost of Goods Sold and Spare Parts

The group operates in two business segments – after market services (“AMS”) and distribution management solutions (“DMS”). The breakdown of revenue and cost of goods sold and spare parts are as follows:-

In S\$'000	Q2-05	Restated Q2-04	YTD 30-Jun-05	Restated YTD 30-Jun-04
Revenue				
AMS	19,018	19,191	39,194	41,433
DMS	45,361	51,475	100,909	62,161
	<u>64,379</u>	<u>70,666</u>	<u>140,103</u>	<u>103,594</u>
COGS and Spare Parts				
AMS	6,394	6,242	12,070	13,240
DMS	41,920	43,468	92,163	52,211
	<u>48,314</u>	<u>49,710</u>	<u>104,233</u>	<u>65,451</u>
Gross Profit				
AMS	12,624	12,949	27,124	28,193
DMS	3,441	8,007	8,746	9,950
	<u>16,065</u>	<u>20,956</u>	<u>35,870</u>	<u>38,143</u>
Gross Profit Margin	25%	30%	26%	37%
AMS	66%	67%	69%	68%
DMS	8%	16%	9%	16%

Gross profit margin for AMS decreases in the second quarter of 2005 mainly due to gradual decrease in Nokia and Alcatel AMS business. The decrease in gross profit margin of DMS business in the second quarter of 2005 is due to lost of volume rebates and higher margin of third party logistics business in 2Q of 2004.

Overall the gross profit margin decrease in the first half of 2005 as compared to the corresponding half in 2004, in line with the expansion of DMS business which has lower margin as compared to the AMS business.

1(a) (ii) Other operating income consist of the following:

In S\$'000	Q2-05	Restated Q2-04	YTD 30-Jun-05	Restated YTD 30-Jun-04
Interest income				
- Bonds	498	-	976	-
- Others	75	35	114	71
Rental income	-	-	321	-
Foreign Currency Exchange adjustment gain/ (loss)	13	58	(43)	42
Management and corporate advisory fee	-	15		30
Others	(203)	257	18	320
	<u>383</u>	<u>365</u>	<u>1,386</u>	<u>463</u>

1(a)(iii) Staff costs

The significant increase in staff costs is mainly due to increase in the number of staffs in line with the expansion of both AMS and DMS business.

In S\$'000	Q2-05	Restated Q2-04	YTD 30-Jun-05	Restated YTD 30-Jun-04
AMS	10,446	9,247	22,348	18,312
DMS	1,849	2,014	3,976	2,120
	<u>12,295</u>	<u>11,261</u>	<u>26,324</u>	<u>20,432</u>

1(a)(iv) Included in other operating expenses are the following:

In S\$'000	Q2-05	Restated Q2-04	YTD 30-Jun-05	Restated YTD 30-Jun-04
Amortisation of goodwill	-	646	-	1,073
Minimum lease payments under operating lease	2,671	2,866	6,175	4,698
Loss on disposal of plant and equipment	<u>87</u>	<u>23</u>	<u>79</u>	<u>23</u>

1(a)(v) Finance cost

Finance cost comprises mainly interest expense arising from loans drawn down for operating and investment activities.

1(a)(vi) Income Tax Expenses

The tax expense provision is made for profitable subsidiaries based on the applicable local statutory tax rate where the subsidiaries operate.

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

ASSETS	Notes	Group 30/06/05	Group 31/12/04	Company 30/06/05	Company 31/12/04
In S\$'000					
Current assets:					
Cash		13,770	33,338	1,636	19,426
Cash Pledged		5,449	8,645	5,449	6,825
Trade receivables	A	23,484	25,940	10,284	6,745
Other receivables and prepayments	B	14,921	21,331	34,263	20,186
Inventories	C	14,101	15,189	-	-
Total current assets		71,725	104,443	51,632	53,182
Non-current assets:					
Investment in subsidiaries		-	-	26,623	23,929
Investment in associates		15	203	-	-
Investment	D	20,655	13,726	20,000	12,974
Property, plant and equipment		20,589	23,041	1,566	2,650
Club memberships		87	87	87	87
Goodwill on purchase of business		11,998	11,998	939	961
Goodwill on consolidation	E	12,866	10,284	-	-
Long term receivables		-	-	-	11,801
Total non-current assets		66,210	59,339	49,215	52,402
Total assets		137,935	163,782	100,847	105,584
Current liabilities:					
Bank Loans		23,935	41,165	6,000	7,050
Trade payables	F	14,109	17,955	8,741	8,923
Other payables	G	40,066	47,497	22,654	25,241
Income tax payable		1,282	2,601	(947)	-
Obligations under finance leases		62	221	-	-
Bank Overdraft		12,252	-	2,500	-
Total current liabilities		91,706	109,439	38,948	41,214
Non-current liabilities:					
Obligations under finance leases		563	440	-	-
Long term portion of long-term bank loans		567	792	-	-
Deferred income tax		548	593	912	912
Total non-current liabilities		1,678	1,825	912	912
Minority Interest		12,090	12,746	-	-
Capital and reserves:					
Issued capital		24,025	24,017	24,025	24,017
Capital Redemption Reserve		22	22	22	22
Share premium		38,393	38,274	38,393	38,274
Foreign currency translation reserve		33	333	-	-
Accumulated profits		(30,012)	(22,874)	(1,453)	1,145
Total equity		32,461	39,772	60,987	63,458
Total liabilities and equity		137,935	163,782	100,847	105,584

(A) Trade receivables

The trade receivables turnover is 32 days for period ended 30 June 2005 (34 days for year ended December 2004).

(B) Other receivables and prepayments

Included in other receivables are mainly deposits for rental and utilities (\$3.9 million), prepayments (\$1.7 million), receivables from related parties (\$0.9 million) and recoverables (\$8.2 million).

(C) Inventories

The inventory turnover is 26 days for the period ended 30 June 2005 (27 days for year ended 31 December 2004).

(D) Other investments

The increase is mainly due to investment in unquoted redeemable convertible bonds.

(E) Goodwill on consolidation

The increase is mainly due to additional goodwill arising from adjustment to cost of investment made in a subsidiary.

(F) Trade payables

Trade payables turnover is 28 days for the period ended 30 June 2005 (24 days for the year ended 31 December 2004).

(G) Other payables

Included in other payables are accrued operating expenses (\$20.5 million), refundable deposit for disposal of a subsidiary (\$4.7 million), provision for liabilities (\$7.2 million) and provision for bank loans of associate (\$4.6 million).

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2005		As at 31 December 2004	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
4,606	32,210	7,961	34,217

Amount repayable after one year

As at 30 June 2005		As at 31 December 2004	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
563	Nil	440	Nil

Details of collateral

The bank loans amounting to \$4,544,000 (31 December 2004: \$7,740,000) of the Group are secured by fixed deposits of \$5,449,000 (31 December 2004: \$8,645,000).

Finance lease is secured by the fixed assets acquired under the lease arrangement.

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

In S\$'000	Notes	Q2-05	As Restated Q2-04	YTD Jun-05	As Restated YTD Jun-04
Cash flows from (used in) operating activities:					
Profit before income tax		(4,109)	906	(7,570)	1,830
Adjustments for:					
Depreciation expense		1,274	1,179	2,598	2,204
Interest expense		524	350	947	710
Interest income		(573)	(35)	(1,090)	(71)
Loss on disposal of plant and equipment		87	23	79	23
Fixed assets written off		14	(7)	14	3
Amortisation of goodwill		-	646	-	1,073
Operating (loss) profit before working capital changes		(2,783)	3,062	(5,022)	5,772
Trade receivables		(1,380)	7,358	2,456	2,092
Other receivables and prepaid expenses		5,743	3,195	6,410	13,384
Inventories		7,249	(3,231)	1,088	(3,607)
Trade payables		(6,769)	838	(3,555)	(1,826)
Other payables		(1,875)	6,334	(7,518)	6,499
Cash generated from (used in) operations		185	17,556	(6,141)	22,314
Interest received		573	35	1,090	71
Income tax paid		(1,001)	(1,168)	(1,689)	(1,065)
Net cash from (used in) operating activities		(243)	16,423	(6,740)	21,320
Cash flows from (used in) investing activities:					
Purchase of plant and equipment		692	(1,887)	(162)	(2,986)
Proceeds from disposal of plant and equipment		(88)	-	(79)	-
Acquisition of subsidiary		(1)	(808)	(2,686)	(863)
Purchase of investment		110	(2,450)	(6,739)	(5,145)
Purchase of business		-	(12,783)	-	(13,086)
Net cash from (used in) investing activities		713	(17,928)	(9,666)	(22,080)
Cash flows from (used in) financing activities:					
Proceeds from issuing shares		128	-	128	-
Interest paid		(524)	(350)	(947)	(710)
(Decrease)/Increase in finance lease		(55)	(86)	(36)	(145)
Proceed from/(Repayment) of short term loan		(3,243)	726	(5,202)	2,309
Fixed deposits subject to restriction		3,196	-	3,196	-
Net cash from (used in) financing activities		(498)	290	(2,861)	1,454
Net effect of exchange rate changes in consolidating subsidiaries		(470)	(894)	(301)	(1,169)
Net decrease in cash		(498)	(2,109)	(19,568)	(475)
Balance at beginning of period		14,268	29,304	33,338	27,670
Balance at end of period	A	13,770	27,195	13,770	27,195

A. Cash at end of financial period:

	June-05	June-04
	SGD'000	SGD'000
Cash	19,219	32,165
Less: Cash subject to restriction	5,449	4,970
	<u>13,770</u>	<u>27,195</u>
Net	<u>13,770</u>	<u>27,195</u>

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

	Issued capital (ordinary shares) \$'000	Capital redemption reserve \$'000	Share Premium \$'000	Foreign currency translation reserve \$'000	Accumulated Profit (Loss) \$'000	Total \$'000
Group (6 months Ended June 2004)						
Balance at January 1, 2004	15,829	22	42,098	544	14,116	72,609
Net profit for the period	-	-	-	-	719	719
Bonus issue	7,915	-	(7,915)	-	-	-
Foreign currency translation	-	-	-	(991)	-	(991)
Balance at June 30, 2004	<u>23,744</u>	<u>22</u>	<u>34,183</u>	<u>(447)</u>	<u>14,835</u>	<u>72,337</u>
Group (6 months Ended June 2005)						
Balance at January 1, 2005	24,017	22	38,274	333	(22,874)	39,772
Net loss for the period	-	-	-	-	(7,138)	(7,138)
Issue of shares on exercise of share options	8	-	119	-	-	127
Foreign currency translation	-	-	-	(300)	-	(300)
Balance at June 30, 2005	<u>24,025</u>	<u>22</u>	<u>38,393</u>	<u>33</u>	<u>(30,012)</u>	<u>32,461</u>
Company (6 months Ended June 2004)						
Balance at January 1, 2004	15,829	22	42,098	-	8,507	66,456
Bonus Issue	7,915	-	(7,915)	-	-	-
Net loss for the period	-	-	-	-	(3,013)	(3,013)
Balance at June 30, 2004	<u>23,744</u>	<u>22</u>	<u>34,183</u>	<u>-</u>	<u>5,494</u>	<u>63,443</u>
Company (6 months Ended June 2005)						
Balance at January 1, 2005	24,017	22	38,274	-	1,145	63,458
Issue of shares on exercise of share options	8	-	119	-	-	127
Net loss for the period	-	-	-	-	(2,598)	(2,598)
Balance at June 30, 2005	<u>24,025</u>	<u>22</u>	<u>38,393</u>	<u>-</u>	<u>(1,453)</u>	<u>60,987</u>

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

The ACCS Share Option Scheme 2003 (the "Scheme") was approved and adopted by members at the Extraordinary General Meeting held on 13 January 2003. The price at which a participant of the Scheme shall subscribe for each share upon the exercise of an option was determined based on the average closing prices of the shares for each of the last five market days immediately preceding the date of grant of the options ("Date of Grant"). The vesting period of the options commences on the date not earlier than the first anniversary of the Date of Grant and expires on the tenth anniversary of the Date of Grant.

The share options granted and exercised during the financial period and share options outstanding as at June 30, 2005 under the Scheme were as follows:-

<u>Date of grant</u>	<u>Number of share options</u>			<u>Balance at June 30, 2005</u>	<u>Subscription price</u> \$	<u>Expiry date</u>
	<u>Balance at January 1, 2005 or date of grant if later</u>	<u>Exercised</u>	<u>Lapsed/ Cancelled</u>			
September 17, 2003	2,612,000	318,000	270,000	2,024,000	0.40	September 16, 2013
April 14, 2004	<u>26,958,000</u>	-	<u>6,180,000</u>	<u>20,778,000</u>	0.651	April 13, 2014
	<u>29,570,000</u>	<u>318,000</u>	<u>6,450,000</u>	<u>22,802,000</u>		

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited by our auditors.

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

Not applicable.

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

The accounting policies and method of computation have been applied consistently except for adoption of Financial Reporting Standard "FRS" 103, Business Combination.

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

FRS 103 requires goodwill acquired in a business combination to be measured after initial recognition at cost less any accumulated impairment losses. Therefore, the goodwill is not amortised and instead tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group has previously under FRS 22 amortised goodwill systematically over its useful life of 20 years. The effect, of the change to the first half year profit and loss statement, had the group continued to amortise the remaining goodwill under FRS 22, will amount to \$424,000. As of 30 June 2005, no goodwill impairment provision is necessary.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	YTD June-05 Cents	Restated YTD June-04 Cents
EPS (based on consolidated net (loss) profit attributable to shareholders)		
- basic	(0.7)	0.08
- fully diluted	(0.7)	0.08
	<u> </u>	<u> </u>

Basic earnings per ordinary share is computed based on the weighted average number of shares in issue during the period of 960,900,161 (31 December 2004: 952,369,850) of \$0.025 each.

Fully diluted earnings per ordinary share is computed based on the weighted average number of shares during the period adjusted for the effect of all potential dilutive ordinary shares of 960,900,161 (31 December 2004: 952,369,850) of \$0.025 each.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	June-05 cents	Dec-04 cents	June-05 cents	Dec-04 cents
Net Assets Value (NA) per share	<u>3.38</u>	<u>4.18</u>	<u>6.35</u>	<u>6.66</u>

The NA per Share as at 30 June 2005 is calculated based on 960,900,161 (31 December 2004: 952,369,850) ordinary shares of \$0.025 each.

- 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

The group operates in two business segments – after market services (“AMS”) and distribution management solutions (“DMS”).

Revenue

The increase in revenue for the 6 months period ended 30 June 2005 as compared to 6 months period ended 30 June 2004 was mainly attributable to an increase in the volume of our distribution business mainly in the 1Q of the period.

Loss after income tax

The group incurred a loss after income tax of \$7.9 million for the first half of 2005 as compared to profit of \$0.79 million in the preceding financial year mainly due to lower margin from both AMS and DMS business and increase in start up cost for the distribution and retail business of DMS and new service centres.

Cash flows

The net decrease in the cash and cash equivalent for the 6 months period ended 30 June 2005 is mainly due payments for investments and net operating loss incurred in the period.

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

Not applicable.

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

The Group's loss for 2QFY05 continued to reflect an inherited cost structure carried forward from prior year, a structure geared towards growth, expansion, acquisitions and start-up in new markets with resulting high head office and regional office cost and overheads.

Looking forward, the operating environment for the Group's AMS business will remain challenging. As such, one of management's key priorities is to introduce new customers and businesses into our existing AMS network, particularly in key markets of China and India, and to work on a tighter integration of the AMS and DMS businesses to deliver service level differentiation to our customers while deriving synergistic benefits for the Group.

As for the Group's DMS business, it will continue to be weighed down by working capital constraints. Built on a business model reliant on high volume of sales, DMS' financial performance for 2QFY05 has been affected by its inability to take advantage of volume and cash rebates. Management is actively working towards restoring working capital and/or injection of fresh funds at the earliest time.

Despite the difficult and challenging circumstances faced by the Company, immediate priority was also given to manage cost at headquarter and regional offices to align them to current level of business activities. These efforts have begun to yield some marginal results in 2QFY05, particularly for the AMS business, which saw an improvement of approximately S\$1 million over 1QFY05. The initiatives are also expected to lower overheads in the third and fourth quarters of the current financial year, with the full impact of the cost and operational re-alignment to be felt in FY2006. Management is also reviewing the regional network and will take the appropriate action to enhance operational efficiency.

In addition to the above, the Group is currently evaluating various strategies to improve its performance and financial position as well as streamline the Group's structure and operations. Potential investors have also commenced due diligence on the Company. Further announcements will be made at the appropriate time.

The Group will incur a loss for FY2005.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of Dividend	N/A
Dividend Type	
Dividend Rate	
Par value of shares	
Tax Rate	

(c) Date payable

NA

(d) Books closure date

NA

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

The directors of the Company do not recommend that an interim dividend be paid.

BY ORDER OF THE BOARD

Woo Kah Wai
Company Secretary

21 September 2005
Singapore