Sarin Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)

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

Consolidated Profit and Loss Accounts (US$'000)
For the year ended 31 December

	GROUP		
	2004 US$'000	2003* US$'000	Change %
Revenue	18,822	14,694	28.09
Cost of sales	(6,125)	(4,472)	36.96
Gross profit	12,697	10,222	24.21
Research and development costs	(1,671)	(1,370)	21.97
Selling and marketing expenses	(2,997)	(1,521)	97.04
General and administrative expenses	(1,607)	(1,305)	23.14
Other expenses	(18)	(20)	(10.00)
Profit from operations	6,404	6,006	6.63
Net finance income (costs)	5	(87)	nm
Profit from ordinary activities before taxation	6,409	5,919	8.28
Income tax expense	(1,856)	(590)	214.58
Net profit for the year	4,553	5,329	(14.56)

* As per Prospectus dated March 31, 2005
nm - notes that not meaningful.

Note to income statement:
Profit before income tax is stated after (crediting)/charging the following:

	GROUP		
	2004 US$'000	2003 US$'000	Change %
Allowance for doubtful trade receivables	315	(9)	nm
Depreciation and amortization expense	232	149	55.70
Interest expenses/(income), net	9	(8)	nm
Foreign currency translation (gain)/loss	(15)	93	nm
Provision for warranty	52	31	67.74

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.

Consolidated Balance Sheet (US$'000) As at 31 December

	Group		Company	
	2004 US$'000	2003** US$'000	2004 US$'000	2003 US$'000
Non-current assets				
Investment in subsidiaries	-	-	470	314
Property, plant and equipment	780	230	580	223
Intangible assets	111	116	-	-
Other receivables	100	-	100	-
Deferred tax assets	619	412	625	412
	1,610	758	1,775	949
Current Assets				
Inventories	2,212	1,486	1,985	1,340
Trade receivables	1,277	1,584	1,115	1,471
Other receivables	812	86	780	81
Short-term investments	617	268	617	268
Cash and cash equivalents	5,498	3,965	5,410	3,915
	10,416	7,389	9,907	7,075
Current liabilities				
Trade payables	1,466	415	1,423	392
Other payables	1,787	1,174	1,533	1,117
Bank overdraft	-	36	-	-
Current tax payable	1,352	540	1,323	540
Warranty provision	152	100	136	85
	4,757	2,265	4,415	2,134
Net current assets	5,659	5,124	5,492	4,941
Non-current liabilities				
Liability for employee severance benefits	83	73	81	81
Net assets	7,186	5,809	7,186	5,809
Capital and reserves				
Share capital*	-	-	-	-
Reserves	7,186	5,809	7,186	5,809
	7,186	5,809	7,186	5,809

* Less then one thousand dollars.
** As per Prospectus dated March 31, 2005

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

Zero borrowings from banks.

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

Consolidated cash flow statement (US$'000) for the year ended 31 December

	GROUP	
	2004 US$'000	2003* US$'000
Net profit for the year	4,553	5,329
Adjustments for:		
Income tax expense	1,856	590
Amortization and depreciation	232	149
Loss on sale of property, plant and equipment	-	20
Interest expenses	70	20
Interest income	(61)	(28)
Operating profit before working capital changes	6,650	6,080
Changes in working capital:		
Inventories	(726)	(373)
Trade receivables	307	(964)
Other receivables	(826)	110
Short-term investments	(349)	(268)
Trade payables	1,051	(376)
Other payables and provision	665	261
Employee severance benefits	10	27
Cash generated from operations	6,782	4,497
Income taxes paid	(1,251)	(645)
Cash flows generated from operating activities	5,531	3,852
Investing activities:		
Purchase of property, plant and equipment	(727)	(153)
Proceeds from sale of property, plant and equipment	-	25
Acquisition of intangible asset	(50)	-
Interest received	61	28
Cash flows used in investing activities	(716)	(100)
Financing activities:		
Proceeds from issue of shares resulting from exercise of options	73	-
Repayment of short-term bank loan	-	(302)
Interest paid	(70)	(20)
Dividends paid	(3,249)	(835)
Cash flows used in financing activities	(3,246)	(1,157)
Balance carried forward	1,569	2,595
Net increase in cash and cash equivalents	1,569	2,595
Cash and cash equivalents at beginning of the year	3,929	1,334
Cash and cash equivalents at end of the year	5,498	3,929

*** As per Prospectus dated March 31, 2005**

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital*	Share premium	Accumulated Profits	Total
	US$' 000	US$' 000	US$' 000	US$' 000
<u>Statement of Changes in Equity - Group And company</u>				
Balance at January 1, 2003	-	424	891	1,315
Net profit for the year ended December 31, 2003	-	-	5,329	5,329
Dividend paid of US$ 8.95 per share	-	-	(835)	(835)
Balance at December 31, 2003	-	424	5,385	5,809
Net profit for the year ended December 31, 2004	-	-	4,553	4,553
Issue of shares resulting from exercise of of options	-	73	-	73
Dividends paid of US$ 34 per share	-	-	(3,249)	(3,249)
Balance at December 31, 2004	-	497	6,689	7,186

* Less than one thousand dollars.

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.

See item 6 relating to share split after balance sheet date.

	As at December 31	
	2004	2003
	No. of shares	No. of shares
Authorized:		
Ordinary Shares A of NIS 0.01 each	990,000	990,000
Ordinary Shares B of NIS 0.01 each	10,000	10,000
Total	1,000,000	1,000,000
Issued and fully paid:		
Ordinary Shares A of NIS 0.01 each	93,300	93,300
Ordinary Shares B of NIS 0.01 each	2,266	-
Total	95,566	93,300

Details of changes in share options

Average

	Exercise in price in US$ per share	Options
As January 1, 2004	43	9,125
Granted	134	975
Cancelled	31	(103)
Exercised	33	(2,266)
At December 31, 2004		7,731

2. **Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

   These figures have not been audited or reviewed.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 have been consistently applied by the Group and are consistent with those in the previous year, as set out in the Prospectus dated March 31, 2005.

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.**

   Not applicable.

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

	2004	2003
Basic profit per share (US$)	0.024	0.029
Diluted profit per share (US$)	0.023	0.029

   The calculation of earnings per share for the relevant periods is based on the fact that subsequent to balance sheet date the Company converted all its ordinary shares of NIS 0.01 each into ordinary shares with no par value and sub-divided each such converted ordinary share with no par value into 2,000 ordinary shares with no par value prior to the Invitation.

   Basic earnings per share are calculated based on the weighted average number of 188,776,000 ordinary shares issued during the current year and 186,600,000 during the preceding year.

   Diluted earnings per share are calculated based on weighted average number of 202,184,000 ordinary shares issued and 186,600,000 during the preceding year.

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 financial period reported on; and
(b) Immediately preceding financial year.

	Group		Company
	2004	2003	2004
Net asset value per ordinary share (US$)	0.0376	0.0311	0.0376

Net asset value per share is calculated based on the number of 191,132,000 ordinary shares in issue during the current year and 186,600,000 during the corresponding year after the share split as detailed in item 6.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
(a) 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; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

2004 vs 2003

Revenue

Revenue increased by 28.09% or US$4.13 million from US$14.69 million in 2003 to US$18.82 million in 2004 mainly due to a increase in sales to India, of approximately $3.2 million which represents a growth of about 32.4% compared to 2003. In addition, revenues increased in North America by approximately by US$0.4 million which represents a growth of 33.3% in comparison to 2003 .The increase in sales to Europe was insignificant. Revenue from other geographical segments increased by 21% or US$0.46 million from US$2.2 million in 2003 to US$2.66 million in 2004. Sales from the individual countries classified under "other" did not record material increases. The increase in our revenues came mainly from the ongoing increased adoption of automation by the manufacturers in India, as well as elsewhere.
During the first half of 2004 we went through a process in India of changing the method of selling from selling through a distributor, to selling directly, with the pre- and post-sales support being executed by a fully owned subsidiary. As a result of the reorganization process, revenues in the first half of the year ($7 million) were significantly lower than those in the second half ($11.8 million).

Cost of sales and gross profit

Cost of sales increased by 36.96% or US$1.65 million from US$4.47 million in 2003 to US$6.13 million in 2004 mainly due to the increase in the revenues. Our gross profit margin decreased from 69.6% in 2003 to 67.5% in 2004. The decrease was due mainly to (i) more costly components as we moved to sealed lasers and fibre optic lasers and other refinements in our cost of direct components and (ii) increase in direct labour costs

Research and development costs

Research and development costs increased 22% or US$0.3 million from US$1.37 million in 2003 to US$1.67 million in 2004 mainly attributable to an increase in our research and development salaries and sub-contractor costs due to our R&D activities.

Selling and marketing costs

Selling and marketing costs increased by 97.0% or US$1.48 million from US$1.52 million in 2003 to US$3 million in 2004 mainly attributable to expenses related to our newly incorporated subsidiary in India. These expenses comprised salaries of new employees, office rent, travelling and other expenses of approximately US$1.2 million.

General and administrative expenses

General and administrative expenses increased by 23.1% or US$0.3 million from US$ 1.3 million in 2003 to US$1.6 million in 2004, mainly due to an increase in allowances for doubtful debts of US$0.3 million arising mainly from the refusal of our previous Indian distributor to pay our outstanding balance, as well as other small allowances for other customers.

Other expenses

Decrease in other expenses was insignificant during 2004.

Finance costs (net)

While changes in financial income and expenses were insignificant, a decrease in net foreign exchange loss lowered the total financial costs net in 2004 in comparison to 2003.

Profit from ordinary activities before taxation

In 2004, we recorded profit before tax of US$6.41 million as compared to US$5.92 million in 2003, representing an increase of 8.3% or US$0.49 million. The increase was primarily due to an increase in revenue as discussed above offset by the (i) decrease in the % of gross profit margins as discussed under "Cost of sales and gross profit" and (ii) increases in operating costs as discussed under "Research and Development", "Selling and Marketing" and "General and Administrative" as described above.

Income tax expenses

Income tax for 2004 was approximately 29% or US$1.9 million on pre-tax profit of US$6.4 million compared to 10% or US$0.6 million on pre-tax profit of US$5.9 million in 2003, due to expiration of the zero-tax rate associated with our approved enterprise status granted in FY2002. The Company has been granted "Approved Enterprise" status in respect of part of its property, plant and equipment under the Law for the Encouragement of Capital Investments, 1959 according to programs that were approved in 1994 ("first program") and 2002 ("second program").
Income of the Company derived from the Approved Enterprise is tax-exempt for a period of two years and is subject to a reduced tax rate of 25% for an additional five years.
The first program was enacted in 1999 and the second program was enacted in 2002.
The calculation of the Income derived from the Approved Enterprise is affected mainly from the increase of the company's turnover in the current year, in comparison to the company's turnover in the base year. The base year is defined as the year prior to the year of enactment of the Approved Enterprise program. In the second program, the base year is 2001.
The tax rate levied on the Company's income, related to the period before the enactment of the second program, is the statutory tax rate.
The Company's turnover has grown substantially during the years 2001-2004; therefore, in the first two years of the tax-exempt benefits (2002-2003), the company's weighted averaged

tax rate was substantially lower from the statutory tax rate (In 2003 – 10% in comparison to a statutory tax rate of 36%).
In 2004, the income of the Company derived from the Approved Enterprise is subjected to 25% tax rate, instead of a zero tax rate in 2003, therefore, in 2004, the company's weighted averaged tax rate has increased to 29% in comparison to a statutory tax rate of 35%. In the beginning of 2005 the Company received approval for a third program, and we expect tax rate to be lower in 2005 in comparison to 2004.

Net profit

During 2004, we recorded net profit of US$4.55 million as compared to US$5.33 million in 2003 representing a decrease of 14.6% or US$0.8 million, due to the increase in profit before tax but offset by the increase in our tax rate as discussed above.

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 significant trends and 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.

Current industry trends:

a. De Beers' recently launched Supplier of Choice (SoC) program diminishing the number of sight holders, which had the effect of increasing the prices of rough diamonds.
b. Increased sales of rough diamonds from the former Soviet Union with a restriction to polish most of them internally.
c. Two of the leading gemological institutes in the world, the Gemological Institute of America (GIA) and the American Gem Society (AGS) have announced that they will launch new diamond cut grading systems during the second half of 2005. As a result of this, the whole diamond chain will have to adopt this new cut grading system. This will require the upgrade of all the existing systems (both for rough planning and Proportion measurement systems).
d. As a result of the South African government policy, to give increased incentives to diamonds polishing activities in that country, there is a shift of diamond polishing plants from Belgium, Israel and the USA to S. Africa
e. Ongoing investments in automation in manufacturing industry in India and elsewhere, as drive to increase productivity continues.

Company's next 12 months plans:

a. Release of our new measuring, grading, planning, and marking machine for extremely large diamonds – DiaExpert™-XL, which caters for diamonds up to 65mm across (equivalent, depending on the shape of the stone, in theory to 800 carats and more)
b. Introduction of the new cut grading systems (as per (c) above), which are planned to be installed on the Company's appropriate products and sold as upgrades in order to be available to the diamond trade.
c. Introduction and initial sales of our disposable polishing discs.
d. Introduction and initial sales of our advanced laser diamond sawing and cutting system.
e. Introduction and initial sales of a third party's colour prediction system for rough diamonds.
f. Beginning of the first phase of the development of the inclusion mapping system

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared/recommended for the current financial period reported on? Yes.

Name of Dividend

Cash dividend - per share paid out during FY 2004	US$0.017(*)

Recommended cash dividend to be paid out of profit From FY 2004

In a Board Meeting held on 8 March 2005, the Board decided to recommend that at the next annual general meeting (which is scheduled to be held within 90 days from the listing of our Shares on the SGXST) a dividend of approximately S$4,125,000 (or US$2.5 million) be paid out of profits from FY2004. This is the equivalent of $US 0.01 per share.

(*) See note 6 for the conversion of the ordinary shares.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of Dividend

Cash dividend -per share paid during FY 2003	US$0.0045(*)

(*) See note 6 for the conversion of the ordinary shares.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived.

	Amount before tax US$'000	Tax rate applicable to Israeli shareholders* %
2003	835	0% - 25%
2004	2,169	15
2004	1,080	0% - 25%
	3,249	

**** Depending on whether corporate (0%) or individual shareholder(25%)***

(d) Date payable

	Amount US$'000
2003	
4.5.03	835

2004	
15.2.04	1,351
23.9.04	1,898
	3,249

Date payable for dividend recommended in respect of current financial period reported on:-
To be advised

(e) Books closure date

	Amount US$'000
2003	
4.5.03	835
2004	
15.2.04	1,351
23.9.04	1,898
	3,249

Books closure date for dividend recommended in respect of current financial period reported on:-
To be advised

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

Not applicable

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Company is engaged in only one business segment. Geographical segment data is as follows:

Year ended 31 December 2004

	India US$'000	Europe US$'000	North America US$'000	Other US$'000	Total US$'000
Revenue from external customers	13,080	1,506	1,574	2,662	18,822
Segment assets	2,232	628	776	810	4,446
Unallocated assets					7,580
Total assets					12,026
Capital expenditure incurred during the year	545	24	45	113	727

Year ended 31 December 2003 (As per Prospectus dated March 31, 2005)

	India US$'000	Europe US$'000	North America US$'000	Other US$'000	Total US$'000
Revenue from external customers	9,878	1,435	1,181	2,200	14,694
Segment assets	1,378	589	514	866	3,347
Unallocated assets					4,800
Total assets					8,147
Capital expenditure incurred during the year	48	7	33	32	120

14. in the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

During the first half of 2004 we went through a process in India in which we changed the method of selling from selling through a distributor, to selling directly, with the pre- and post-sales support being executed by a fully owned subsidiary. As a result of this reorganization process, revenues in the first half of the year ($7 million) were significantly lower than those in the second half ($11.8 million).

15. A breakdown of sales.

	2004 US$'000	2003 US$'000	Change %
Sales reported for first half year	7,047	7,778	
Operating profit after tax reported for first half year	1,097	3,147	
Sales reported for second half year	11,775	6,916	70.25
Operating profit after tax reported for second half year	3,456	2,182	58.39

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year US$'000	Previous Full Year US$'000
Ordinary	3,249	835

The initial public offering of Sarin Technologies Ltd was sponsored by UOB Asia Limited.