



Annual Report | 2006



Annual Report | 2006 Contents.

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Dr Nabil Abdul Jalil
Chief Executive Officer.

Joseph Vincent
Group Commercial Director.



Secretary and Advisers

Directors.	John Anthony Hogan Marcus J G Stanton Dr Nabil Abdul Jalil Joseph Thomas Vincent Dan Ooi Soon Teik
Secretary.	Walkers Secretaries Limited
Company Number.	92978
Registered Office.	44 Esplanade, St Helier, Jersey JE4 8PN Channel Islands
Nominated Advisers.	Strand Partners Limited 26 Mount Row, London W1K 3SQ
Broker.	Charles Stanley & Co Limited 25 Luke Street, London EC2A 4AR
Auditors.	RI Moores Rowland LLP 3 Sheldon Square, London W2 6PS
Bankers.	The Hongkong and Shanghai Banking Corporation Limited 21 Collyer Quay #08-01 HSBC Building Singapore 049320
Solicitors.	Stephenson Harwood 1 St Paul's Churchyard London EC4M 8SH

Chairman's Statement.

I am delighted to announce the maiden results for the Group following our admission to AIM in August 2006. For the year ended 31 December 2006, Velosi Limited ("Velosi") has delivered an excellent set of results.

The continuing strength of oil and gas prices in the period under review led to an increase in the already high levels of investment in oil and gas infrastructure, and this has consequently driven growth across the Group. In addition, major oil and gas multinationals have increased their investment in safety and maintenance measures to further reduce the risks of accidents and leakages, and resulting adverse publicity, such as that which occurred during 2006. This has created an increase in demand for our services.

Results

Sales revenue increased 117% to US\$70.2m (2005: US\$32.3m) and profit before tax increased by 119% to US\$8.0m. (2005: US\$3.6m). Underlying operating profit before interest and taxation increased by 114% to US\$7.6m (2005: US\$3.6m). Profit after tax and minority interests increased by 107% to US\$6.0m (2005: US\$2.9m).

Basic earnings per share after minority interests were 29.8 cents and fully diluted earnings per share after minority interests were 27.0 cents. On the basis that the Group was quoted on AIM for the full period of 2006, the basic earnings per share after minority interests were 15.7 cents.

Cash generated from operating activities was US\$0.6 million for 2006, compared to US\$0.5 million in 2005. The increase was mainly due to

an operating profit of US\$8.0 million and increase in trade and other payables of US\$5.7 million, which was offset by an increase in trade and other receivables of US\$12.9 million. Proceeds from the flotation were used to repay loans from Velosi Malaysia amounting to US\$4.1 million, and also used to pay down factoring facilities in Nigeria, which at 31 December 2006, amounted to US\$0.3 million. At 31 December 2006, cash and cash equivalents for the Group were US\$11.9 million and the Group had no long-term bank borrowings.

Dividend

The Board is pleased to announce the Group's maiden dividend of 1 cent per share. This is a result of the Board's confidence in the Group's operating cash flows. The Board intends to continue paying dividends in the future, while maintaining a suitable level of dividend cover and retaining the majority of earnings to fund the development of the Group's business. Subject to shareholder approval at the annual general meeting, the dividend will be paid on Wednesday 4 July 2007, to shareholders on the register on Friday 15 June 2007.



Review of Operations

During the year, the Group grew its service offering both organically and through acquisition. We have added to our range of services and have packaged some existing services together in order to create an increasingly competitive product offering. The Group has also developed in-house capabilities in rig inspection, commissioning and infra-red thermography and have increased our investment in training to further our expertise in risk-based, reliability-centered inspection, and other asset integrity management techniques.

Three acquisitions were announced during the year to 31 December 2006. In August 2006, the Company completed the acquisition of a 51% majority stake in QA Management Services Pty Ltd (“QAM”), an Australia-based quality assurance inspection company for AUS\$612,000 (US\$477,360). In December 2006, the Group announced the acquisitions of 51% majority stakes in both Steel Test (Pty) Ltd (“Steel Test”) and Plant Design Engineers Sdn Bhd (“PDE”) for an aggregate consideration of US\$2,879,000.

A common challenge among all companies operating in the oil and gas industry is that of attracting and retaining high-calibre individuals and providing top-level training. We are successfully addressing this challenge through our decentralized structure, which enables Velosi to recruit local experts who have extensive regional and technical knowledge. Additional training is provided by the Group as necessary. Our experience is that offering local experts employment in their own country significantly improves our retention of high-calibre talent.

On behalf of the Board, I would like to take this opportunity to thank all of our employees worldwide for their dedication and continued hard work.

Outlook

Investment in oil and gas infrastructure remains high and our Board believes that there is no indication of a slow down. On the contrary, events in 2006 appear to have fuelled international awareness of the importance of quality assurance and quality control in the oil and gas sector.

Velosi is well positioned to exploit this continued investment through its expanding geographical reach and service offerings and will continue to implement its strategy of growing organically and through acquisition.

Our development of new inspection systems and tools, additional services garnered through our local partnerships and acquisitions, and our expanding geographical reach, position the Group favourably to take advantage of the large number of new oil and gas projects requiring quality assurance and quality control services. Since the year end, the Company has secured a number of contract wins, as further described in the Operations Review, that demonstrate the success of this strategy. The Board is therefore confident of the future prospects of the Group and that Velosi will continue to grow and to generate excellent returns during the forthcoming year.

John Hogan Chairman
13 April 2007

Operations Review.

During the period under review, the Group continued to pursue its strategy of entering new geographical markets, growing market share in existing markets and expanding through joint ventures and acquisitions. To better reflect the Group's global reach and strategic focus on expanding its areas of operations we are reporting the results by region rather than by business division as we did for the 2006 Interim results. For continuity however, a summary of our business divisional results is provided at the end of this review.

All geographic regions experienced increased activity during 2006. Notable growth in turnover was experienced in emerging markets where the Company had, in previous years, invested in marketing and operational infrastructure. For example West Africa and Asia/Australia grew at 192% and 185% respectively. Turnover in the Middle East region grew at 92% with significant increases in workload from national oil and gas companies experienced particularly in Qatar and Kuwait. Similarly in the US turnover increased 85% due to heightened activity amongst the US oil and gas multi-nationals. Turnover in the UK/Europe region grew at 59% during 2006.

West Africa

(Turnover: US\$24.7 million; Contribution to Group sales: 35.2%)

Operations in Nigeria have grown rapidly as the Group continues to consolidate its position by offering source inspections and project verification services to the major oil and gas multi-national corporations in this region. Our office in Lagos, Nigeria, established in 2004, now functions as a

fully-fledged operations centre supporting our contract commitments in the region.

The Group is involved in major projects including the construction of a gas to liquid processing facility in Escravos, Nigeria, and in the development of the Agbami oil and gas field in the central Niger delta, offshore Nigeria.

To further expand operations in West Africa, Velosi Angola Lda was incorporated in late 2006 and the Group is currently in the process of incorporating a subsidiary in Ghana. Activities in this region are expected to commence in the first half of 2007.





South Africa

(Turnover: US\$0.5 million; Contribution to Group sales: 0.7%)

Velosi entered this market in December 2006 with its acquisition of a 51% majority stake in Steel Test (Pty) Ltd, a South African-based company which specialises in tube inspection, a technique used extensively during plant and equipment maintenance. Steel Test is a market leader in the region and has built a dominant position in the power generating industry. By leveraging Velosi's global coverage, the acquisition carries with it the potential for Velosi to open up new markets in the power generation industry worldwide.

Since completion of the acquisition, Steel Test has been awarded the contract for the inspection of the Tutuka Power Station in South Africa. The contract runs for a period of 19 months and covers the inspection of five condensers. In addition, it was announced that Steel Test has secured new contracts with Sirte Oil Company, one of the principal companies operating under the National Oil Corporation of Libya, and with SGS SA, a multinational inspection company, for the inspection of a fertilizer plant in Pakistan.

Middle East

(Turnover: US\$21.6 million; Contribution to Group sales: 30.8%)

The Group continues to diversify Velosi's range of services in the Middle East with the addition of specialist non-destructive testing, CCTV inspection, rig inspection and Asset Integrity Management services. Through this diversification, the customer base is being expanded, particularly among the oil and gas supporting players such as Tekfen Construction, Medgulf Construction, Abu Dhabi Oil Refinery Co, and Petrofac. Our business units in Kuwait and Qatar have secured several long-term contracts with Kuwait Oil, Qatar Petroleum and RasGas Co. Ltd. In addition, a term contract with Petroleum Development Oman, covering a range of quality assurance, pipeline and facilities inspection and source inspection & expediting services, is currently underway.

In March 2006, Velosi was awarded a five-year contract by Kuwait Gulf Oil to provide a range of project verification services for the exploration and production of the Al-khafji field, jointly developed by Kuwait Gulf Oil and Saudi Aramco. The contract provides quality management and construction, and quality supervision for the installation of new, and the refurbishment of existing, oil and gas facilities both onshore and offshore, which has helped Velosi to firmly establish its presence in the Middle East. It is hoped that the activity in Kuwait will act as a springboard from which Velosi can expand into other countries in the region such as Saudi Arabia.

In Qatar, Velosi secured a term contract with RasGas, a major gas producer, to provide construction site inspection for major plant expansions. Velosi also secured two contracts →

→ with Qatar Petroleum for a range of services required for onshore and offshore oil and gas field development and for source inspection.

US

(Turnover: US\$13.8 million; Contribution to Group sales: 19.6%)

The Group continues to target the global operations of the US oil and gas multi-nationals based in Houston. Velosi America secured new Master Service Agreements with Nabors Industries, and J. R. McDermott, and a Quality Assurance Standing Agreement with Chevron USA, through which a range of services are being provided to their operations world-wide in countries such as the U.S, Middle East and Russia (Sakhalin Island). During 2006, Velosi America also expanded its service offerings to include rig inspection, and we are currently providing this service to Nabors Drilling International.

UK and Europe

(Turnover: US\$5.8 million; Contribution to Group sales: 8.3%)

During the period under review, revenue increased by 58.7%. The high activity in this region for 2006 resulted in an increase in staff training for specialist inspection services for lifting equipment, thermography and rig inspection. The strong demand for new services in this region has generated the funding for the development of new inspection tracking systems and tools that can be used throughout the Group.

Shell Exploration and Production in the UK, Nederlandse Aardolie Maatschappij (NAM) in the Netherlands, Norske Shell in Norway and Enterprise Oil Ireland have recently combined to form one European company, Shell EP Europe.

In January 2007, in a competitive bid process, Velosi was awarded an exclusive contract with Shell EP Europe, which became effective on 1 January 2007. The contract covers work stemming from all four of these Shell operations for source inspection and expediting of procured products. This contract will add further impetus to revenue growth in this region over the next three years. Velosi was previously awarded a contract in May 2003 with Shell UK Exploration and Production covering work for the main Shell operating centre in Aberdeen. This contract expired on 31 December 2006, with those services now being included in this new contract. In the latter half of 2006, Velosi incorporated an 80% subsidiary, Velosi International Italy, in Milan. Start-up operations have commenced and this unit will spearhead the Group's entry into a new market among Italian manufacturers for letter of credit inspection.

Velosi International Italy signed an agreement in March 2007 with CONFAPI, the trade association for small and medium-sized businesses in the industrial sector. Under the terms of the agreement, Velosi International Italy will act as CONFAPI's inspection agency verifying letters of credit from CONFAPI member companies requiring loans. This arrangement is renewable at the end of the three-year agreement period. CONFAPI represents more than 50,000 businesses throughout Italy across sectors such as manufacturing, chemicals and food among others. CONFAPI works with all of the major Italian banks and credit institutions. The agreement presents Velosi International Italy with a unique opportunity for rapid in-depth penetration of the Italian credit services market and will serve to diversify Velosi's service offering in Italy.

Asia and Australia

(Turnover: US\$3.5 million; Contribution to Group sales: 5.0%)

With the completion of our 51% acquisition of QAM in August 2006, the Group has gained a strong foot-hold in the oil and gas sector in Australia. QAM has also allowed the Group to diversify its business outside that of the oil and gas sector and, consequently, Velosi is now offering services to Australian mining companies both domestically and internationally. QAM finalised a contract with Sinclair Knight Merz to provide inspection services to a copper mine in Chile, and has also been successful in securing contracts for third party inspection services for Dairi Prima Minerals in Indonesia and for the Ravensthorpe nickel mine in Australia.

In Asia, while Velosi Brunei, a 50% associate company, experienced a decrease in activity due to a drop in fabrication and construction work in Brunei, Malaysia, Singapore and India all experienced an increase in activity.

In December 2006, Velosi acquired a 51% majority stake in a Malaysia-based company, PDE. PDE provides 3-D laser scanning of oil and gas facilities to create virtual models from which maintenance and modification design blueprints can be accurately developed. Through this acquisition, the Group can now apply state-of-the-art technology to facilities inspection. In addition, PDE provides a foundation for Velosi to develop its engineering design capability.

Since the completion of the acquisition, Velosi announced that PDE was awarded a seven-month contract by BP West Java Ltd for the provision of laser scan services at the BP West Java Rehabilitation Project.

Russia and Central Asia

In late 2005, the Group established Velosi Russia and Velosi Kazakhstan. During the period under review, these offices have built their marketing and business infrastructures and have undergone audits to obtain the necessary registrations from Government Ministries.

Subsequent to the year end, Velosi Kazakhstan finalised the registration of its office in Atyrau and will be submitting pre-qualifications to major oil and gas companies operating in Central Asia. Similarly, Velosi Russia is pre-qualifying for additional work in Sakhalin Island.

Velosi America is also active on Sakhalin Island where it is providing services to ExxonMobil.



Business Divisions Summary.

The services offered by Velosi are grouped into four business divisions; Quality Enhancement, Project Verification, Certification and Engineering Support Divisions.

Quality Enhancement Division

Our Quality Enhancement Division provides maintenance-related and vendor inspection services. This division generated US\$27.8 million (2005: \$16.1 million) or 39.6% (2005: 49.9%) of revenue. New contracts were awarded by Shell EP Europe, Qatar Petroleum, Total and Technip, increasing activity within the division. Furthermore our development of new services, notably in the risk-based and other asset management based inspection areas, have widened our service offering.

During the year under review the Quality Enhancement Division expanded its geographic reach to Australia and South Africa with the completion of our respective acquisitions of QAM, in August 2006, and Steel Test, in December 2006.

Project Verification Division

The Group's Project Verification Division, which provides verification services during the construction of plant and facilities, generated US\$38.5 million (2005: \$8.6 million) or 54.8% (2005: 26.7%) of revenue. We continue to experience a high level of demand in this division from our West African operations, due to work with Mobil Producing Nigeria and Chevron, both of which are undertaking major oil and gas development projects in this region.

Recent contract awards from RasGas, Qatar Petroleum and Master Service/QA Standing Agreements secured in the US are expected to add further growth in this division.

Certification Division

Velosi is accredited by international technical authorities to certify plants and equipment such as pressure equipment, conveying equipment, heavy lifting equipment, and boilers as being compliant with strict statutory requirements. This division generated US\$2.7 million (2005: \$4.6 million) or 3.9% (2005: 14.2%) of revenue. The lower contribution from this division in the period under review than the corresponding period in 2005 is due to the completion of our Russian Certification Services contract with Exxon in the period.

In September 2006, we announced a new joint venture with Rina, the Italian marine classification provider. The new 50:50 joint venture company, called RINA-V, provides offshore project certification to oil and gas companies, and to the offshore industry, and will significantly add to the capabilities and business opportunities for the Group going forward.

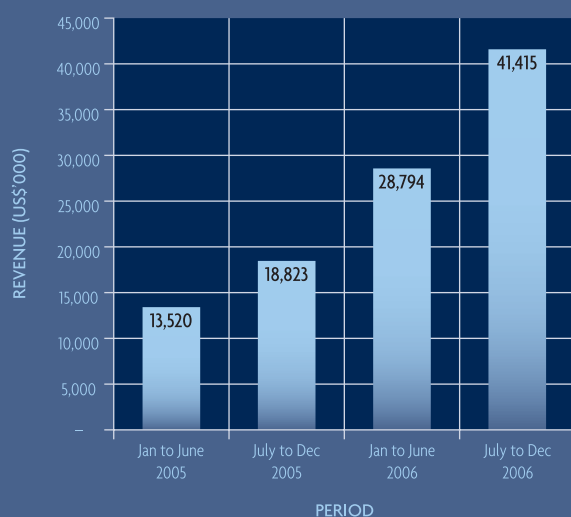
Engineering Support Division

The Group provides engineering support to its clients through recruitment and placements of specialised technical personnel. This division generated US\$1.2 million (2005: \$3.0 million) or 1.7% (2005: 9.2%) of revenue. This division currently services many of the major oil and gas companies.

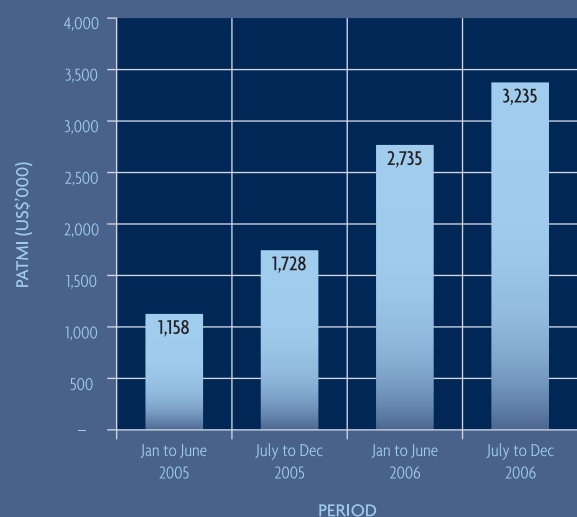
Financial Review. Financial Highlights.

<i>Year ended 31 December</i>	2006 US\$'000	2005 US\$'000	Change %
Revenue	70,209	32,343	117%
Operating profit	7,619	3,564	114%
Profit before tax	7,976	3,644	119%
Profit after tax and minority interests	5,970	2,886	107%
Earnings per share	US\$0.30	n/a	n/a
Shareholders' funds	26,257	1,249	2,003%

Revenue (US\$'000)



Profit after tax and Minority Interest (US\$'000)



Overview

The Company's financial statements for the year ended 31 December 2006 have been prepared under the International Financial Reporting Standards (IFRS).

The maiden results for the Group, for the year ended 31 December 2006, demonstrated a strong performance with record sales and profits. Turnover increased 117% to US\$70.2 million (2005: US\$32.3 million). This growth was principally driven by operations in Africa and the Middle East, where turnover increased 192% and 92% respectively.

Profit from ordinary activities before tax for the period was up 119% from US\$3.6 million in 2005 to US\$8.0 million. The Group recorded an increase of 108% in profit after tax and of the US\$6.9 million (2005: US\$ 3.3 million), US\$0.9 million was attributable to minority shareholders of the Group (2005: US\$0.4 million).

The effective tax rate for the Group for the year ended 31 December 2006 was 14% (2005: 9%) and the tax charge was US\$1.1 million (2005: US\$0.3 million). The effective tax rate for the Group is directly correlated with the contributions from the different regions and their varying tax rates. For the period under review, the Group had a greater contribution from higher tax jurisdiction countries, which resulted in the increased tax rate from 2005. This trend is expected to be broadly the same in 2007.

In August 2006, the Group listed on AIM and successfully raised £10 million (approximately US\$19.5 million) through the issuance of 11,111,111 shares at 90 pence each. Proceeds from the listing were used to repay existing loans, provide working capital, provide financing for acquisitions and planned expansions into new regions.

During the year, the Group made three acquisitions funded largely out of the proceeds from the flotation. In August 2006 the Group completed the acquisition of QAM and, since the year end, completed the acquisitions of Steel Test and PDE, which were announced to shareholders on 15 December 2006. Cash outflow for the Group from these investing activities was US\$2.1 million (2005: US\$0.2 million).

Cash generated from operating activities was US\$0.6 million for 2006, compared to US\$0.5 million in 2005. The increase was mainly due to an operating profit of US\$8.0 million and increase in trade and other payables of US\$5.7 million, which was offset by an increase in trade and other receivables of US\$12.9 million. Proceeds from the flotation were used to repay loans from Velosi Malaysia amounting to US\$4.1 million, and also used to pay down

factoring facilities in Nigeria, which as at 31 December 2006 amounted to US\$0.3 million. At 31 December 2006, cash and cash equivalents for the Group were US\$11.9 million and the Group had no long-term bank borrowings.

Fixed overhead costs for the period amounted to US\$9.0 million (2005: US\$5.1 million), with the increase largely attributable to the opening of offices in Italy, Kazakhstan, Russia, Angola and South Africa. The Group's senior management responsible for marketing and administration was also strengthened during the period in order to support the increasing size and needs of the Group.

Profits attributable to minority interests were US\$0.9m (2005: US\$0.4m). This increase was mainly a result of the stronger performance of the Group's part-owned subsidiaries in Velosi Certification W.L.L (Qatar) in the Middle East and Velosi Superintendent Nigeria Ltd and Steel Test (Pty) Ltd in Africa.

Basic earnings per share after minority interests were 29.8 cents (2005: 120 cents) and fully diluted earnings per share after minority interests were 27.0 cents (2005: 120 cents). Calculated on the basis that the Group was quoted on AIM for the full period of 2006, the basic earnings per share amounted to 15.7 cents. As at 31 December 2006, the Group had net assets of 69 cents per share.

The Board is declaring a maiden dividend of 1 cent per share which will be paid in sterling converted at the prevailing exchange rate at the time of payment. Subject to shareholder approval at the annual general meeting, the dividend will be paid on Wednesday 4 July 2007 to shareholders on the register on Friday 15 June 2007.

Board Members.

John Anthony Hogan (54)

Non-Executive Chairman.

John, a geologist, has spent over 30 years in the oil and gas industry and has extensive experience at board level. He spent his early career with Shell, Britoil plc and Elf Acquitane. He joined LASMO plc in 1981, running their US operation for 5 years, before being made Managing Director of LASMO North Sea between 1989 and 1993. He was appointed to the main board of LASMO plc as an Executive Director and Chief Operating Officer between 1993 and 1999. Since then John has worked at board level in a number of companies in the energy sector. In addition to his role at Velosi, he is currently Chief Executive of Argos Resources Limited, a private exploration company, Chairman of PanGeo Inc, an oilfield services company, and a non executive director of Noreco AS, a Norwegian exploration company.

Dr Nabil Abdul Jalil (54)

Chief Executive Officer.

Nabil is responsible for the overall management and setting of the Group's business direction and strategies. He obtained a B.Sc (Hons) in Applied Physics from City University, London in 1976, an M.Sc in Physical Methods of Analysis in 1977 as well as a PhD in Nuclear Physics in 1980 from the University of Aston, Birmingham. Dr Nabil commenced his career as a Research Officer with the Malaysian Tun Ismail Atomic Research Centre prior to founding the Velosi Group in 1982. Nabil has been the driving force in the growth and expansion of the Group.

Joseph Thomas Vincent (60)

Group Commercial Director.

Joseph is responsible for business development. Joseph began his career in 1971 with Atkins Inspection Services Limited, where he was responsible for the development of the business both in the UK and overseas. In 1993, he was appointed a Director. He subsequently joined Oilfield Inspection Services plc, a company listed on the London Stock Exchange, as Managing Director of the Overseas Division from 1988 to 1992 and Group Marketing Director from 1992 to 1993. Joseph joined Velosi in September 1994.

Ooi Soon Teik (*known as Dan*) (39)

Group Finance Director.

Dan, a Certified Public Accountant (Australia) at Price Waterhouse, has several years experience in corporate finance working with both private and public companies in Malaysia. In 2001, Dan founded his own consultancy firm, providing advisory services in corporate finance to small and medium sized companies, including acting as a consultant to the Velosi Group from November 2004. He was appointed Group Finance Director in March 2006.

Marcus John Gregory Stanton (53)

Non-Executive Director.

Marcus Stanton is a Chartered Accountant with extensive experience in investment banking. He was a director at Robert Fleming & Co, from 1993 - 2000, where he was Chief Operating Officer of Global Capital Markets and Head of Structured Finance. Prior to this he was a Director of Hill Samuel & Co. Since 2000, Marcus has been a non executive director of a number of publicly quoted companies and is currently a director of Cardinal Resources plc, an oil and gas exploration and development company. He also acts as a financial expert in litigation involving banks.



Director's Report for the period ended 31 December 2006.

The directors present their report and financial statements for the period ended 31 December 2006.

Principal activities

The principal activity of the Company is to be the holding company of Velosi Group, with the Group's principal activity being the provision of Quality Assurance ('QA') and Quality Control ('QC') services, which can be broadly categorised into the following areas:

- Certification services
- Project verification services
- Quality enhancement services
- Engineering support services

The Company was incorporated in Jersey, Channel Islands on 28 March 2006.

Further details of the business and future developments are given in the Chairman's Statement and Operational Review on pages 3 and 5 respectively.

Results and Dividends

The consolidated turnover and profit after taxation and minority interest for the year amounted to US\$70.2million (2005: US\$32.3million) and US\$6.0million. (2005 : US\$2.9million) respectively.

The directors have declared a final dividend of US\$0.01 per share in respect of the period ended 31 December 2006.

Directors and Directors' interests in shares

The following executive directors have held office since incorporation on 28 March 2006:

Dr Nabil Abdul Jalil
Joseph Thomas Vincent
Dan Ooi Soon Teik

The following non-executive directors were appointed on 24 July 2006:

John Anthony Hogan
Marcus J G Stanton

In accordance with Article 22 of the Articles of Association of the Company all directors retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election and to hold office until the commencement of the next annual general meeting.

The directors' interests in the shares of the company at 31 December 2006 were as follows:

Ordinary shares of US\$0.02 each 31 December 2006

<i>John Anthony Hogan</i>	55,555
<i>Marcus J G Stanton</i>	33,333
<i>Dr Nabil Abdul Jalil*</i>	5,327,465*
<i>Joseph Thomas Vincent</i>	1,646,345
<i>Dan Ooi Soon Teik</i>	292,234

*Raptor Worldwide Limited, a company in which Dr Nabil Abdul Jalil has an interest, holds shares in the company as follows:

Ordinary shares of US\$0.02 each

The directors were granted shares options of the company at 31 December 2006 as follows:

31 December 2006

<i>John Anthony Hogan</i>	55,556
<i>Marcus J G Stanton</i>	55,556
<i>Dr Nabil Abdul Jalil*</i>	610,238
<i>Joseph Thomas Vincent</i>	533,959
<i>Dan Ooi Soon Teik</i>	381,399

The share options were granted to the directors on 21 August 2006 at an exercise price of 90p. The first date of exercise would be 21 August 2009, subject to the performance criteria that has been set for these share options.

Substantial shareholdings

The following interests of 3% or more in the Company's share capital have been reported at 28 March 2007:

Name	Ordinary shares of US\$0.02 each	Percentage held
Velosi (M) Sdn Bhd	6,956,955	18.3%
Raptor Worldwide Limited	5,327,465	14.0%
Chee Peck Kiat	5,187,935	13.6%
Mohamed Ashari Bin Abas	2,235,030	5.9%
The Bank of New York (Nominees) Limited	1,754,165	4.6%
Ong Thean Huat	1,667,660	4.4%
Joseph Thomas Vincent	1,646,345	4.3%
HSBC Global Custody Nominee (UK) Limited	1,220,000	3.2%

Directors' Report.

Supplier payment policy

The Group's policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction
- ensure that suppliers are made aware of the terms of payment by the inclusion of the relevant terms in contracts
- pay in accordance with the company's contractual and other legal obligations

On average, Group trade creditors at the year end represented 42 days (2005: 57 days).

Going concern

The directors are required to report that the business is a going concern, with supporting assumptions or qualifications as necessary.

After making enquiries, the directors consider that the Group has adequate resources and committed borrowing facilities to continue in operational existence for the foreseeable future. Consequently, they have confirmed to adopt the going concern basis in preparing the financial statements.

Financial Risk Management – Objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign exchange, interest rate, credit and liquidity risks. The Group operates within defined guidelines that are approved by the directors and the Group's policy is to not engage in speculative transactions:

(a) Foreign exchange risk

Due to the nature of its business, the Group engages in foreign currency denominated transactions. Further, the Group is exposed to movements in foreign currency exchange on its investment in foreign subsidiary companies.

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and investments, and other financial assets and liabilities created in the ordinary course of business. Revenues and expenses are transacted in the same foreign currency as far as possible to achieve a natural hedge.

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debts. Investment in financial assets are mainly short term in nature and not held for speculative purposes but are placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings to allow it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against interest rate increases.

(c) Credit risk

The Group has credit policies in place and exposure to credit risk is monitored on an ongoing basis. The management believes that concentration of credit risk is limited due to ongoing credit evaluations of all customers and the wide spread of customers.

(d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements

Statement of disclosure to auditors

The directors confirm that:

- there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

MRI Moores Rowland LLP were appointed auditors to the company during the year. With effect from 16 April 2007, MRI Moores Rowland LLP will merge its business with that of Mazars LLP, following which MRI Moores Rowland LLP will resign as auditors to the company. The directors will appoint Mazars LLP to fill the casual vacancy caused by their resignation and, in accordance with section 109 of the Companies (Jersey) Law 1991, a resolution to reappoint Mazars LLP will be put the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

Dr Nabil Abdul Jalil
13 April 2007

Corporate Governance.

The Company intends, so far as is practicably possible and appropriate for a company of its size and nature, to comply with the main principles of the Combined Code.

The Board

The Company has appointed two non-executive Directors to bring an independent view to the Board and to provide a balance to the full-time executive Directors.

Audit Committee

An Audit Committee consisting of Marcus Stanton, as chairman, and John Hogan has been established. It meets at least twice a year and is responsible for ensuring that the appropriate financial reporting procedures are properly maintained and reported on, for meeting the auditors and reviewing their reports relating to the accounts and internal control systems of the Group.

Remuneration Committee

In addition, a Remuneration Committee consisting of John Hogan, as chairman, and Marcus Stanton has been established. It meets at least twice a year and is responsible for reviewing the performance of the Executive Directors, and other senior executives, and for determining appropriate levels of remuneration.

Internal Control

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives. As such, the internal controls can provide only reasonable, and not absolute, assurance that material irregularities, misstatement or losses are detected.

The Board has also adopted the guidance published by the Institute of Chartered Accountants in England and Wales (commonly known as the Turnbull Report) concerning the internal control requirements of the Combined Code. In line with the Turnbull Report, the Board will regularly review key business risks in addition to the financial risks facing the Group in the operation of its business.

Independent Auditors' Report to the shareholders of Velosi Limited

We have audited the Group and Parent Company Financial Statements of Velosi Limited for the period ended 31 December 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Change in Shareholders' Equity and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is consistent with the Financial Statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises the Chairman's

statement, Operational review, Financial review and Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion the Financial Statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Group and Company's affairs as at 31 December 2006 and of the Group's result for the year then ended;
- have been properly prepared in accordance with the Companies (Jersey) Law 1991; and
- the information given in the Directors' Report is consistent with the Financial Statements

MRI Moores Rowland LLP

Chartered Accountants

13 April 2007

3 Sheldon Square, London W2 6PS

Consolidated Income Statement for the period ended 31 December 2006

Continuing operations		2006	Proforma 2005
	Notes	US\$'000	US\$'000
Revenue	4	70,209	32,343
Cost of sales		<u>(54,227)</u>	<u>(24,103)</u>
Gross profit		<u>15,982</u>	<u>8,240</u>
Other operating income		591	414
Administrative expenses		<u>(8,954)</u>	<u>(5,090)</u>
Operating profit	5	7,619	3,564
Finance costs	8	(141)	(147)
Share of profit of associated companies		<u>498</u>	<u>227</u>
Profit on ordinary activities before tax		7,976	3,644
Income tax expense	9	<u>(1,106)</u>	<u>(341)</u>
Profit on ordinary activities after tax		<u>6,870</u>	<u>3,303</u>
Minority interest		<u>(900)</u>	<u>(417)</u>
Profit from continuing operations and attributable to equity holders		<u>5,970</u>	<u>2,886</u>
Basic earnings per share based on the issued share capital as at 31 December 2006	24	<u>29.8c</u>	<u>120c</u>
Diluted earnings per share based on the issued share capital as at 31 December 2006	24	<u>27.0c</u>	<u>120c</u>

The notes to the financial statements form an integral part of these financial statements.

Statement of Changes in Shareholder's Equity for the period ended 31 December 2006

Group	Share capital US\$'000	Share Premium US\$'000	Reserves US\$'000 (Note 26)	Total US\$'000	Minority Interest US\$'000	Total US\$'000
<i>Balance at 1 January 2006</i>	-	-	1,249	1,249	770	2,019
At 1 January 2006	132	149	944	972	2,197	
Exchange reserve arising on translation of financial statements of overseas subsidiaries	-	-	11	11	-	11
Share allotment	763	18,128	-	18,891	-	18,891
Profit for the year	-	-	5,970	5,970	900	6,870
Acquisition of Subsidiary	-	-	-	-	837	837
Issue of share options	-	-	89	89	-	89
Issue of warrants	-	-	47	47	-	47
<i>Balance at 31 December 2006</i>	763	18,128	7,366	26,257	2,507	28,764

Group	Share capital US\$'000	Share Premium US\$'000	Reserves US\$'000 (Note 25)	Total US\$'000	Minority Interest US\$'000	Total US\$'000
<i>Balance at 1 January 2005 (Proforma)</i>	-	-	(1,637)	(1,637)	179	(1,458)
Profit for the year	-	-	2,886	2,886	417	3,303
Acquisition of Subsidiary	-	-	-	-	174	174
<i>Balance at 31 December 2005 (Proforma)</i>	-	-	1,249	1,249	770	2,019

The notes to the financial statements form an integral part of these financial statements.

Statement of Total Recognised Income and Expenses for the period ended 31 December 2006

Group	2006 US\$'000	Proforma 2005 US\$'000
Net profit for the year	6,870	3,303
Exchange difference arising on translation of financial statements of overseas subsidiaries	<u>11</u>	<u>-</u>
Recognised income and expense for the year	6,881	3,303
Minority interest	<u>(900)</u>	<u>(417)</u>
Profit from continuing operations and attributable to equity holders	<u>5,981</u>	<u>2,886</u>

The notes to the financial statements form an integral part of these financial statements.

Company Balance Sheet

As at 31 December 2006

	Notes	2006 US\$'000
<i>Non-current assets</i>		
Investment in subsidiary companies	12	834
Property, plant and equipment	11	-
Investment in associated companies		10
		<u>844</u>

	Notes	2006 US\$'000
<i>Current assets</i>		
Cash and cash equivalents		6,444
Trade and other receivables	16	2
Amount due from related parties	29	12,731
Amount due from associated companies	13	57
		<u>19,234</u>
Total assets		<u>20,078</u>

Equity and liabilities Proforma

<i>Current liabilities</i>		
Trade and other payables	18	475
Amount due to related parties	29	364
Amount due to associated companies	13	245
		<u>1,084</u>

<i>Non-current liabilities</i>		
Trade and other payables		-
Total liabilities		<u>1,084</u>

<i>Capital and reserves</i>		
Share capital	23	763
Share premium		18,128
Share options	26	89
Warrants	26	47
Retained earnings	26	(33)
		<u>18,994</u>

Total equity attributable to equity holders		<u>18,994</u>
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Total equity and liabilities		<u>20,078</u>
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Dr Nabil Abdul Jalil – Director
13 April 2007

The notes to the financial statements form an integral part of these financial statements.

Consolidated Cash Flow Statement for the period ended 31 December 2006

Cash flows from operating	Proforma		Cash flows from financing activities	Proforma	
	2006 US\$'000	2005 US\$'000		2006 US\$'000	2005 US\$'000
Profit on ordinary activities for the year	7,976	3,644	Proceeds from issue of shares	20,102	-
<i>Adjustments for:</i>			Listing expenses paid	(1,164)	-
Depreciation	329	213	Proceeds from issue of share options	89	-
(Gain)/loss on disposal of property, plant and equipment	(24)	4	Repayments of hire purchase liabilities	(70)	-
Negative goodwill written off	(16)	-	Repayment to related parties	(6,762)	(140)
Allowance for doubtful debts	1,160	181	Repayment to directors	(98)	(70)
Allowance for doubtful debt written back	(128)	-	Net cash from/(used in) financing activities	12,097	(210)
Bad debts written off	63	-			
Provision for retirement benefit	41	-	Net increase in cash and cash equivalents	10,559	95
Retirement benefit paid	(25)	-	Foreign exchange translation differences	125	-
Share of profit in associated companies	(498)	(227)	Cash and cash equivalents at the beginning of the year	1,234	1,139
Interest expense	141	147			
Interest income	(119)	(2)	Cash and cash equivalents at the end of the year	11,918	1,234
Unrealised foreign exchange gain	(222)	-			
Operating cash flows before movements in working capital	8,678	3,960	<i>Cash and cash equivalents comprise:</i>		
(Increase)/decrease in inventories	(470)	70	Current assets		
Increase in receivables	(12,875)	(4,434)	- Cash and cash equivalents	12,170	2,300
Increase in payables	5,704	1,248	Current liabilities		
Cash generated from operations	1,037	844	- Bank overdraft	(252)	(1,066)
Interest paid	(141)	(147)		11,918	1,234
Tax paid	(322)	(213)			
Net cash from operating activities	574	484	The notes to the financial statements form an integral part of these financial statements.		
Cash flows from investing activities					
Acquisition of property, plant and equipment	(817)	(180)			
Receipts from sale of property, plant and equipment	42	-			
Acquisition of new subsidiary companies, net of cash	(1,755)	(18)			
Acquisition of new associated companies, net of cash	(10)	-			
Incorporation of new subsidiary companies	(10)	-			
Repayment from/(advance to) associated companies	125	(62)			
Dividend income from associated company	194	79			
Interest received	119	2			
Net cash used in investing activities	(2,112)	(179)			

Notes to the Financial Statements

for the period ended 31 December 2006

1. Group reorganisation

Velosi Limited was incorporated in Jersey on 28 March 2006. Between 24 April and 10 May 2006, the Company acquired its interest in its subsidiary and associated undertakings such that the Company is now the holding company for the Group.

2. Corporate information

The principal activity of the Group is the provision of quality assurance and control, general inspection, corrosion and monitoring and manpower supply services to the oil and gas industry.

3. Accounting Policies – *Going concern*

The financial information has been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements. The directors consider this to be appropriate, as the shareholders will continue to provide financial support to the company for the foreseeable future.

Basis of presentation

Velosi Limited was incorporated in Jersey on 28 March 2006. Since this date, the Company acquired its interests in its subsidiary and associated undertakings such that the Company is now the holding company for the Group. The principal activity of the Company is investment holdings. The principal activity of the Group is the provision of quality assurance and control, general inspection, corrosion monitoring and manpower supply services to the oil and gas industry.

The financial information has been prepared under the historical cost convention, and this is the first year that financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS). A summary of the significant accounting policies, which have been applied consistently, are set out below.

The consolidated financial information is presented in US Dollars because the Group is expected to transact more of its business in US Dollars than any other currency.

Basis of consolidation

The consolidated financial information includes the accounts of the Group and its subsidiaries presented on the basis of merger accounting following the group reorganisation on 21 August 2006.

Subsidiaries are those entities in which the Group, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Other subsidiaries not merger accounted for, are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the group. Minority interests in the results of the group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Group.

Where losses applicable to the minority exceed the minority interests in the equity of the subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Comparative information

Velosi Limited was incorporated on 28 March 2006. In order to present comparative financial information that is more meaningful to the users of the financial statements, proforma financial information is disclosed which reports the results of Group and its subsidiaries for the period from 1 January 2005 to 31 December 2005.

Associated companies

The Group treats as associated companies those companies in which the Group holds a long term equity interest, has representation on the board of the directors and is in a position to exercise significant influence over financial and operating policies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. The equity method of accounting involves recognising in the consolidated financial statements the Group's share of the results of associated companies for the financial year. The Group's investments in associated companies are carried in the consolidated balance sheet at an amount that reflects its share of net assets of the associated companies and includes premium or discount on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company diminishes by virtue of losses to zero, unless the Group has incurred or guaranteed obligations in respect of the associated company.

Use of estimates

The preparation of the financial information in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the year end date and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Goodwill

Goodwill arising on an acquisition of a subsidiary company is the difference between the fair value of the consideration paid and the fair value of the net assets acquired.

Positive goodwill is capitalised and subject to annual impairment test:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Negative goodwill is taken to the income statement as it arises.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Assets are depreciated on a straight-line basis over their estimated useful lives set out below:

Leasehold land and building

Over the period of the lease

Plant and machinery

Between 5% and 30% per annum

Office equipment, furniture and fittings

Between 10% and 50% per annum

Inspection equipment

10% per annum

Motor vehicles

Between 18% and 25% per annum

Impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment, investment in subsidiaries, have suffered an impairment loss or an impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, any impairment loss is determined and recognised as follows:

The recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses in respect of other assets is recognised as income immediately.

Notes to the Financial Statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes, where appropriate, cost of materials, direct labour, other direct costs and variable production overheads. Cost is determined based on the specific identification method. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Receivables

Receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and an allowance is made for any receivables considered unlikely to be recoverable.

Cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of cash flow statements cash and cash equivalents are presented net of bank overdrafts and exclude fixed deposits pledged to secure banking facilities.

Payables

Payables are stated at cost.

Employee benefits

i) Short-term benefits

Wages, salaries, paid annual leave, paid sick-leave, bonuses and non-monetary benefits are recognised as expenses in the period in which the associated services are rendered by employees.

ii) Post-employment benefits

Certain subsidiary companies make contributions to their respective countries' statutory and non-statutory defined contribution pension schemes that are recognised as an expense in the income statement as incurred.

Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases are stated at amounts equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses, if any.

In calculating the present value of the minimum payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine, if not, the Group's incremental borrowing rate is used.

All other leases are treated as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Share capital

Ordinary shares are recorded at nominal value and proceeds received in excess of nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly attributable to the issuance of the shares are accounted for as a deduction from share premium, otherwise it is charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are paid.

Revenue recognition

Revenue from provision of services is recognised upon performance of services and acceptance by customers.

Rental and interest income are recognised on an accruals basis.

Share based payment transactions

The Company operates a share option scheme for granting share options, for the purpose of providing incentives and rewards to eligible employees of the Group.

The cost of share options granted to employees is measured by reference to the fair value at the date at which they are granted. It is recognized, together with a corresponding increase in equity, over the vesting period. The cumulative expense recognized at each reporting date until the end of the vesting period reflects the extent to which the vesting period has expired and the number of shares that in the opinion of the directors of the Group at that date will ultimately vest.

Taxation

The tax expense in the income statement represents the aggregate amount of current tax and deferred tax included in the determination of net profit or loss for the year.

On the balance sheet, a deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is only recognised for deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences and tax losses can be utilised. No deferred tax is recognised for temporary differences arising from:

i) goodwill, or

ii) the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on the tax rates enacted or substantively enacted at the balance sheet date that are expected to apply to the period when the asset is realised or when the liability is settled.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, whether in the same or a different period, directly to equity.

*Foreign currency**Foreign currency translation*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the income statement.

Consolidation of overseas subsidiaries

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into United States Dollars at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of subsidiary companies are taken to reserves.

All other differences are taken to the income statement.

Commitments and contingencies

Commitments and contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the balance sheet date

Post period-end events that provide additional information about the Group's position at the balance sheet date are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes when material.

Notes to the Financial Statements.

4. Segmental reporting

The directors consider that the Group's activities represent a single class of business. The analysis of the Group's turnover, gross profit before tax and minority interests, assets, liabilities, additions to plant, property and equipment and depreciation by geographical origin of customers is set out below:

Turnover	2006	2005
	US\$'000	US\$'000
United Kingdom	5,841	3,680
Middle East	21,609	11,235
United States of America	13,772	7,465
Africa	25,467	8,730
Asia	3,002	1,233
Others	518	-
	70,209	32,343
Gross Profit		
United Kingdom	1,913	1,142
Middle East	5,890	2,912
United States of America	3,244	2,382
Africa	3,283	981
Asia	1,452	823
Others	200	-
	15,982	8,240
Carrying amount of assets		
United Kingdom	10,586	2,372
Middle East	11,629	6,231
United States of America	5,538	1,747
Africa	11,146	4,088
Asia	5,846	3,038
Others	631	-
	45,376	17,476
Liabilities		
United Kingdom	2,222	2,385
Middle East	3,994	5,584
United States of America	2,123	1,567
Africa	6,846	2,963
Asia	1,141	2,958
Others	286	-
	16,612	15,457
Additions to property, plant and equipment		
United Kingdom	47	65
Middle East	657	63
United States of America	8	2
Africa	9	6
Asia	185	360
Others	4	-
	910	496
Depreciation		
United Kingdom	21	51
Middle East	135	74
United States of America	4	6
Africa	22	-
Asia	139	82
Others	8	-
	329	213

5. Operating profit before interest and taxation

	Group	Group
	2006	2005
	US\$'000	US\$'000

This is stated after charging:

Allowance for doubtful debts	1,161	181
Auditors' remuneration		
<i>Audit fees</i>	132	65
<i>Non-audit fees</i>	8	6
Bad debts written off	63	-
Depreciation	329	213
Loss on disposal of property, plant and equipment	-	4
Realised foreign exchange loss	-	31
Rental of motor vehicles	42	44
Rental of equipment	436	-
Rental of premises	370	222

and crediting

Allowance for doubtful debts written back	128	-
Bad debts recovered	62	3
Foreign exchange gain		
<i>realised</i>	92	3
<i>unrealised</i>	222	-
Dividend income from associated company	194	79
Gain on disposal of property, plant and equipment	24	-
Interest income	119	2
Negative goodwill written off	16	55
Rental income	66	63

6. Directors' emoluments

The directors' remuneration for the relevant financial year are as follows:

	Group	Group
	2006	2005
	US\$'000	US\$'000
Directors' emoluments		
<i>Fees</i>	50	-
<i>Salary</i>	312	-
<i>Pension</i>	-	-

The Board of Directors is comprised of three Executive Directors and two Non-Executive Directors.

7. Staff Costs	Group 2006 US\$'000	Group 2005 US\$'000
Wages and salaries	25,253	13,950
Social security costs	217	121
Other pension costs	52	56
	<u>25,522</u>	<u>14,127</u>

8. Interest Payable	Group 2006 US\$'000	Group 2005 US\$'000
Hire purchase interest	4	1
Interest payable on bank loans and overdrafts	124	146
Other finance costs	13	-
	<u>141</u>	<u>147</u>

9. Taxation on profit from ordinary activities	Group 2006 US\$'000	Group 2005 US\$'000
UK corporation tax		
<i>UK corporation tax in respect of year</i>	1	-
Foreign tax		
<i>Overseas tax payable</i>	1,128	315
Total current tax	<u>1,129</u>	<u>315</u>
Deferred tax		
<i>Movement in deferred tax position</i>	(80)	-
<i>Taxation on profit from ordinary activities</i>	1,049	315
<i>Add: Share of taxation of associated companies</i>	57	26
	<u>1,106</u>	<u>341</u>

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are reconciled below:

	Group 2006 US\$'000	Group 2005 US\$'000
Profit on ordinary activities before taxation (excluding share of results of associated companies)	<u>7,478</u>	<u>3,417</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK	2,243	1,025
Tax effects of:		
<i>Difference in tax rates of foreign countries</i>	(439)	(14)
<i>Expenses not deductible for tax purposes</i>	478	47
<i>Tax redemption and rebates</i>	-	-
<i>Utilisation of tax losses</i>	(142)	(8)
<i>Utilisation of capital allowance</i>	(120)	-
<i>Deferred tax assets not recognised</i>	-	(2)
<i>Non-taxable income</i>	(950)	(732)
<i>Others</i>	(21)	(1)
	<u>1,049</u>	<u>315</u>
<i>Add: Share of taxation of associated companies</i>	57	26
	<u>1,106</u>	<u>341</u>

10. Goodwill on acquisition	2006 US\$'000	2005 US\$'000
At 1 January	960	-
Foreign exchange translation difference	54	-
Acquisition of subsidiary companies	1,100	960
At 31 December	<u>2,114</u>	<u>960</u>

Goodwill is not amortised but tested at least annually for impairment.

Notes to the Financial Statements.

11. Property, plant and equipment
Group 2006

	Motor Vehicles US\$'000	Plant and Machinery US\$'000	Office equipment, furniture and fittings US\$'000	Long term leasehold land and buildings US\$'000	Total US\$'000
<i>Cost</i>					
At 1 January 2006	132	149	944	972	2,197
Exchange translation difference	7	9	36	38	90
Acquisition of subsidiaries	439	1,516	345	170	2,470
Additions at cost	513	23	374	-	910
Disposals	(87)	-	(4)	-	(91)
At 31 December 2006	1,004	1,697	1,695	1,180	5,576
<i>Accumulated depreciation</i>					
At 1 January 2006	88	73	538	148	847
Exchange translation difference	3	5	23	5	36
Acquisition of subsidiaries	135	925	190	-	1,250
Charge for the year	104	40	165	20	329
Disposals	(71)	-	(2)	-	(73)
At 31 December 2006	259	1,043	914	173	2,389
<i>Net book value</i>					
At 31 December 2006	745	654	781	1,007	3,187
At 31 December 2006	44	76	406	824	1,350

Company 2006

The Company holds no property, plant and equipment. All the property, plant and equipment are held by the operating entities.

Group	2006 US\$'000	2005 US\$'000
Additions of plant and equipment during the year held under hire purchase contracts.	94	9
Carrying amount of plant and equipment held under hire purchase contracts at 31 December 2006	482	20

Assets under hire purchase contracts are pledged as security for the related hire purchase liabilities.

	2006 US\$'000	2005 US\$'000
Aggregate cost of property, plant and equipment acquired.	910	184
Finance via hire purchase.	(94)	(4)
Cash paid	816	180

12. Investment in subsidiary companies

	Group's equity interest		Country of incorporation	Principal activities
	2006 %	2005 %		
Velosi America LLC	100	100	United States of America	Provision of quality assurance and control, general inspection, corrosion monitoring and manpower supply services to the oil and gas industry
Velosi Certification W.L.L	100	100	Kuwait	Provision of industrial consultation services
Velosi (HK) Limited	100	100	Hong Kong	Provision of management, marketing support, advisory and business development services to group companies
Velosi Europe Limited	100	100	United Kingdom	Provision of technical, engineering and industrial services
Velosi Steel Sdn Bhd	100	100	Malaysia	Provision of engineering and inspection services
Velosi Industries Sdn Bhd	100	100	Malaysia	Provision of engineering design services
Velosi International E.C	100	100	Bahrain	Provision of quality assurance services to the oil and gas industry
Velosi Certification Services (India) Pvt. Ltd.	60	60	India	Provision of inspection and expediting services
Velosi Certification W.L.L	75	75	Qatar	Provision of inspection and certification services to oilfield installations and lifting equipment
Velosi Thai Co Ltd	70	70	Thailand	Provision of quality assurance and control, general inspection, corrosion monitoring and manpower supply services
Velosi Australia Pty Ltd	100	100	Australia	Dormant
Velosi Canada Ltd	100	100	Canada	Dormant
Velosi Certification Services L.L.C	100	100	United Arab Emirates	Provision of certification, engineering and inspection services, onshore and offshore
Velosi Technical Services Ltd	100	100	Hong Kong	Provision of international recruitment and engineering consultancy services to Group companies
Kurtec Inspection Services Sdn Bhd	51	51	Malaysia	Provision of technical and inspection services
Kurtec Inspection Services Pte Ltd	51	51	Singapore	Provision of specialised inspection services
Velosi Certification Bureau Limited	60	60	United Kingdom	Provision of technical, engineering and industrial services
Velosi Quality Management International	60	60	United Arab Emirates	Provision of certification, engineering and inspection services
Velosi L.L.C (Russia)	100	100	Russia	Dormant
Velosi L.L.C (Kazakhstan)	100	100	Kazakhstan	Dormant
Velosi International Italy Srl	80	-	Italy	Provision of technical, engineering and industrial services
Velosi Superintendent	70	70	Nigeria	Provision of quality assurance and control general inspection, corrosion monitoring and manpower supply services
Velosi (S) Pte Ltd	100	50	Republic of Singapore	Vendor inspection services, testing, servicing, repairing and maintenance of control system, equipment, machinery, accessories and materials
QA Management Services Pty Ltd	51	-	Australia	Provision of quality assurance services
Steel Test Pte Ltd	51	-	South Africa	Provision of pipe and steel thickness testing services
Kurtec Tube Inspection Sdn Bhd*	51	-	Malaysia	Provision of Non Destructive Testing inspection services and tube pipe and tank cleaning services

Note: *As a result of the acquisition of Steel Test Pty Ltd on 27December 2006, Kurtec Tube Inspection Sdn Bhd became a 51% subsidiary of Velosi Limited. Previously it was a 50% associate.

Company	2006 US\$'000
<i>Unquoted shares, at cost:</i>	
Velosi (HK) Limited	6
Velosi Europe Limited	1
Velosi Industries Sdn Bhd	811
Velosi Technical Services Ltd	6
Velosi Technical Services Ltd	6
Velosi International Italy Srl	10
	834

Notes to the Financial Statements.

13. Investment in associated companies	Group	Group
	2006	2005
	US\$'000	US\$'000
Unquoted shares, at cost	205	215
Share of post-acquisition profits	527	416
	<u>732</u>	<u>631</u>

The associated companies, which are private entities and not listed on any public exchange, are as follows:

	Group's equity interest		Country of incorporation	Principal activities
	2006 %	2005 %		
Velosi (B) Sdn Bhd	50	50	Brunei Darussalam	<i>Provision of quality control and engineering services to the oil and gas industry</i>
Velosi LLC, Oman	50	50	Oman	<i>Certification of engineering equipment and inspection controls</i>
Rina-V Limited	50	-	Hong Kong	<i>Dormant</i>

The following table illustrates summarised financial information of the Group's investments in its associated companies:

Share of the associated companies' balance sheets:	2006 US\$'000	2005 US\$'000
Non-current assets	178	203
Current assets	1,417	1,241
Current liabilities	(838)	(792)
Non-current liabilities	(25)	(21)
Net assets	<u>732</u>	<u>631</u>

Share of the associated companies' revenue and profit:	2006 US\$'000	2005 US\$'000
Revenue	3,807	416
Profit after tax	<u>439</u>	<u>201</u>

Amount due from/(to) associated companies

The amount due from associated companies included under current assets represents unsecured interest free advances repayable on demand.

14. Deferred tax liabilities	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
Unutilised tax losses	76	-	-
Accelerated capital allowances	(93)	(1)	-
Deferred tax liabilities	(17)	(1)	-

Deferred taxation movements are	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
Opening balance	(1)	(1)	-
Acquisition of subsidiary companies	(100)	-	-
Transfer from profit and loss account	84	-	-
Closing balance	(17)	(1)	-

15. Inventories	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
Work-in-progress	999	529	-

16. Trade and other receivables	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
Trade receivables	21,101	10,107	-
Other debtors, deposit and prepayments	3,248	866	2
	24,349	10,973	2

The normal trade credit terms range from 45 to 90 days. Included in the Group trade and other receivables is an amount of US\$140,000 (2005: US\$nil) pledged as security for bank overdraft facilities.

17. Creditors	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
<i>Amounts falling due within one year</i>			
Trade and other payables	14,365	8,048	475
Amounts due to related parties	204	3,591	364
Amounts due to associated companies	271	-	245
Bank and other borrowings	252	1,066	-
Current tax liabilities	1,106	116	-
Hire purchase liabilities	91	3	-
	16,289	12,824	1,084

<i>Amounts falling due after one year</i>			
Deferred tax liabilities	93	1	-
Amounts due to related parties	-	2,517	-
Provision for employees end of service benefits	112	95	-
Hire purchase liabilities	81	13	-
Other non-current liabilities	37	7	-
	323	2,633	-

18. Trade and other payables	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
Trade payables	8,427	4,029	-
Other payables and accruals	5,938	4,019	475
	14,365	8,048	475

The normal trade credit terms granted by suppliers range from 30 to 90 days.

19. Hire purchase liabilities	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
<i>Amounts payable under hire purchase liabilities</i>			
Within one year	105	4	-
In the second to fifth years inclusive	82	14	-
	187	18	-
Less: unexpired term charges	(15)	(2)	-
Present value of hire purchase liabilities	172	16	-
Amount due for settlement within 12 months (shown under current liabilities)	(91)	(3)	-
Amount due for settlement after 12 months (shown under non-current liabilities)	81	13	-

The effective interest rates of the hire purchase liabilities ranged from 5.9% to 8.2%.

20. Bank borrowings	Effective interest rate %	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
<i>Current</i>				
Bank overdrafts	10.0	252	1,066	-

The bank overdrafts are unsecured and repayable on demand.

21. Provision for employee benefits

These provisions are made by Velosi Certification Services LLC, Velosi Quality Management International and Velosi Certification WLL. As required by law in their countries of incorporation, upon retirement, employees are entitled to the payment of a premium according to their length of services. The entitlement to these benefits is subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Notes to the Financial Statements.

22. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Group's financial instruments, which are recognised in the balance sheet, comprise cash and cash equivalents, receivables and payables, borrowings, hire purchase liabilities and ordinary shares. The accounting policies and methods adopted, including the basis of measurement applied are disclosed in note 3 above, where relevant. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes above, where applicable.

The Group does not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

There were no financial instruments not recognised in the balance sheet.

Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its foreign exchange, interest rate, credit and liquidity risks. The Group operates within defined guidelines that are approved by the directors and the Group's policy is to not engage in speculative transactions.

a) Foreign exchange risk

Due to the nature of its business, the Group engages in foreign currency denominated transactions. Further, the Group is exposed to movements in foreign currency exchange on its investment in foreign subsidiary companies.

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and investments, and other financial assets and liabilities created in the ordinary course of business. Revenues and expenses are transacted in the same foreign currency as far as possible to achieve a natural hedge.

b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debts. Investment in financial assets are mainly short term in nature and not held for speculative purposes but are placed in fixed deposits.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings to allow it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against interest rate increases.

c) Credit risk

The Group has credit policies in place and exposure to credit risk is monitored on an ongoing basis. The management believes that concentration of credit risk is limited due to ongoing credit evaluations of all customers and the wide spread of customers.

d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

23. Share capital – Increase in paid up capital

At the date of incorporation the Company had an authorised share capital of £250,000,000 divided into 5,000,000,000 ordinary shares of £0.05 each, of which 2 ordinary shares were issued.

On 23 April 2006 the authorised share capital of the Company was converted by shareholders' unanimous written resolution to US\$88,000,000 divided into 4,400,000,000 ordinary shares of US\$0.02.

The paid up capital of Velosi Limited was increased from 2 ordinary shares of US\$0.02 each to 5,000,000 ordinary shares of US\$0.02 each on 31 May 2006.

On 15 August 2006, the Board resolved to issue four Ordinary Shares for every one Ordinary Share held by Shareholders of the Company as at 14 August 2006, thereby increasing the paid up capital to 25,000,000 ordinary shares.

Pursuant to an agreement dated 9 August 2006, a total of 395,211 new ordinary shares were issued upon admission in lieu of part payment for the acquisition of 51 per cent of Kurtec Inspection Services Sdn Bhd.

1,550,250 new ordinary shares were issued to pre AIM admission subscribers who had made offers to subscribe between 30 March 2006 and 5 April 2006.

Upon admission to the AIM market, 11,111,111 new ordinary shares were issued to investors and a further 83,333 new ordinary shares were issued to Strand Partners in lieu of part of the Nominated Advisor fees, thereby increasing the total issued capital to 38,139,905 ordinary shares.

Share Capital	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
<i>Authorised:</i>			
4,400,000,000 Ordinary shares of US\$ 0.02 each	88,000	-	88,000
<i>Issued:</i>			
38,139,905 Ordinary shares of US\$0.02 each	763	-	763

Share Options

	Number of shares	Weighted average exercise price per share	Weighted average remaining contractual life (years)
<i>Balance at 1 January 2006</i>			
- exercisable			
Options granted in the year	-	-	-
<i>Balance at 31 December 2006</i>			
- exercisable			
Options granted in the year	1,636,708	90p	2.638
<i>Balance at 31 December 2005</i>			
- exercisable	-	-	-

The fair value of the share options granted has been calculated using the Black-Scholes option-pricing model individually applied to each option granted. The inputs into the model were as follows:

Share price	95p
Exercise price	90p
Expected volatility	21%
Expected life	3 years
Risk free rate	5%

The expected volatility represents management's best estimate of volatility given the lack of historical information available regarding share price volatility.

Warrants

	Number of shares	Weighted average exercise price per share	Weighted average remaining contractual life (years)
<i>Balance at 1 January 2006</i>			
- exercisable			
Warrants granted in the year	-	-	-
<i>Balance at 31 December 2006</i>			
- exercisable			
Warrants granted in the year	476,749	90p	0
<i>Balance at 31 December 2005</i>			
- exercisable	-	-	-

The fair value of the warrants granted has been calculated using the Black-Scholes option-pricing model individually applied to each option granted. The inputs into the model were as follows:

Share price	95p
Exercise price	90p
Expected volatility	21%
Expected life	0 years
Risk free rate	5%

Notes to the Financial Statements.

24. Earnings per share

The basic and diluted earnings per share is calculated by reference to the earnings attributable to ordinary shareholders divided by the number of shares in issue as at 31 December 2006, as follows:

	Year ended 31 December 2006 US\$'000	Year ended 31 December 2005 US\$'000
Profit after taxation and minority interest	5,970	2,886
	Number	Number
Weighted average number of shares for the purpose of calculating basic earnings per share	3,807	416

**Effect of dilutive potential
ordinary shares**

Share Options	1,636,708	
Warrants	476,749	
Weighted average number of shares for the purpose of calculating diluted earnings per share	22,145,165	2,410,068
Basic earnings per share based on the issued share capital as at 31 December 2006	29.8c	120c
Diluted earnings per share based on the issued share capital as at 31 December 2006	27.0c	120c

The number of ordinary shares used for the calculation of basic and diluted earnings per share in 2005 is based on the contributed capital of Velosi Industries Sdn Bhd, Velosi Technical Services Limited, Velosi (HK) Limited, Velosi Europe Limited, Velosi International Italy and Kurtec Inspection Services Sdn Bhd.

25. Dividends

The Directors proposed to recommend a final dividend of US\$0.01 per ordinary share to shareholders in respect of the financial year ending 31 December 2006. There is no deferred tax provision in relation to unremitted earnings since the group only remits earnings from locations where withholding tax is not charged.

26. Reserves

The Group	Share Option Reserve US\$00	Warrant Reserve US\$00	Revaluation Reserve US\$00	Statutory Reserve US\$00	Voluntary Reserve US\$00	Exchange Reserve US\$00	Retained Earnings US\$00	Total US\$00
At 1 January 2005	-	-	287	35	4	-	(1,963)	(1,637)
Profit for the year	-	-	-	-	-	-	2,886	2,886
Transfer to statutory reserve	-	-	-	47	-	-	(47)	-
At 31 December 2005 (proforma)	-	-	287	82	4	-	876	1,249
Exchange reserve arising on translation of financial statements of overseas subsidiaries	-	-	-	-	-	11	-	11
Share options granted	89	-	-	-	-	-	-	89
Warrants granted	-	47	-	-	-	-	-	47
Profit for the year	-	-	-	-	-	-	5,970	5,970
Transfer to statutory reserve	-	-	-	8	20	-	(28)	-
At 31 December 2006	89	47	287	90	24	11	6,818	7,366

The Company	Share Option Reserve US\$00	Warrant Reserve US\$00	Retained Profits US\$00	Total US\$00
At 1 January 2006	-	-	(1,963)	(1,637)
Share options granted	89	-	-	89
Warrants granted	-	47	-	47
Profit for the year	-	-	(33)	(33)
At 31 December 2006	89	47	(33)	103

27. Commitments under operating leases

The following are the annual commitments under non-cancellable operating leases:

	2006		2005	
	Land and buildings US\$'000	Other US\$'000	Land and buildings US\$'000	Other US\$'000
<i>Operating leases which expire:</i>				
Within one year	27	-	22	-
In two to five years	255	-	40	-
Over five years	-	-	-	-
	<u>282</u>	<u>-</u>	<u>62</u>	<u>-</u>

28. Contingent Liabilities

	Group 2006 US\$'000	Group 2005 US\$'000	Company 2006 US\$'000
Letter of guarantee	682	299	-
Performance bond guarantee	55	54	-

Notes to the Financial Statements.

29. Related party transactions

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year:

Related parties		Sales to related parties US\$'000	Purchases from related parties US\$'000	Management fees received and receivable from related parties US\$'000	Commission paid and payable to related parties US\$'000
	2006	1,647	190	97	-
Velosi (M) Sdn Bhd	2005	73	231	232	-
	2006	33	233	-	-
Velosi Rig Inspection Sdn Bhd	2005	-	-	-	-
Associated company					
	2006	1,173	34	-	-
Velosi LLC	2005	839	23	-	-

During the financial year, there were no transactions entered into with key management.

Term and conditions of transactions with related parties

The above transactions were entered into in the normal course of business and were carried out on an arms-length basis.

Amount due from to related parties

The amount due from/to related parties included under current assets/liabilities represents unsecured interest free advances repayable on demand. The related party is Velosi (M) Sdn Bhd.

Included in the amount due from related parties of the group is an amount of US\$1.074million (2005: US\$nil) pledged as security for bank guarantee facilities.

30. Post Balance Sheet Events

Subsequent to the year end, Velosi Industries Sdn Bhd, a subsidiary of the Company, acquired 51 per cent of the issued share capital of Plant Design Engineering Sdn Bhd, pursuant to an agreement dated 13 December 2006, for a total purchase consideration of MYR4.0million (US\$1.09million), out of which MYR3.2 million was paid in cash and the remaining to be paid by way of issuance of 117,683 new ordinary shares of US\$0.02 each in the share capital of the Company.

Notice of Annual General Meeting.

Notice is given that an annual general meeting of the Company will be held at Mazars, Room 14-16, 14th Floor, Tour Exaltis, 61 Rue Henri Regnault, 92075 La Defense, Paris, France on 7 June 2007 at 12:00pm (Paris, France time) for the purpose of considering and, if thought fit, adopting the following resolutions, at the meeting, or any adjournment thereof:

Ordinary Resolutions

1. *THAT* Dr. Nabil Abdul Jalil (who retires as a Director of the Company in accordance Article 22 of the Articles of Association of the Company) and who, being eligible, is re-elected as a Director of the Company to hold office until the conclusion of the next annual general meeting.
2. *THAT* Ooi Soon Teik (who retires as a Director of the Company in accordance Article 22 of the Articles of Association of the Company) and who, being eligible, is re-elected as a Director of the Company to hold office until the conclusion of the next annual general meeting.
3. *THAT* Joseph Thomas Vincent (who retires as a Director of the Company in accordance Article 22 of the Articles of Association of the Company) and who, being eligible, is re-elected as a Director of the Company to hold office until the conclusion of the next annual general meeting.
4. *THAT* John Anthony Hogan (who retires as a Director of the Company in accordance Article 22 of the Articles of Association of the Company) and who, being eligible, is re-elected as a Director of the Company to hold office until the conclusion of the next annual general meeting.
5. *THAT* Marcus John Gregory Stanton (who retires as a Director of the Company in accordance Article 22 of the Articles of Association of the Company) and who, being eligible, is re-elected as a Director of the Company to hold office until the conclusion of the next annual general meeting.
6. *THAT* MRI Moores Rowland LLP are reappointed as auditors of the Company (in accordance with Article 33 of the Articles of Association of the Company) and the Directors are authorised to fix their remuneration.
7. *THAT* the audited Financial Statements (attached to this Notice) of the Company for the period ended 31 December 2006 are approved.
8. *THAT* the payment of a dividend of US\$0.01 per ordinary share in the share capital of the Company for the year ended 31 December 2006, is approved.
9. *THAT* pursuant to Articles 2.3 and 2.4(c) of the Company's Articles of Association, the board of directors have general authority to issue:
 - a) up to and including 12,807,076 ordinary shares of US\$0.02 each in the share capital of the Company at their sole discretion without reference to pre-emption rights, for the purposes of business and corporate acquisitions by the Company; and
 - b) up to and including 3,842,122 ordinary shares of US\$0.02 each in the share capital of the Company at their sole discretion without reference to pre-emption rights, for cash by way of general mandate.

Special Resolutions

10. *THAT* the Company's Articles of Association be amended as required by the Guidance Note to Rule 17 of the AIM Rules to include disclosure provisions and correct some typographical errors as follows:

- a) Article 1.1 shall have the following additions:

"Associated Entity" means, in relation to a company, partnership or other entity (whether of independent legal status or otherwise) any company, partnership or entity (whether of independent legal status or otherwise) which is a subsidiary (whether direct or indirect) or holding company or under common control with the first company, partnership or other legal entity and includes all directors and officers of any such entities or any person who is able to direct, control or influence any such entity and, in respect of the first entity, any director, officer, shareholder or person who is able to direct, control or influence such entity;"

"Concert Party" means persons or persons who, pursuant to an agreement or understanding (whether formal or informal) actively co-operate, through the acquisition by any of them of Shares or otherwise to obtain or consolidate control of or influence over the Company for any purpose connected with the holding of Shares;"

Notice of Annual General Meeting.

“*Related Person*” means, in relation to an individual, his or her spouse, children, step children, parents, grandparents, brothers and sisters and trusts of which that individual or any other Related Person is a beneficiary;”

- b) the word “Uncertified” in the definitions of Jersey Regulation and UK Regulation in Article 1.1 is deleted and replaced with “Uncertificated”.
- c) the word “uncertified” in Articles 1.2(i) and 4.1 is deleted and replaced with “uncertificated”.
- d) Article 7 is deleted in its entirety and replaced with the following:

“7. *Interests in Shares*”

- 7.1 Where a member either to his knowledge acquires an interest in Shares or ceases to be interested in Shares or becomes aware that he has acquired an interest in Shares or that he has ceased to be interested in Shares in which he was previously interested then, in the circumstances set out in this Article, he is under an obligation to disclose to the Company with respect to his interests (if any) in Shares. In this Article, a reference to a “*Share*” or “*Shares*” is deemed to include a reference to shares carrying a right to vote and does not include any non-voting Shares or securities.
- 7.2 Where the Company’s Shares are divided into different classes of Shares, references in this Article to a percentage of the nominal value of the Company’s relevant share capital is to a percentage of the nominal value of the issued Shares comprised in each of the classes taken separately and the temporary suspension of voting rights in respect of shares comprised in the Shares of the Company of any such class does not affect any other Shares comprised in that class.
- 7.3 For the purposes of this Article, a member is under an obligation to disclose his interest in Shares either at the time the relevant change occurs or, in respect of any events or circumstances which lead to such change, when he becomes aware that he has acquired or disposed of an interest in Shares and references in this Article as to when he is obliged to notify the Company of a change in his shareholding shall be construed accordingly. For the purposes of Articles 7.1 to 7.7 (inclusive), an “*interest*” in shares is determined by reference to the entries on the Register.
- 7.4 Any member who acquires Shares such that he holds 3 per cent. or more of the issued Shares is under a duty to disclose his interest in Shares at the time:
 - a) his interest in Shares becomes greater than 3 per cent. of the issued Shares;
 - b) his interest in Shares falls below 3 per cent. of the issued Shares; and
 - c) at any time during the period when his interest in the issued Shares is greater than 3 per cent, when he acquires or disposes of Shares, in either one or more transactions such that the increase or decrease (as the case may be) in his interest is, taken on an aggregate basis, 1 per cent. or more of the issued Shares.
- 7.5 Where notification is required by this Article, it must be provided to the Company in writing and must be made within 2 days following the day on which the obligation to disclose arises. The notification must specify the class of share capital to which it relates and must also state the number of Shares comprised in that share capital in which the member making the notification knows he has a disclosable interest immediately after the time when the obligation to disclose arose or, in the case where a person no longer has a notifiable interest in Shares, that he no longer has such an interest. A notification made in accordance with this Article shall include the identity of each registered holder of the Shares to which the notification relates and the number of Shares held by each of them.
- 7.6 A member is taken to have an interest in Shares for the purposes of this Article in respect of the issued Shares held by:
 - a) a Concert Party;
 - b) an Associated Entity; and
 - c) a Related Person (together a “*Connected Person*”)

and for the purposes of this Article, Shares of a particular class held by a Connected Person are aggregated with and count towards the relevant thresholds in Article 7.4 in respect of the relevant member. For the avoidance of doubt, the provisions of this Article 7.6 do not relieve a Connected Person of its obligation to disclose an interest in Shares under this Article in respect of its own shareholding.

- 7.7 The Company may, by issuing a notice in writing in such form as the Directors may from time to time approve (a “*Disclosure Notice*”), require a member to disclose the nature of his interest in a relevant shareholding in the Company in accordance with this Article.

- 7.8 The Company may issue a Disclosure Notice to any member at any time and the member shall be obliged to respond in writing confirming such details as the Disclosure Notice requires within 14 days of receipt of the Disclosure Notice.
- 7.9 In this Article, references to the ultimate holding or to persons or entities on whose behalf the relevant Shares are ultimately held require disclosure of the person or persons or entities which ultimately control, benefit or have an interest in the Shares such that the Directors may reasonably determine the identity of the person or persons or entities which have an indirect interest in the relevant Shares and the nature of that shareholding and a member will not comply with the provisions of this Article by virtue of disclosing the legal entities or persons through whom the relevant Shares are held without also disclosing the actual identity of the relevant person or persons or entities for whom the relevant Shares are ultimately held.
- 7.10 Nothing in this Article will require a member to disclose the specific structure or order of the persons or entities behind a relevant shareholding except to the extent that such arrangements have an impact on who the ultimate beneficiaries, controllers or parties able to exercise influence over the relevant Shares.
- 7.11 In the event that a member fails to make the appropriate disclosures in accordance with this Article, to the extent permissible under the Law, the Directors may, by notice in writing and in their sole discretion, suspend voting and/or dividend rights, for a period of up to one year from the date such failure to disclose came to the Board's attention. Any dividends declared and paid in such period shall be withheld by the Company and shall be payable without interest as soon as reasonably practicable upon compliance. For the purposes of these Articles, to the extent permissible by Law, members whose voting rights have been suspended in accordance with this Article shall be entitled to receive notice of all general meetings of the Company but shall not be entitled to vote at the relevant general meetings. All resolutions passed at such general meetings shall be valid and binding, notwithstanding the suspension of voting rights.
- 7.12 The Directors may be required to exercise their powers under Article 7 on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as carries at that date the right of voting at general meetings of the Company. The requisition must:
- a) state that the requisitionists are requiring the Company to exercise its powers under this Article;
 - b) specify the manner in which they require those powers to be exercised; and
 - c) give reasonable grounds for requiring the Company to exercise those powers in the manner specified,
- and must be signed by the requisitionists and deposited at the Office. The requisition may consist of several documents in like form each signed by one or more requisitionists. On the deposit of a requisition complying with this Article it is the Directors' duty to exercise their powers under Articles 7.7 to 7.11 (inclusive) in the manner specified in the requisition."
- e) the word "register" in Article 8.5(d) is deleted and replaced with "Register".
 - f) the reference to "Articles 4, 5, 6, and 7.4(b)(ii)(B)" in Article 8.5(g) is deleted and replaced with "Articles 4, 5, 6 and 7".
 - g) "prohibited by Article 7 and may decline to register any transfer of Shares" shall be deleted from Article 8.7.
 - h) the word "these" in Article 44.1 is deleted and replaced with "there".
 - i) the word "on" in Article 44.2 is deleted and replaced with "of".

By order of the Board
Walkers Secretaries Limited
 Secretary to the Company

Dated:
 10 May 2007

Registered Office Address:
 Walker House, PO Box 72, 28-34 Hill Street,
 St Helier, Jersey JE4 8PN Channel Islands

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy to attend and, on a poll, to vote in his/her place. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the registered office of the Company set out above, or at such other place as is specified for that purpose in the notice of the meeting or in the instrument of proxy issued by the Company at least 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, at least 24 hours before the time appointed for taking the poll and, in default, the instrument of proxy shall not be treated as valid.
3. Completion of the instrument appointing a proxy does not preclude a member from subsequently attending and voting at the meeting in person if he/she so wishes.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the Holders stand in the register of members of the Company.



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