

20 April 2009

Velosi Limited
("Velosi", "the Group" or "the Company")

Preliminary Results
For the year ended 31 December 2008

Velosi Limited ("Velosi" or the "Group"), a provider of asset integrity and health, safety, and environment (HSE) services to a number of major national and multinational oil and gas companies, is pleased to announce its preliminary unaudited results for the year ended 31 December 2008.

HIGHLIGHTS IN 2008

Record Financial Performance

- Turnover up by 56% to US\$182.1 million (2007: US\$117.0 million)
- Profit before tax up by 30% to US\$14.9 million (2007: US\$11.4 million)
- EPS up 12% to US\$0.22 per share (2007: US\$ 0.19)
- Cash flow from operations increased substantially to US\$13.2 million (2007: US\$0.7 million)
- Net cash reserves of US\$17.8 million creating a strong financial position
- Low level of debt with gearing of 1%
- Final dividend proposed of US\$0.01 per share

Operational achievements

- Strong forward order book providing excellent visibility on future revenues
- Acquisition of PSC Europe SRL (PSC Italy) added an annualised US\$9.1 million in revenue and US\$1.5 million in operating profit
- Opened new offices in Angola, Ghana, Vietnam, Saudi Arabia, and Korea
- Introduced new management structure
- More cautious approach to expansion in light of the continued global market uncertainty

John Hogan, Chairman, commented:

"Following a strong performance in 2007, Velosi continued this trend in 2008 delivering a record set of financial results with strong cash generation. The Group has made substantial operational progress, venturing into new geographic locations, increasing market share in existing markets, and expanding its service offerings. Trading for the first three months of the current financial year has been in line with our expectations and the Board remains confident about the outlook for 2009."

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CHAIRMAN'S STATEMENT

Introduction

2008 was a very successful year for the Group. The substantial increase in revenue and profit was driven by continued high levels of investment in infrastructure by the world's major oil and gas companies. New infrastructure projects and services supplied for on-going projects continue to take centre stage in the Group's activities.

Due to the industry's focus on safety and protection of the environment, the oil and gas sector is still investing heavily in ensuring that its plant, equipment and structures are safeguarded to the highest standards. This creates an unremitting demand for Velosi's services, acting as a one-stop centre on a global basis for asset integrity and HSE services.

Despite the significant fall in oil prices precipitated by the global slow down in demand, the outlook for the Group remains positive as it continues to win new long-term contracts both in existing markets and more importantly in new markets such as Angola, Russia, Brunei and Saudi Arabia. Our confidence in the future performance of the Group is derived from the following factors:

- Good demand driven by new projects and the need to maintain existing projects with concerns over safety and the environment making the services Velosi provides a key investment for all major oil and gas companies;
- Excellent forward visibility on future revenue streams with 38% of long-term contracts having more than 3 years to run;
- Major oil and gas companies increasingly using Velosi as a one-stop centre on a global basis;
- Growth in market share expected to offset any future slowdown in oil and gas expenditure;
- Increasing focus on long-term contract wins in new markets and parts of North Africa and South America over next 12-24 months;
- Strong financial base with excellent cash generation and approximately US\$18 million of net cash at the year end (2007: Approximately US\$4 million) to support commercial objectives; and
- Balanced approach to future investment taking account of the current environment, and allocating resources to areas only where the Company can achieve significant returns.

Financial Performance

These record results are a direct reflection of the success of Velosi's strategy. For the financial year under review, the Group achieved a 55.6% increase in revenue to US\$182.1 million (2007: US\$117.0 million). Underlying organic growth in revenues was 26%, and the Group won 14 new contracts of which 6 were in new markets. The Group also registered an increase in profit before tax of 30.1% to US\$14.9 million (2007: US\$11.4 million). Operating profit before interest and tax increased by 28.9% to US\$14.4 million (2007: US\$11.2 million) and profit after tax and minority interests increased by 24.9% to US\$9.3 million (2007: US\$7.5 million). Cash flow from operations increased substantially to US\$13.2 million from US\$0.7 million in 2007. Net cash flow from operating activities was US\$9.9 million (2007: Outflow of US\$0.7 million).

During the year, the Group acquired a 60% interest in PSC Italy, an Italian-based company providing inspection and expediting services for a total consideration of €1.8 million (approximately US\$2.54 million). The acquisition has been immediately earnings enhancing.

Basic earnings per share after minority interests increased by 11.9% to 21.7 cents compared to 19.4 cents in the previous year, while fully diluted earnings per share after minority interests based on the weighted average issued share capital as at 31 December 2008 was 19.6 cents compared to 18.2 cents in the previous year.

At 31 December 2008 the Group had net cash reserves of US\$17.8 million, built through a combination of increased operating profits, a reduction in capital spending over 2007 levels, and the raising of £4.42 million through a placing of new shares in March 2008. This places the Group in a strong position both to fund its on-going activities and to be responsive to opportunities as they arise in the market.

Dividend

Backed by positive results, the Board is pleased to propose a final dividend of US\$0.01 per share (2007: US\$0.01). 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 shareholders' approval at the Annual General Meeting, the dividend will be paid on 31 July 2009 to shareholders on the register on 3 July 2009.

Strategy

2008 was another year of significant expansion. Since our flotation in 2006, the Company has increased its revenue base by almost four times, and now employs approximately 2,500 people. Our strategy has been to expand Velosi so that the skills it was providing so successfully in regional pockets could be deployed on a global basis, while at the same time increasing the range of services we provide. There is no doubt we have achieved a large part of our objectives as we are now operating on a global basis, and are winning 'one-stop centre' contracts to provide services for individual companies in a number of markets.

To accommodate the increased size of the Group, Velosi has put in place a new management structure by creating four new regional manager roles, reporting directly to the Chief Executive Officer, who respectively control the Group's principal geographic areas of activity, i.e. Africa, Australasia, Europe and the Middle East.

Looking ahead, our strategic focus is to continue to enter new geographic markets, growing market share in existing markets, and expanding the Group's service offerings organically, via joint ventures and through acquisitions.

The Group's acquisition of a 60% stake in PSC Italy in 2008 has resulted in an agreement with Saipem, a subsidiary of Italian oil and gas company ENI, to provide inspection and expediting services in China, India, Korea, Europe, and America. The acquisition of PSC Italy has been one of the Group's most successful acquisitions to date.

Elsewhere Velosi has won important contracts across the world, particularly in the Middle East and Africa. In Qatar, Oman, and Saudi Arabia, the Group was awarded contracts in those regions by RasGas, Petroleum Development Oman (PDO) and Saudi Aramco respectively. In Angola, the Group won its largest contract to date with Chevron.

In line with our growth plans and the Company's goal of becoming a leading Integrated Inspection, Maintenance and Engineering Support Provider, our 65% owned subsidiary, K2 Specialist Services Pte Ltd (K2) continues to develop its service portfolio and in August 2008 launched its Hotwork Enclosure System. The system allows for oil and gas operators to conduct hotwork operations in live process areas without the requirement of shutting down the process plant. This provides the client with a safe and extremely cost effective solution for on-going maintenance works without costly shut downs. K2 utilised the Hotwork Enclosure System during a maintenance campaign for Shell Bukom in Singapore and on an offshore production facility in Vietnam.

Appreciation

On behalf of the Board, I wish to extend my thanks to all our employees worldwide for their commitment, hard work and perseverance throughout the year.

Outlook

Velosi's success in securing new contracts and 100% retention of existing contracts reflects the confidence our clients have in our services and capabilities on a global basis. Demand has been driven by new projects and the need to maintain existing projects with concerns over safety and the environment, making the services Velosi provides a 'must-have' investment for the major oil and gas companies. However, the Group is not growing complacent and is keenly focused on continuing to grow the business in the context of a changing and more challenging market environment.

The Group is investing in new ways to make our services more cost effective and to keep up with clients' technological advancements. This is particularly important with world oil and gas prices set to remain weak in 2009 and possibly into 2010, creating a natural desire to reduce costs and pressures on labour cost inflation. Velosi's services remain critical for the establishment of new, and the maintenance of on-going, infrastructure projects. However, the Group is positioning itself to assist its clients by developing innovative cost effective solutions and working alongside them to achieve their objectives of reducing costs. In addition, our ability to increase market share and over the longer term diversify our services will help to counter any further reduction in expenditure.

The Group is closely focused on making the business operate on a streamlined cost base and has adopted a more conservative approach to expansion, as a result of the current economic environment, whilst ensuring that it does not forego commercial opportunities. The Board will continue to focus on cash generation, and with US\$18 million in net cash on the balance sheet and gearing of 1%, the Group has a strong financial platform from which to grow the business in 2009 and over the longer term.

Trading for the first three months of the current financial year has been in line with our expectations. A high level of the revenues forecast for the remainder of 2009 are already secured against existing contracts thereby giving the Board confidence that the Group will deliver another good performance in 2009.

John Hogan
Chairman

20 April 2009

OPERATIONAL REVIEW

2008 has been a year of expansion for the Group, both through our extended service offerings, entrance into new markets and through our acquisition of a controlling interest in PSC Italy. Trading for the first three months of the current financial year has been in line with our expectations and the Board remains confident about the outlook for 2009.

Operational Highlights

Africa

- Three-year engineering services contract with Bulk Oil Storage and Transportation Company Limited (BOST) in Ghana
- Contract with Chevron Angola for the provision of construction management and inspection services personnel

Australasia

- Three-year quality assurance, quality control and quality surveillance services contract with ConocoPhillips Indonesia Inc Ltd
- Since the year end, a three-year specialised services contract with Samsung Heavy Industries Co Ltd (SHI) for the assembly and installation of derricks

Europe

- Two and a half-year frame agreement with BP Norge AS providing quality assurance and quality control services for BP, marking the Group's maiden contract in Norway
- Three-year inspection and expediting services with Saipem, a subsidiary of ENI
- Acquisition of PSC Italy

Middle East

- Five-year general inspection services contract with Saudi Aramco
- Two-year asset integrity services with Al Khafji Joint Operations (KJO), a joint venture between Aramco Gulf Operations and Kuwait Gulf Oil Company
- Three-year contract with RasGas for the provision of specialised inspection personnel
- Three-year contract with Dolphin Energy for the provision of quality control inspection services, including vendor inspection services
- Since the year end, re-awarded a four-year quality assurance, quality control, and third party inspection services contract with PDO

Overview

In 2008, Velosi's investment across the business, with continued infrastructure investment and the need for operational efficiency amongst the oil and gas and petrochemical companies, contributed to the Group winning a number of significant new contracts globally. We believe that these contracts will underpin the Group's growth in 2009 despite the global slow down.

Velosi's expansion of its diverse range of services to include Asset Integrity Management Services, Hotwork Enclosures, Project Management Consultancy and Sub-sea Services; the opening up of new markets; and recent acquisitions, offer both existing and potential clients the added benefit of a one-stop centre. The Group's new markets are performing well and there are evident synergies among the Group's Strategic Business Units (SBUs), with cross-selling being filtered through the Group's subsidiaries, branches and representative offices. SBUs are the Group's subsidiaries, providing specialised services within our core activities.

A significant portion of the Group's revenue is recurrent due to term contracts and on-going regulatory activities.

Europe

Turnover: US\$44.3 million (2007: US\$15.2 million), Contribution to Group Sales: 24.4% (2007: 13.0%)

Europe saw the highest growth in turnover during the period, with an increase of 192.2%. The acquisition of PSC Italy not only contributed to the significant increase in earnings, but will also give Velosi a strong platform from which to expand its presence in Italy's rapidly growing natural gas market. This was demonstrated in an agreement with Saipem, a subsidiary of the Italian oil and gas company ENI, to provide inspection and expediting services in China, India, Korea, Europe and America.

Another significant breakthrough was the three-year quality assurance and quality control contract from BP Norge AS. Under this new contract, Velosi will provide quality assurance and quality control for BP, including verification, certification, and enhancement services, at fabrication sites in Norway and the rest of Europe for the Valhall Re-Development Project located in the Norwegian sector of the North Sea, and for the Skarv Project, located in deepwater offshore Norway. This is our first contract with BP in Europe and also provides an opportunity for us to develop our presence across Scandinavia.

The operating results for Europe during the period were however dampened by the provision of bad debts of approximately US\$1.4 million in Intec (UK) Ltd (Intec). This was primarily due to a client having filed for administration.

Australasia

Turnover: US\$32.6 million (2007: US\$12.1 million), Contribution to Group Sales: 17.9% (2007: 10.4%)

Following its strong performance in 2007, Australasia recorded a commendable 169.4% increase in turnover during the period.

In June 2008, ConocoPhillips Indonesia awarded a three-year quality assurance, quality control and quality surveillance services contract worth US\$7.8 million. Under this contract Velosi will audit and inspect pipe mills, valve suppliers, fabrication yards, and project sites, to verify that the planning and execution of manufacturing, construction, and testing are carried out to meet the criteria in purchase orders and main contracts. This new contract will increase Velosi's presence in Indonesia, Europe, the USA, Malaysia, Singapore, and China, through work with international vendors.

K2, the Group's SBU in Singapore, was awarded a contract worth US\$2.75 million from PPL shipyard, Singapore, for the assembly and installation of five new build jackup derricks, with the option for the contract to be extended to cover an additional three derricks. K2 commenced work in June 2008 and has already started the assembly of the second new build jackup, with the first five derricks due to be completed in June 2009.

In addition, COSCO shipyard, Nantong, China, awarded a contract to K2 for the supply of specialised equipment, manpower, and technical know-how to carry out the assembly and installation of the drilling package on the semi-submersible Sevan 650 drilling rig. The project commenced in July 2008..

Since the year end, K2 has been awarded a three-year contract with Samsung Heavy Industries Co Ltd (SHI) worth in excess of US\$20 million. SHI is one of the world's leading shipbuilders, constructing vessels with leading-edge technology including drill ships, ultra-large container ships, liquefied natural gas (LNG) carriers, and floating production storage and offloading units (FPSOs). Under the SHI contract, K2 will provide specialised services for the assembly and installation of at least 20 derricks. The project will require highly trained rope access derrick builders to work on steel erection, the installation of electrical, mechanical and hydraulic equipment, and structural surveying and alignment as required. The contract commenced at SHI's shipyard on Geoje Island, South Korea, on 13 March 2009.

All the countries in the region enjoyed healthy growth with notable performance from our operations in Vietnam, K2 in Singapore, and QA Management Services Pty Ltd (QAM) in Australia. Vietnam's turnover increased 334% to approximately US\$3.6 million while K2's turnover increased 309% to over US\$12.8 million. QAM, the Group's SBU in Australia, increased its turnover 152% to approximately US\$3.7 million.

Middle East

Turnover: US\$59.8 million (2007: US\$34.2 million), Contribution to Group Sales: 32.9% (2007: 29.2%)

The establishment of Velosi Asset Integrity Ltd (VAIL) in 2007, which offers specialised services to the oil and gas, and petrochemical industries globally, expanded our range of services to include higher-end consultancy services. This strategic move has resulted in another two new contract wins with KJO and Abu Dhabi Gas Liquefaction Company Ltd (ADGAS) respectively.

KJO, a joint venture between Aramco Gulf Operations and Kuwait Gulf Oil Company, awarded a US\$2.2 million, two-year contract to Velosi, effective from April 2008. The project is an asset integrity service which covers Reliability and Maintenance Effectiveness Implementation and is based in Saudi Arabia.

ADGAS has agreed a Static Equipment Inspection and Task Planning contract with Velosi's asset integrity unit. The Abu Dhabi-based contract will last 18 months, effective from May 2008.

Velosi's Qatar office has won a new contract from our existing client RasGas, for the provision of specialised inspection personnel. It is an exclusive three-year contract and commenced in November 2008. Velosi Qatar has also recently been awarded a three-year contract by Dolphin Energy, a new client, following a competitive tendering process, commencing November 2008.

Velosi Oman (50% owned by Velosi), has been re-awarded a quality assurance, quality control and third party inspection services contract with PDO. The new contract commences in June 2009, covering a period of four years. The contract originally commenced in December 2003, and was due to expire in May 2009.

The growth in revenue achieved in the Middle Eastern region during the period, although considerable, has been partly offset by rising overhead costs such as employment-related costs as well as increases in accommodation expenses.

Americas

Turnover: US\$17.5 million (2007: US\$17.5 million) Contribution to Group Sales: 9.6% (2007: 14.9%)

In spite of the global economic challenges faced in this region in 2008, substantial efforts have been made to further strengthen the various divisions.

Velosi America continued to grow steadily during the year, entering into master service agreements with new clients, and at the same time renewing agreements with existing clients. Major clients in this region include UOP (Honeywell) Inco Australia, Gulf Interstate Engineering, CB&I, GE Vetco Gray, Enersul, J. Ray McDermott, and KBR.

During the year, the Russian Certification Services Division continued to service its major clients such as General Electric, CMI EPTI, National Oilwell Varco, and Ventech Engineers. Significant efforts have been made in 2009 to develop the Russian and Kazakhstan certification work for companies in Canada, and a gradual increase of orders from Canadian companies is expected towards the end of 2009. Moving forward, the region is set to develop its inspection business further, and focus on winning long-term contracts.

Africa

Turnover: US\$26.5 million (2007: US\$36.6 million), Contribution to Group Sales: 14.5% (2007: 31.3%)

As anticipated, revenue from Africa reduced against the previous year as a result of the on-going negotiations with Richard Ogunmakin's estate regarding the future ownership and operation of Velosi Nigeria.

The newly established Angolan office has successfully won a substantial new contract with Chevron. Under the terms of the contract, Velosi will provide Construction Management and Inspection Services personnel to Chevron's oil and gas production operations in Cabinda, Angola. During the year, Velosi Angola contributed revenue of US\$6.9 million, the highest registered in this region.

In January 2008, Velosi Ghana commenced a three-year contract with BOST, providing engineering services for the supervision of BOST-AT&V (BATV) project. The project includes the construction of 90,000 cubic meter fuel storage tanks to be located on three sites, i.e. Accra Plain Depot, Akosombo Site, and Savelugu Site; and a 70 kilometer 12-inch diameter pipeline from the Accra Plain Depot to the Akosombo Site. During the year, Velosi Ghana contributed revenue of US\$1.3 million, an increase of 709% from last year.

Central Asia

Turnover: US\$1.3 million (2007: US\$-), Contribution to Group Sales: 0.7% (2007:-%)

The contract with Exxon Neftegas Ltd in Sakhalin Island awarded in 2007, contributed approximately US\$1.3 million in revenue to the region. The contract which commenced in 2008, provides Corrosion Control Inspection and Non-Destruction Testing services.

FINANCIAL REVIEW

The Company's consolidated financial statements for the year ended 31 December 2008 have been prepared under International Financial Reporting Standards (IFRS).

For the year ended 31 December 2008, the Group demonstrated another year of strong financial growth with operating profit increasing 28.9% to US\$14.4 million (2007: US\$11.2 million), and strong cash flow generation, with cash flow from operations increasing substantially, to US\$13.2 million (2007: US\$0.7 million). Net cash flow from operating activities was US\$9.9 million (2007: Outflow of US\$0.7 million). Turnover increased 55.6% to US\$182.1 million (2007: US\$117.0 million). The growth in turnover was principally driven by operations in Europe and Australasia, where turnover increased 192.2% and 169.4% respectively. During the year, the Middle East, the largest contributing region to Group turnover, contributed 32.9% to total sales, followed by Europe and Australasia, contributing 24.4% and 17.9% respectively.

Profit from ordinary activities before tax for the year was up 30.1% from US\$11.4 million in 2007, to US\$14.9 million. The Group recorded an increase of 19.5% in profit after tax, and of the US\$11.7 million (2007: US\$9.8 million), US\$2.3 million was attributable to minority shareholders of the Group (2007: US\$2.3 million).

Taxation

The effective tax rate for the Group for the year ended 31 December 2008 was 22% (2007: 15%) and the tax charge was US\$3.2 million (2007: US\$1.7 million). The effective tax rate for the Group is directly correlated with the contributions from the different countries in which we trade and their varying tax rates.

Share Capital

During the year, share capital increased by US\$100,000 mainly due to the institutional placing of 3,842,000 new ordinary shares of US\$0.02 each, which represented 8.8% of the enlarged issued share capital of the Company. 868,966 new ordinary shares of US\$0.02 each were issued as final payment for the acquisition of 60% of Intec, the acquisition of which was announced in 2007. 214,836 new ordinary shares of US\$0.02 each were issued to the shareholders of K2 for the achievement of its performance targets, in accordance with the agreement dated 19 October 2007; and 83,438 new ordinary shares of US\$0.02 each in lieu of payment for the acquisition of 14% of Kurtec Inspection Services Sdn Bhd.

Acquisitions and Cash Flow

During the year, the Group acquired a 60% interest in PSC Italy, an Italian-based company providing inspection and expediting services, for a total consideration of £1.8 million (approximately US\$2.54 million) Cash outflow for the Group from investing activities reduced by US\$6.6 million to US\$3.1 million from US\$9.7 million in 2007. This was due to the Group adopting a more cautious approach to expansion in light of the continued global market uncertainty.

Net cash inflow from operating activities increased to US\$9.9 million from a net cash outflow of US\$0.7 million in 2007. This was largely due to the increase in operating profit, and reduction in debtors' days. Furthermore, the cash inflow from operating activities took into account tax paid of US\$2.8 million in 2008 compared with US\$1.2 million in 2007.

There was a net cash inflow from financing activities of US\$7.7 million, compared to US\$2.9 million in 2007. The increase of US\$4.8 million was mainly due to the proceeds from the institutional placing of 3,842,000 new ordinary shares of US\$0.02 each on 20 March 2008. The proceeds were used to satisfy the working capital requirements of new contracts secured in 2008, and expansion into new geographical territories.

Administrative Expenses

Administrative Expenses for the year amounted to US\$32.1 million (2007: US\$18.1 million), with the increase due to the consolidation of PSC Italy's management overheads, full year contribution of management overheads from entities that were acquired in 2007, namely Intec and K2, the increase of staff strength and salaries in the Middle East in line with its increased activity, and the Group's continuing investment in marketing to enhance market share in both new and existing areas. The opening of new offices in Angola, Ghana, Vietnam, Saudi Arabia, and Korea, also partly contributed to the increase in administrative expenses. The Group's continuing investment in IT, such as the development of the Group Intranet to facilitate sales and contracts reporting, also contributed to the increase in costs.

Profit Attributable to Minority Interests

Profits attributable to minority interests were US\$2.3 million (2007: US\$2.3 million). This was mainly due to the stronger performance of the Group's part-owned subsidiaries including K2 and QAM in Australasia; Velosi Certification W.L.L (Qatar) and Velosi Saudi Arabia LLC in the Middle East; and Velosi Ghana Ltd in Africa.

Earnings Per Share and Dividends

Basic earnings per share after minority interests based on the weighted average issued share capital as at 31 December 2008 were 21.7 cents (2007: 19.4 cents), and fully diluted earnings per share after minority interest based on the weighted average issued share capital as at 31 December 2008 were 19.6 cents (2007: 18.2 cents). As at 31 December 2008, the Group had net assets of US\$1.41 per share.

As stated in the Chairman's Statement, the Board is proposing a final dividend of US\$0.01 per share (2007: US\$0.01). The dividend will be paid, subject to shareholder approval at the Annual General Meeting, on Friday 31 July 2009, to shareholders on the register on Friday 3 July 2009, in sterling converted at the prevailing exchange rate.

VELOSI LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 Unaudited US\$'000	2007 Audited US\$'000
Continuing operations			
Revenue	6	182,072	116,997
Cost of sales		<u>(136,509)</u>	<u>(89,152)</u>
Gross profit		45,563	27,845
Other operating income		883	1,435
Administrative expenses		<u>(32,057)</u>	<u>(18,121)</u>
Operating profit		14,389	11,159
Finance costs		(533)	(253)
Share of profit of associated companies		<u>1,006</u>	<u>520</u>
Profit on ordinary activities before tax		14,862	11,426
Income tax expense	4	<u>(3,208)</u>	<u>(1,670)</u>
Profit on ordinary activities after tax		11,654	9,756
Minority interest		<u>(2,348)</u>	<u>(2,301)</u>
Profit from continuing operations and attributable to equity holders		<u><u>9,306</u></u>	<u><u>7,455</u></u>
Basic earnings per share	2	<u>21.7c</u>	<u>19.4c</u>
Diluted earnings per share	2	<u>19.6c</u>	<u>18.2c</u>

VELOSI LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	2008 Unaudited US\$'000	2007 Audited US\$'000
Assets		
Non-current assets		
Goodwill	8,307	7,341
Other intangible assets	1,744	1,662
Property, plant and equipment	8,261	6,920
Investment in associated companies	1,338	869
Other investments	-	9
Deferred tax assets	400	88
	<u>20,050</u>	<u>16,889</u>
Current assets		
Inventories	2,271	1,056
Trade and other receivables	61,668	46,362
Amount due from a related party	1,057	1,394
Amount due from associated companies	1,127	981
Tax recoverable	126	90
Cash and cash equivalents	20,641	7,967
	<u>86,890</u>	<u>57,850</u>
Non-current asset held for sale	<u>-</u>	<u>900</u>
Total assets	<u>106,940</u>	<u>75,639</u>
Equity and liabilities		
<i>Capital and reserves</i>		
Share capital	887	787
Share premium	32,422	21,310
Share based payment reserve	755	425
Revaluation reserve	287	287
Translation reserve	(2,164)	(63)
Retained earnings	22,875	14,004
	<u>55,062</u>	<u>36,750</u>
Total equity attributable to equity holders	<u>55,062</u>	<u>36,750</u>
Minority interest	<u>7,293</u>	<u>5,729</u>
Total equity	<u>62,355</u>	<u>42,479</u>

VELOSI LIMITED**CONSOLIDATED BALANCE SHEET (continued)
AS AT 31 DECEMBER 2008**

	2008	2007
	Unaudited	Audited
	US\$'000	US\$'000
Current liabilities		
Trade and other payables	33,447	20,820
Amount due to a related party	142	42
Amount due to associated companies	16	229
Bank and other borrowings	2,923	3,856
Current tax liabilities	2,421	1,761
Hire purchase liabilities	658	219
Deferred consideration	2,673	4,477
	<u>42,280</u>	<u>31,404</u>
Non-current liabilities		
Deferred tax liabilities	37	24
Provision for employees end of service benefits	818	211
Bank and other borrowings	343	548
Hire purchase liabilities	933	951
Other non-current liabilities	174	22
	<u>2,305</u>	<u>1,756</u>
Total liabilities	<u>44,585</u>	<u>33,160</u>
Total equity and liabilities	<u>106,940</u>	<u>75,639</u>

VELOSI LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 Unaudited US\$'000	2007 Audited US\$'000
Cash flows from operating activities		
Profit on ordinary activities for the year	14,862	11,426
Adjustments for:		
Depreciation	1,707	1,056
(Gain) / loss on disposal of property, plant and equipment	(120)	6
Property, plant and equipment written off	37	5
Amortisation of intangible assets	331	75
Loss on disposal of shares in a subsidiary	-	18
Impairment in other investments	9	-
Negative goodwill written off	-	(1)
Allowance for doubtful debts	3,568	1,080
Allowance for doubtful debts written back	(8)	-
Bad debts written off	211	28
Provision for retirement benefit	744	106
Retirement benefit paid	(137)	(5)
Share of profit in associated companies	(1,006)	(520)
Interest expense	533	253
Interest income	(244)	(210)
Unrealised foreign exchange loss	485	-
Issue of share options	330	289
Operating cash flows before movements in working capital	21,302	13,606
Increase in inventories	(1,216)	(57)
Increase in receivables	(16,349)	(14,498)
Increase in payables	9,494	1,652
Cash generated from operations	13,231	703
Interest paid	(533)	(253)
Tax paid	(2,770)	(1,190)
Net cash from / (used in) operating activities	<u>9,928</u>	<u>(740)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,687)	(3,376)
Receipts from sale of property, plant and equipment	448	172
Acquisition of new subsidiary companies, net of cash	(1,168)	(6,415)
Purchase of unquoted shares	-	(9)
Advance to associated companies	(358)	(598)
Dividend income from an associated company	414	324
Interest received	244	210
Net cash used in investing activities	<u>(3,107)</u>	<u>(9,692)</u>

VELOSI LIMITED

CONSOLIDATED CASH FLOW STATEMENT (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 Unaudited US\$'000	2007 Audited US\$'000
Cash flows from financing activities		
Proceeds from issue of shares	8,660	3,275
Share issue expenses	(445)	(69)
Repayments of term loans	(132)	(143)
Repayments of hire purchase liabilities	(251)	(238)
Advance from / (repayments to) a related party	437	(245)
Advance from directors	109	722
Dividend paid to shareholders of Velosi Limited	(435)	(383)
Dividend paid to minority shareholders of subsidiary companies	(208)	(60)
	<u>7,735</u>	<u>2,859</u>
Net cash from financing activities	<u>7,735</u>	<u>2,859</u>
Net increase / (decrease) in cash and cash equivalents	14,556	(7,573)
Foreign exchange translation differences	(876)	(234)
Cash and cash equivalents at the beginning of the year	4,111	11,918
	<u>17,791</u>	<u>4,111</u>
Cash and cash equivalents at the end of the year	<u>17,791</u>	<u>4,111</u>
Cash and cash equivalents comprise:		
Current assets – Cash and cash equivalents	20,641	7,967
Current liabilities – Bank overdraft	(2,850)	(3,856)
	<u>17,791</u>	<u>4,111</u>

VELOSI LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

Group

	Share Capital US\$'000	Share Premium US\$'000	Reserves US\$'000	Total US\$'000	Minority Interest US\$'000	Total US\$'000
Unaudited						
Balance at 1 January 2008	787	21,310	14,653	36,750	5,729	42,479
Exchange reserve arising on translation of financial statements of overseas subsidiaries	-	-	(2,101)	(2,101)	(727)	(2,828)
Share allotment	100	11,112	-	11,212	-	11,212
Profit for the year	-	-	9,306	9,306	2,348	11,654
Acquisition of subsidiary	-	-	-	-	151	151
Issue of share options	-	-	330	330	-	330
Dividend paid	-	-	(435)	(435)	(208)	(643)
Balance at 31 December 2008	<u>887</u>	<u>32,422</u>	<u>21,753</u>	<u>55,062</u>	<u>7,293</u>	<u>62,355</u>
Audited						
Balance at 1 January 2007	763	18,128	7,366	26,257	2,507	28,764
Exchange reserve arising on translation of financial statements of overseas subsidiaries	-	-	(74)	(74)	183	109
Share allotment	24	3,182	-	3,206	-	3,206
Profit for the year	-	-	7,455	7,455	2,301	9,756
Acquisition of subsidiary	-	-	-	-	780	780
Disposal of shares in subsidiary	-	-	-	-	18	18
Issue of share options	-	-	289	289	-	289
Dividend paid	-	-	(383)	(383)	(60)	(443)
Balance at 31 December 2007	<u>787</u>	<u>21,310</u>	<u>14,653</u>	<u>36,750</u>	<u>5,729</u>	<u>42,479</u>

VELOSI LIMITED
PRELIMINARY RESULTS ANNOUNCEMENT – NOTES

1. Basis of preparation

The financial information set out in this preliminary results announcement does not constitute the Group's financial statements for the year ended 31 December 2008.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and using the accounting policies which are consistent with those adopted in the financial statements for the year ended 31 December 2007.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, it does not include sufficient information to comply with IFRS.

The auditors have yet to sign their report on the 2008 financial statements. The financial statements for the year ended 31 December 2008 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement, and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Whilst the auditors have not yet reported on the financial statements for the year ended 31 December 2008, they anticipate issuing an unqualified report.

The financial information for the year ended 31 December 2007 is derived from the financial statements for that year. The auditors have reported on the 2007 financial statements, their report was unqualified.

The financial information set out in this announcement was approved by the board on 17 April 2009.

2. 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, as follows:

	Year ended 31 December 2008 US\$'000	Year ended 31 December 2007 US\$'000
Profit after taxation and minority interest	9,306	7,455
	Number	Number
Weighted average number of shares for the purpose of calculating basic earnings per share	42,809,629	38,389,734
Effect of dilutive potential ordinary shares		
Share Options	-	1,858,702
Warrants	-	476,749
Deferred consideration	4,463,847	332,773
Weighted average number of shares for the purpose of calculating diluted earnings per share	47,273,476	41,057,958
Basic earnings per share based on the weighted average issued share capital as at 31 December	21.7c	19.4c

Diluted earnings per share based on the weighted average issued share capital as at 31 December	19.6c	18.2c
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3. Dividends

The Directors propose a final dividend of US\$0.01 per ordinary share to shareholders in respect of the financial year ending 31 December 2008 (2007: US\$0.01).

4. Income tax expense

	2008 US\$'000	2007 US\$'000
<i>Foreign tax</i>		
Overseas tax payable	3,446	1,740
Total current tax	3,446	1,740
<i>Deferred tax</i>		
Movement in deferred tax position	(352)	(133)
Taxation on profit from ordinary activities	3,094	1,607
Add: Share of taxation of associated companies	114	63
	3,208	1,670

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits for the consolidated entities as follows:

	2008 US\$'000	2007 US\$'000
Profit on ordinary activities before taxation (excluding share of results of associated companies)	13,856	10,906
Profit on ordinary activities at 14.28% (2007: 14.06%)	1,978	1,534
Tax effects of:		
Difference in tax rates of foreign countries	1,045	235
Effect of reduction in tax rate	6	(1)
Expenses not deductible for tax purposes	76	306
Tax redemption and rebates	(39)	(11)
Utilisation of tax losses	12	-
Utilisation of capital allowance	(60)	(25)
Deferred tax liabilities not recognised	103	151
Non-taxable income	(25)	(391)
Adjustment on prior year current tax	12	4
Others	(14)	(195)
	3,094	1,607
Add: Share of taxation of associated companies	114	63
	3,208	1,670

The applicable tax of the Group is derived from the consolidation of all Group companies' applicable tax based on their respective domestic tax rates.

The applicable tax rate of the Group has increased from 14.06% to 14.28% mainly due to the higher proportion of income contributed by the higher tax jurisdiction countries.

5. Acquisition

Pursuant to an agreement dated 17 September 2008, Velosi International Italy Srl acquired a 60% stake in PSC Europe SRL (PSC Italy) for an aggregate consideration of €1.8 million (approximately US\$2.54 million). The consideration is to be satisfied by an initial payment of €0.9 million (approximately US\$1.27 million) in cash and a further deferred consideration of up to €0.9 million (approximately US\$1.27 million) to be paid on the basis of the business performance in the period from 1st January 2008 to 31st December 2010, in either cash and / or shares (at the election of the vendors). In addition, there are two call and put options over the remaining 40% interest in PSC Italy. The first option is exercisable for six months post 31 December 2010 for up to 50% of the balance of the vendors' shares. The second option is exercisable for twelve months, commencing five years from the date of acquisition, for the remaining shares. The option price will be settled in cash and will be based on a pro-rata percentage of a multiple of six times the average audited profit after tax and minority interests of PSC Italy for the 3 years preceding the exercise of the respective call or put option.

Goodwill on acquisition

	US\$'000 Book Value	US\$'000 Fair Value
Purchase consideration		
Cash	1,269	1,269
Contingent consideration to be paid in cash or shares	1,269	1,269
Total purchase consideration	2,538	2,538
Net (liabilities) / assets acquired	54	(23)
Identifiable intangibles acquired	-	(537)
Goodwill	-	1,978

The assets and liabilities arising on this acquisition have been provisionally determined.

Acquisitions made by the Group are satisfied in part by contingent deferred consideration. The Group re-estimates the amounts due as deferred contingent consideration where necessary, with any corresponding adjustments being made to goodwill.

	PSC Italy US\$'000	Intec US\$'000	K2 US\$'000	Total US\$'000
Deferred contingent consideration				
Outstanding as at 1 January 2008	-	2,520	1,957	4,477
Foreign exchange translation difference	-	(252)	(60)	(312)
Acquisition in the year	1,269	-	-	1,269
Consideration settled in the year	-	(2,268)	(493)	(2,761)
Deferred contingent consideration outstanding as at 31 December 2008	1,269	-	1,404	2,673

The provisional deferred consideration consists of cash and shares.

6. 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, assets, liabilities, additions to property, plant and equipment and depreciation by geographical origin of customers are set out below:

	2008	2007
	US\$'000	US\$'000
Turnover		
Europe	44,336	15,174
Middle East	59,788	34,172
Americas	17,522	17,464
Africa	26,464	36,608
Australasia	32,632	12,115
Central Asia	1,330	-
Others	-	1,464
	<u>182,072</u>	<u>116,997</u>
Gross Profit		
Europe	9,317	2,921
Middle East	12,854	8,315
Americas	4,432	4,707
Africa	5,969	5,804
Australasia	12,357	5,511
Central Asia	634	-
Others	-	587
	<u>45,563</u>	<u>27,845</u>
Carrying amount of assets		
Europe	17,279	16,106
Middle East	33,141	19,472
Americas	6,449	6,897
Africa	22,844	14,830
Australasia	22,844	17,198
Central Asia	1,218	-
Others	3,165	1,136
	<u>106,940</u>	<u>75,639</u>
Liabilities		
Europe	10,387	10,862
Middle East	9,268	5,403
Americas	3,064	2,708
Africa	12,732	8,073
Australasia	7,388	5,762
Central Asia	751	-
Others	995	352
	<u>44,585</u>	<u>33,160</u>
Additions to property, plant and equipment		
Europe	95	908
Middle East	696	1,349
Americas	30	5
Africa	642	1,352
Australasia	1,754	751
Central Asia	12	-
Others	3	11
	<u>3,232</u>	<u>4,376</u>
Depreciation		
Europe	162	86
Middle East	497	292
Americas	11	4

Africa	421	327
Australasia	612	330
Central Asia	3	-
Others	1	17
	<u>1,707</u>	<u>1,056</u>

7. Share capital

a) Share Capital

	Group 2008 US\$'000	Group 2007 US\$'000	Company 2008 US\$'000	Company 2007 US\$'000
Authorised: 4,400,000,000 (2007: 4,400,000,000) Ordinary shares of US\$0.02 each	88,000	88,000	88,000	88,000
Issued: 44,341,580 (2007: 39,332,340) Ordinary shares of US\$0.02 each	887	787	887	787

b) Share issued during the year

	Note	Issue share value per Share	value per Share US\$	Shares	Share Capital US\$'000	Share Premium US\$'000
At 1 January 2008		GBP	US\$	39,332,340	787	21,310
Share issued on 11 February 2008	(i)	1.45	2.85	83,438	2	235
Share issued on 6 March 2008	(ii)	1.17	2.29	214,836	4	488
Share issued on 27 March 2008	(iii)	1.15	2.25	3,842,000	77	8,583
Share issued on 2 September 2008	(iv)	1.45	2.64	868,966	17	2,251
Share issue costs		-	-	-	-	(445)
				<u>44,341,580</u>	<u>887</u>	<u>32,422</u>

On 11 February 2008 (i), 83,438 new ordinary shares were issued in lieu of payment for the acquisition of 14% of Kurtec Inspection Services Sdn Bhd.

On 6 March 2008 (ii), 214,836 new ordinary shares were issued to shareholders of K2 Specialist Services Pte Ltd (K2), pursuant to an agreement dated 19 October 2007 between K2 and Velosi Industries Sdn Bhd, and based on achievement of performance targets by K2 for the financial year ending December 31, 2007.

On 27 March 2008 (iii), Charles Stanley Securities on behalf of the Company, completed an institutional placing (the Placing) of 3,842,000 new Ordinary Shares which represent 8.8% of the enlarged issued share capital of the Company.

On 2 September 2008 (iv), 868,966 new ordinary shares were issued to shareholders of Intec (UK) Ltd (Intec), in lieu of payment of the remaining balance of purchase consideration of £1.26 million for the acquisition of 60% interest in Intec pursuant to an agreement dated 19 October 2007.

8. Nature of financial information

These preliminary results will be available on the Company's website www.velosi.com. Further copies can be obtained from the registered office at 28-34 Hill Street, St Helier, Jersey, JE4 8PN.