



Global Reach, Local Service

OUR BUSINESS

Providing effective solutions to ensure the integrity and safety of plants

OUR VISION

To be the world's leading asset integrity service provider with respect to technical excellence and market penetration

OUR MISSION

To expand our global reach while we continually improve, evolve, and deliver excellent value added services – it is our goal to always deliver timely service of the highest standard



CORPORATE VALUES

Corporate Governance and Integrity

We demand of ourselves and of each other the highest standards of individual and corporate integrity in dealing with employees, customers, and shareholders of the communities we serve.

Transparency and Open Dealing

We do not allow business situations – in any form – to undermine or weaken our standards for integrity. In everything that we do, both within Velosi and externally, we always work in an objective manner, with clearly defined goals in terms of quality and profitability.

Caring for the Health and Safety of our Employees

We aim to conduct our business in a way that presents no risk of injury or ill health to our employees by providing healthy and safe working conditions, including staff training in health and safety practices, the success of which requires the commitment and responsibility of everybody in the Company.

Mutual Respect

We show respect for each other throughout our international organisation, in an environment where honest praise and constructive criticism stimulates personal development, responsibility, and job satisfaction. While we encourage entrepreneurship, we are also team players who demonstrate cooperation and camaraderie.

Protecting the Environment

We recognise our responsibility to manage the environmental effects of our services, and we are committed to employing environmentally responsible operating methods and supporting our clients in achieving their environmental objectives.

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2008 highlights

Highlights In 2008

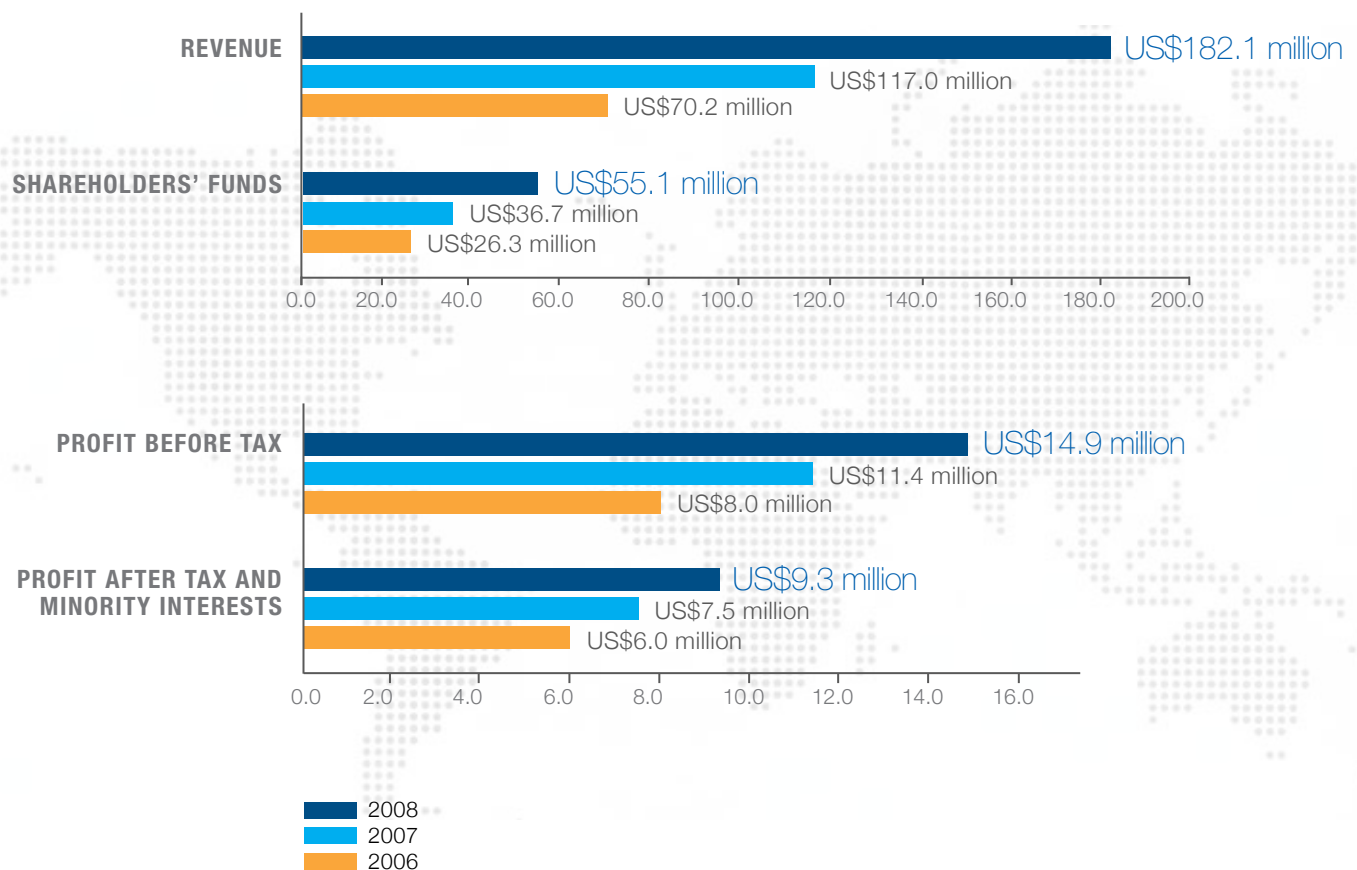
Record Financial Performance

- Turnover up by 56%
- Profit on ordinary activities before tax up by 30%
- EPS up 12%
- Cash flow generated from operations increased to US\$13.2 million
- Net cash reserves of US\$17.8 million
- Gearing of only 1%
- Final dividend 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

Financial Highlights



chairman's statement

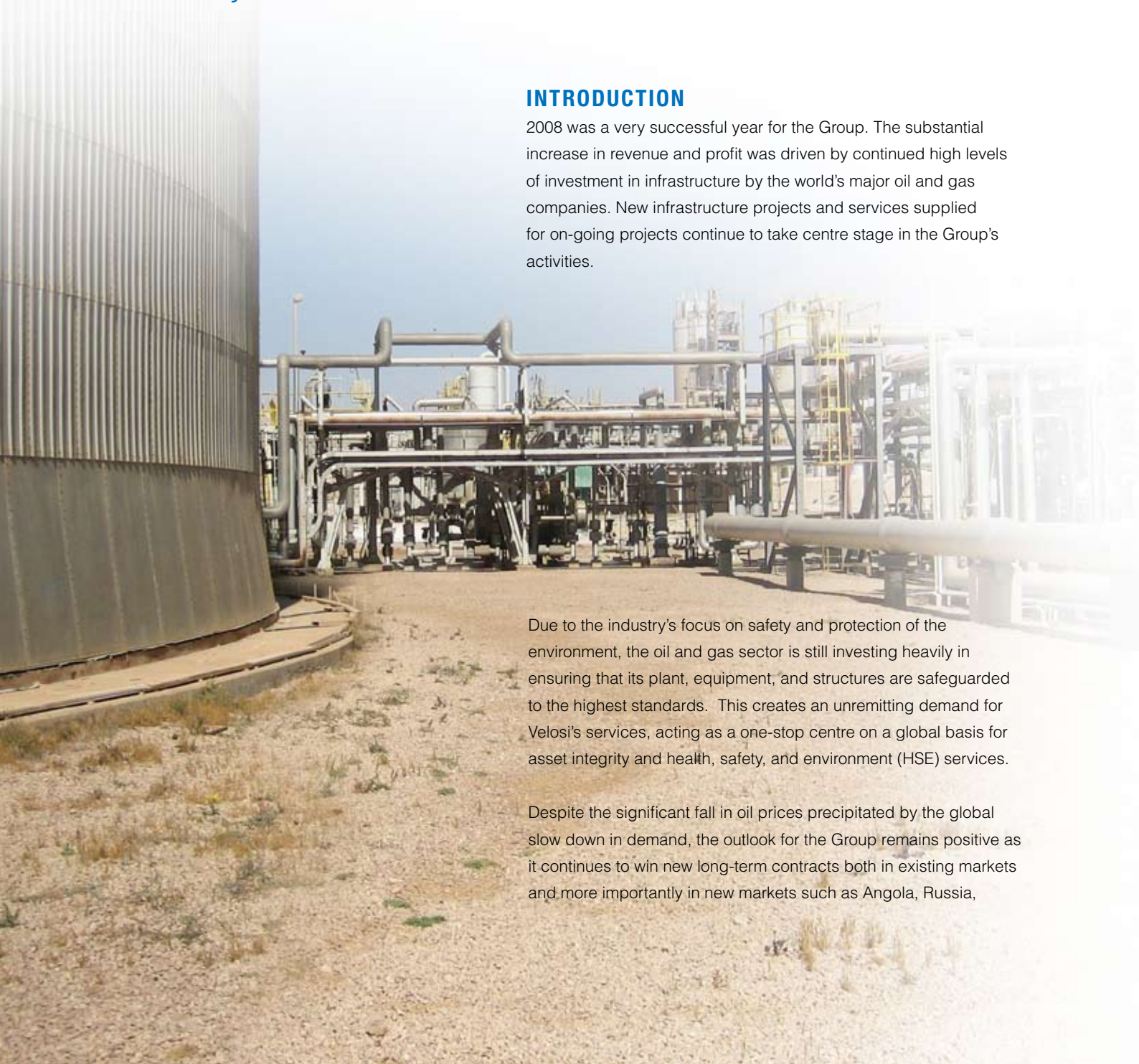
“Following a strong performance in 2007, Velosi continued this trend in 2008 delivering a record set of financial results with strong cash generation. The Group has made substantial operational progress, venturing into new geographic locations, increasing market share in existing markets, and expanding its service offerings. I am therefore very pleased to present the performance of the Group for the financial year ended 31 December 2008.”

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 health, safety, and environment (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,



chairman's statement

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 24.8% 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.

chairman's statement



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

chairman's statement

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 its 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
30 April 2009

operations 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

- Two-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

- Three-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.



operations review

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 approximately 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.



operations review

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 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.

operations review

MIDDLE EAST

Turnover: US\$59.8 million (2007: US\$34.2 million),
Contribution to Group Sales: 32.8% (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 September 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.



operations review

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 two-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:-%)

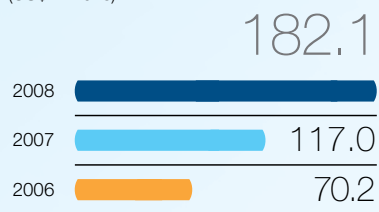
The contract with Exxon Neftegas Ltd in Sakhalin Island awarded in 2007, contributed approximately US\$1.3 million in revenue to the region. The contract which commenced in 2008, provides Corrosion Control Inspection and Non-Destruction Testing services.



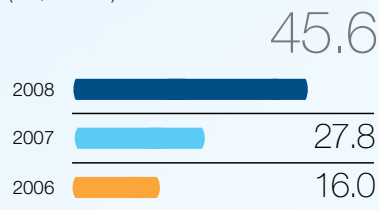
financial review

The Group continued to deliver a strong financial performance with strong cash flow generation. Particularly strong growth was experienced in Europe, Australasia, and the Middle East.

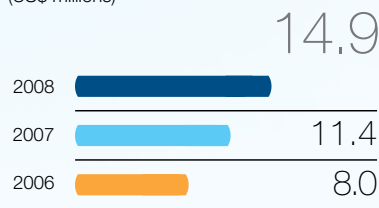
Revenue
(US\$ millions)



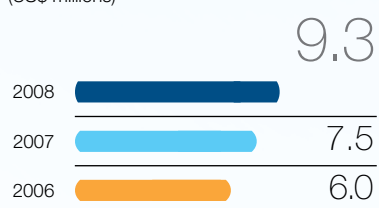
Gross Profit
(US\$ millions)



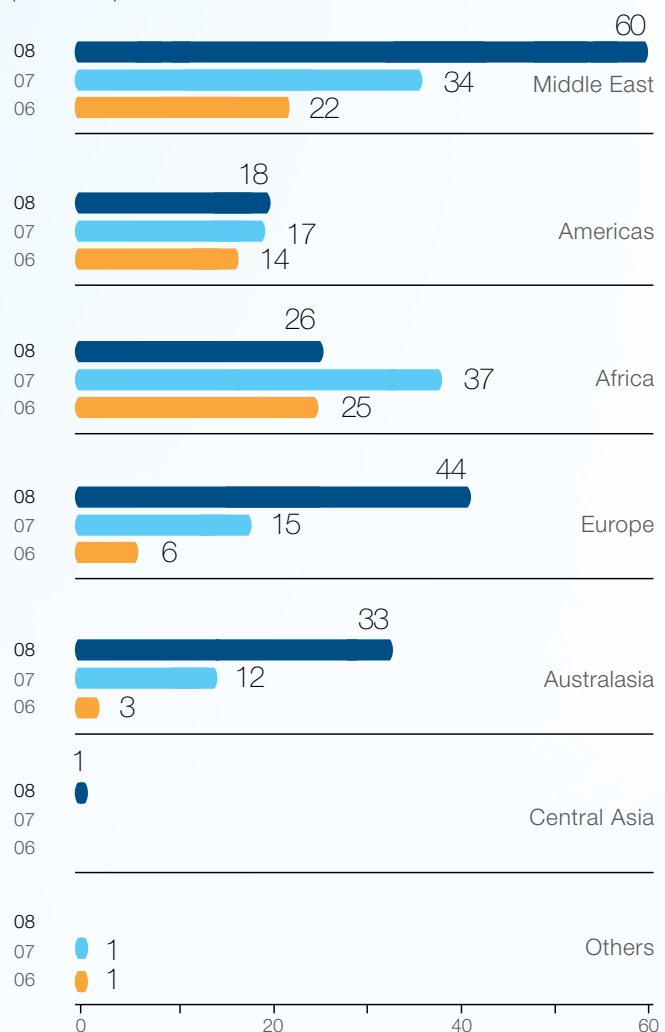
Profit Before Tax
(US\$ millions)



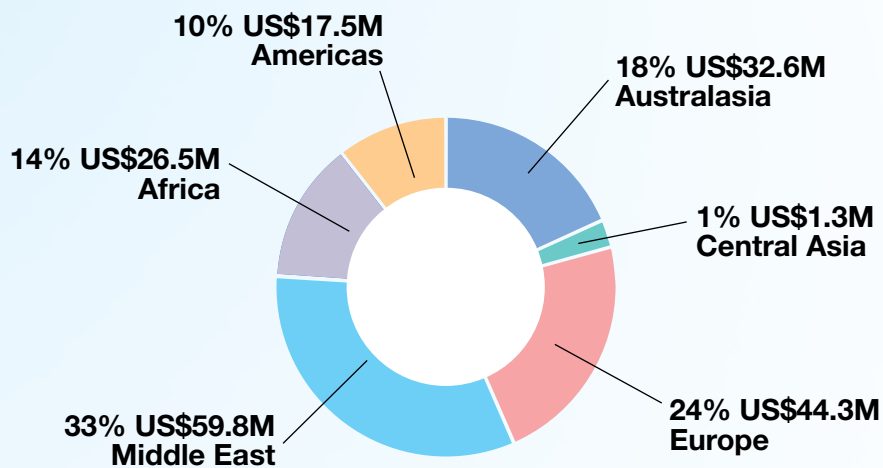
Profit After Tax and
Minority Interests
(US\$ millions)



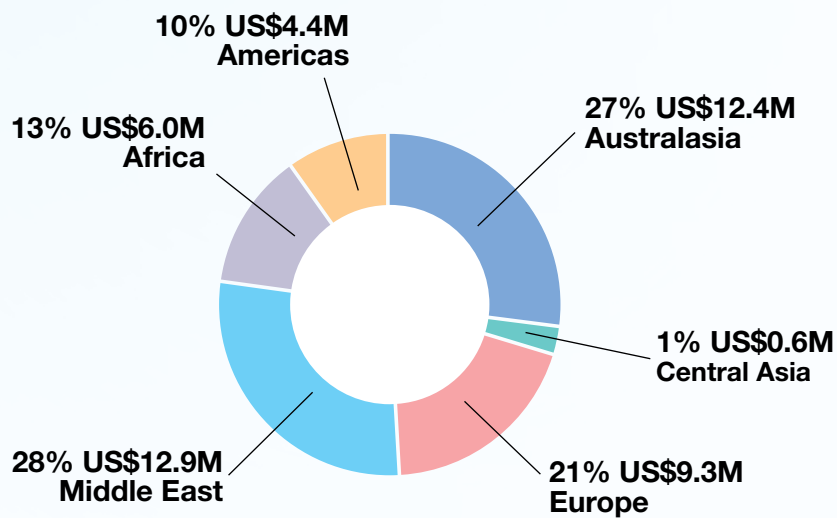
Revenue by
Geographic Regions
(US\$ millions)



REVENUE



GROSS PROFIT CONTRIBUTION



financial review

OVERVIEW

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 32.8% 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

As stated in note 23 on page 68, 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.



financial review



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 Co Ltd 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.



board of directors

John Anthony Hogan
Non-Executive Chairman 56

John was appointed Non-Executive Chairman of Velosi in August 2006. John has more than 30 years' experience in the oil and gas industry, with extensive experience at board level. He spent his early career with Shell, Britoil and Elf Aquitaine. He joined LASMO in 1981, running their US operation for 5 years. He was Managing Director of LASMO North Sea between 1989 and 1993 and was appointed to the main board as 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 Chief Executive of Argos Resources Limited, a private exploration company, Chairman of PanGeo Inc, an oilfield services company, and Deputy Chairman of Noreco ASA, a Norwegian exploration company.



Dr Nabil Abdul Jalil
Chief Executive Officer 56

Dr. Nabil founded the Velosi Group in 1982 and has been the driving force in the growth and expansion of the Group. Dr. Nabil was appointed Chief Executive Officer of Velosi in August 2006. Dr. 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 and 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.



Joseph Thomas Vincent
Group Commercial Director 62

Joseph joined Velosi in September 1994 with responsibility for business development, and was subsequently appointed Group Commercial Director of Velosi in August 2006. 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, 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.



Ooi Soon Teik (known as Dan)
Group Finance Director 41

Dan was appointed Group Finance Director of Velosi in March 2006. Dan, a Certified Public Accountant (Australia) at Price Waterhouse, has several years experience in corporate finance in 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 until his appointment as Group Finance Director in March 2006.



Marcus John Gregory Stanton
Non-Executive Director 55

Marcus was appointed Non-Executive Director of Velosi in August 2006. Since 2000, Marcus has been a Non-Executive Director of a number of publicly-quoted companies and also acts as a financial expert in litigation involving banks. Marcus is a Chartered Accountant with extensive experience in investment banking. He was a director at Robert Fleming & Co, from 1993 to 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.



directors' report

for the year ended 31 December 2008

The directors present their report and audited financial statements for the year ended 31 December 2008.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group is the provision of asset integrity management, and health, safety, and environment (HSE) services, which covers quality assurance and quality control services. This includes certification, project verification, quality enhancement, and engineering support services.

Business Review

A detailed review of the business and future developments are provided in the Chairman's Statement on pages 4 to 7 and Operations Review on pages 8 to 13.

Results and Dividends

The consolidated turnover and profit after taxation and minority interest for the year amounted to US\$182.1 million (2007: US\$117.0 million) and US\$9.3 million (2007: US\$7.5 million) respectively as set out in the Consolidated Income Statement on page 28.

The Directors are proposing a final dividend of US\$0.01 per share in respect of the year ended 31 December 2008. The Board paid out a dividend of US\$0.01 per share last year.

Directors and Directors' Interests in Shares

The Directors who have held office during the year since the date of the last report are as follows:

John Anthony Hogan
Marcus John Gregory Stanton
Dr Nabil Abdul Jalil
Joseph Thomas Vincent
Dan Ooi Soon Teik

In accordance with Article 22.2 of the Articles of Association of the Company, all Directors shall not remain in office for longer than three years since their last election or re-election without submitting themselves for re-election. The Directors will retire by rotation, for which one-third of the Directors who have been in the office longest shall be required to retire. John Anthony Hogan, Marcus John Gregory Stanton, and Dan Ooi Soon Teik will retire at the forthcoming 3rd Annual General Meeting and offer themselves for re-election and to hold office until the commencement of the next Annual General Meeting.

directors' report

Directors and Directors' Interests in Shares (continued)

The Directors' interests in the shares of the Company at 31 December 2008 were as follows:

	Ordinary shares of US\$0.02 each 31 December 2008	31 December 2007
John Anthony Hogan	55,555	55,555
Marcus John Gregory Stanton	33,333	33,333
Dr Nabil Abdul Jalil *	5,327,465*	5,327,465*
Joseph Thomas Vincent	1,646,345	1,646,345
Dan Ooi Soon Teik	292,234	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 31 December 2008	31 December 2007
Ordinary shares of US\$0.02 each	5,327,465	5,327,465

Directors' interests in share options are set out in Directors' Remuneration Report on page 25.

Substantial Shareholdings

The following interests of 3% or more in the Company's share capital have been reported at 22 April 2009:

Name	Ordinary shares of US\$0.02 each	Percentage held
Velosi (M) Sdn Bhd	6,736,955	15.2%
Raptor Worldwide Limited	5,327,465	12.0%
Chee Peck Kiat	5,187,935	11.7%
Mohamed Ashari Bin Abas	2,235,030	5.0%
Goldman Sachs International	1,800,095	4.1%
Joseph Thomas Vincent	1,646,345	3.7%
John Peter Hepworth	1,574,483	3.6%
Ong Thean Huat	1,367,660	3.1%

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; and
- pay in accordance with the Company's contractual and other legal obligations.

On average, Group trade creditors at the year end represented 42 days (2007: 42 days).

directors' report

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

An explanation of the Group's financial risk management objectives, policies and strategies is set out in note 22 on pages 64 to 68.

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

Mazars LLP were appointed auditors to the Company during the year, and in accordance with section 109 of the Companies (Jersey) Law 1991, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Statement Of 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 year. 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; and
- 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

30 April 2009

corporate governance

The Board of Directors (the Board) recognises the need for good corporate governance in ensuring effective and efficient operations and financial performance of the Group. In this regard, the Board is committed to apply the main principles of the Combined Code as far as is practicably possible and appropriate for a company of its size and nature. These are discussed below.

The Board

The Board comprises a Non-Executive Chairman, the Chief Executive Officer, the Group Commercial Director, the Group Finance Director, and a Non-Executive Director. This composition reflects a balance of Executive and Non-Executive Directors with a mix of suitably qualified and experienced professionals, and is of the appropriate size and balance at present to effectively lead and control the Company. The Board's role is to set the Group's strategy, and create and deliver sustainable shareholder value through the management of the Group. Their biographies are set out on page 18.

The Board conducts Board meetings at least four times per year, either in person or via other electronic modes of

communication to deal with matters specifically reserved for its decision. The list of matters reserved to the Board is set out in the Corporate Governance Handbook of the Company. These matters, among others, include approval of the annual budget, matters of strategic nature, recommendation or approval of dividends, entry into material contracts, acquisitions, appointments to the Board, and review of Group's corporate governance to ensure the interests of shareholders.

The Board delegates to the management, decision-making responsibility for matters other than those reserved to the Board. An important task of management is to ensure that the Board receives timely and appropriate information to enable the Board to perform its duties, including a detailed report of operational and financial issues at each Board meeting.



corporate governance

Audit Committee

The members of the Audit Committee are Marcus Stanton (Chairman), and John Hogan who are both Non-Executive Directors. The Audit Committee is responsible for, among other matters listed in the Corporate Governance Handbook of the Company, reviewing the internal controls and risk management systems of the Company, and due consideration of matters raised by external auditors in their audit of the accounts and internal control systems of the Group. The Audit Committee meets at least twice a year, either in person or via other electronic modes of communication.

Remuneration Committee

The members of the Remuneration Committee are John Hogan (Chairman), and Marcus Stanton who are both Non-Executive Directors. The Remuneration Committee is responsible for, among other matters listed in the Corporate Governance Handbook of the Company, reviewing the performance of the Executive Directors and other senior

executives, and determining the appropriate levels of remuneration. Further details of the Group's policies on remuneration and service contracts are on pages 24 to 25. The Remuneration Committee meets at least once a year, either in person or via other electronic modes of communication.

Internal Control

The Board acknowledges that it is responsible to establish and maintain the Group's system of internal control and review its effectiveness. The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve the Group's objectives, hence providing only reasonable and not absolute assurance that material irregularities, misstatement or losses are detected. In this regard, the Company has during the year set up a dedicated department to review the adequacy and effectiveness of internal controls in the respective offices within the Group.



Senior management team

directors' remuneration report

Introduction

Although AIM does not make compulsory the disclosure of directors' remuneration, the Company chooses to disclose the following information as part of its corporate governance practice.

Remuneration Committee

The Company's Remuneration Committee consists of the two Non-Executive Directors, John Hogan (Chairman) and Marcus Stanton, as reported on page 23. In determining the appropriate levels of remuneration for Executive Directors and other senior executives, the Committee uses comparable remuneration surveys of similar companies.

Remuneration Policy

The Company's Remuneration Policy seeks to attract, retain and motivate high-quality directors and executives capable of ensuring that the Company's growth plans, both short-term and long-term are met. The remuneration of the Non-Executive Directors is decided by the Board after comparable remuneration surveys. The details of individual components of the remuneration package are discussed below.

Components of Remuneration

Basic Salary and Benefits

The salary of each Executive Director is based on both individual performance indicators and objective research of comparable remuneration surveys. Basic salaries are reviewed in December. Benefits principally relate to cars and car allowances, life and disability insurance and private healthcare.

Fees

The fees for Non-Executive Directors are determined by the Executive Directors.

Annual Bonus

Annual bonus payments are paid to Executive Directors upon achieving performance indicators established by the Remuneration Committee

	Salary £000	Directors' Fees £000	Benefits in kind £000	Bonus £000	2008 Total £000	2007 Total £000
John Anthony Hogan	–	42	–	–	42	37
Marcus John Gregory Stanton	–	30	–	–	30	27
Dr Nabil Abdul Jalil	150	–	–	22	172	120
Joseph Thomas Vincent	130	–	20	22	172	140
Dan Ooi Soon Teik	100	–	10	11	121	66
Total	380	72	30	55	537	390

directors' remuneration report

Directors' Service Agreements

All Executive and Non-Executive Directors of the Company have contracts of an indefinite term. The contracts of Directors serving during the year are detailed below:

	Effective date of agreement	Notice period
John Anthony Hogan	15 August 2006	3 months
Marcus John Gregory Stanton	15 August 2006	3 months
Dr Nabil Abdul Jalil	15 August 2006	12 months
Joseph Thomas Vincent	15 August 2006	12 months
Dan Ooi Soon Teik	15 August 2006	6 months

Share Options

The 2006 Share Option Plan was established to reward performance and foster a culture of team work and commitment. The Share Options were granted to directors of the Company. Details of the options are as follows:

	As at 1 January 2008	Granted	As at 31 December 2008	Exercise Price Pence	Date granted	Date from which exercisable
John Anthony Hogan	55,556	–	55,556	90	21/08/06	21/08/09
Marcus John Gregory Stanton	55,556	–	55,556	90	21/08/06	21/08/09
Dr Nabil Abdul Jalil	610,238	–	610,238	90	21/08/06	21/08/09
Joseph Thomas Vincent	533,959	–	533,959	90	21/08/06	21/08/09
Dan Ooi Soon Teik	381,399	–	381,399	90	21/08/06	21/08/09

Options granted to the Executive Directors under this scheme are subject to the performance criteria that have been set by the Remuneration Committee.

Approval

This report was approved by the Board on 30 April 2009 and signed on its behalf by:

John Hogan

Chairman of Remuneration Committee

independent auditors' report

to the shareholders of VELOSI LIMITED

We have audited the Group and Parent Company Financial Statements of Velosi Limited for the year ended 31 December 2008 which comprise the Group and Parent Company Income Statements, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes 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 by 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 the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises the Chairman's Statement, Operations 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.

independent auditors' report

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 2008 and of the Group's result for the year then ended;
- the Financial Statements 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.

Mazars LLP

Chartered Accountants

30 April 2009

Tower Bridge House,
St Katharine's Way
London
E1W 1DD

consolidated income statement

for the year ended 31 December 2008

	Notes	2008 US\$'000	2007 US\$'000
<i>Continuing operations</i>			
Revenue	3	182,072	116,997
Cost of sales		(136,509)	(89,152)
Gross profit		45,563	27,845
Other operating income		883	1,435
Administrative expenses		(32,057)	(18,121)
Operating profit	4	14,389	11,159
Finance costs	7	(533)	(253)
Share of profit of associated companies		1,006	520
Profit on ordinary activities before tax		14,862	11,426
Income tax expense	8	(3,208)	(1,670)
Profit on ordinary activities after tax		11,654	9,756
Minority interest		(2,348)	(2,301)
Profit from continuing operations and attributable to equity holders		9,306	7,455
Basic earnings per share	24	21.7c	19.4c
Diluted earnings per share	24	19.6c	18.2c

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

company income statement

for the year ended 31 December 2008

	Notes	2008 US\$'000	2007 US\$'000
<i>Continuing operations</i>			
Revenue		4,629	1,507
Cost of sales		—	—
Gross profit		4,629	1,507
Other operating income		36	901
Administrative expenses		(4,826)	(2,078)
Operating (loss) / profit	4	(161)	330
Income tax expense		—	—
(Loss) / profit on ordinary activities after tax		(161)	330

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

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 (Note 26)	Total US\$'000	Minority interest US\$'000	Total US\$'000
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 (note 25)	–	–	(435)	(435)	(208)	(643)
Balance at 31 December 2008	887	32,422	21,753	55,062	7,293	62,355
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 (note 25)	–	–	(383)	(383)	(60)	(443)
Balance at 31 December 2007	787	21,310	14,653	36,750	5,729	42,479

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

statement of **changes in shareholders' equity****Company**

	Share capital US\$'000	Share premium US\$'000	Reserves US\$'000 (Note 26)	Total US\$'000
Balance at 1 January 2008	787	21,310	339	22,436
Share allotment	100	11,112	–	11,212
Loss for the year	–	–	(161)	(161)
Issue of share options	–	–	330	330
Dividend paid (note 25)	–	–	(435)	(435)
Balance at 31 December 2008	887	32,422	73	33,382
Balance at 1 January 2007	763	18,128	103	18,994
Share allotment	24	3,182	–	3,206
Profit for the year	–	–	330	330
Issue of share options	–	–	289	289
Dividend paid (note 25)	–	–	(383)	(383)
Balance at 31 December 2007	787	21,310	339	22,436

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

statement of total recognised income and expenses

for the year ended 31 December 2008

Group

	2008 US\$'000	2007 US\$'000
Net profit for the year	11,654	9,756
Exchange difference arising on translation of financial statements of overseas subsidiaries	(2,101)	(74)
Recognised income and expense for the year	9,553	9,682
Minority interest	(2,348)	(2,301)
Profit from continuing operations and attributable to equity holders	7,205	7,381

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

consolidated balance sheet

as at 31 December 2008

	Notes	2008 US\$'000	2007 US\$'000
<i>Assets</i>			
Non-current assets			
Goodwill	9	8,307	7,341
Other intangible assets	9	1,744	1,662
Property, plant and equipment	10	8,261	6,920
Investment in associated companies	12	1,338	869
Other investments		–	9
Deferred tax assets	13	400	88
		20,050	16,889
Current assets			
Inventories	14	2,271	1,056
Trade and other receivables	15	61,668	46,362
Amount due from a related party	30	1,057	1,394
Amount due from associated companies	12	1,127	981
Tax recoverable		126	90
Cash and cash equivalents		20,641	7,967
		86,890	57,850
Non-current asset held for sale	16	–	900
Total assets		106,940	75,639
<i>Equity and liabilities</i>			
Capital and reserves			
Share capital	23	887	787
Share premium	23	32,422	21,310
Share based payment reserves	26	755	425
Revaluation reserve	26	287	287
Translation reserve	26	(2,164)	(63)
Retained earnings	26	22,875	14,004
Total equity attributable to equity holders		55,062	36,750
Minority interest		7,293	5,729
Total equity		62,355	42,479

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

consolidated **balance sheet**

	Notes	2008 US\$'000	2007 US\$'000
Current liabilities			
Trade and other payables	18	33,447	20,820
Amount due to a related party	30	142	42
Amount due to associated companies	12	16	229
Bank and other borrowings	19	2,923	3,856
Current tax liabilities		2,421	1,761
Hire purchase liabilities	20	658	219
Deferred consideration		2,673	4,477
		42,280	31,404
Non-current liabilities			
Deferred tax liabilities	13	37	24
Provision for employees end of service benefits	21	818	211
Bank and other borrowings	19	343	548
Hire purchase liabilities	20	933	951
Other non-current liabilities		174	22
		2,305	1,756
Total liabilities		44,585	33,160
Total equity and liabilities		106,940	75,639

The financial statements on pages 28 to 74 were approved by the Board on 30 April 2009 and were signed on its behalf by:

Dr Nabil Abdul Jalil

Director

company balance sheet

as at 31 December 2008

	Notes	2008 US\$'000	2007 US\$'000
<i>Assets</i>			
Non-current assets			
Property, plant and equipment	10	5	3
Investment in subsidiary companies	11	834	834
Investment in associated companies	12	10	10
Amount due from related parties	22, 30	5,354	–
		6,203	847
Current assets			
Trade and other receivables	15	459	122
Amount due from related parties	30	25,269	20,275
Amount due from associated companies	12	427	158
Cash and cash equivalents		2,380	1,993
		28,535	22,548
Total assets		34,738	23,395
<i>Equity and liabilities</i>			
Capital and reserves			
Share capital	23	887	787
Share premium	23	32,422	21,310
Share based payment reserves	26	755	425
Retained earnings	26	(682)	(86)
Total equity attributable to equity holders		33,382	22,436
Current liabilities			
Trade and other payables	18	251	167
Amount due to related parties	30	1,105	590
Amount due to associated companies	12	–	202
		1,356	959
Non-current liabilities			
		–	–
<i>Total liabilities</i>		1,356	959
<i>Total equity and liabilities</i>		34,738	23,395

The financial statements on pages 28 to 74 were approved by the Board on 30 April 2009 and were signed on its behalf by:

Dr Nabil Abdul Jalil

Director

consolidated cash flow statement

for the year ended 31 December 2008

	2008 US\$'000	2007 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)
Foreign exchange loss on operating activities	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	9,928	(740)
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 (note 11)	(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	(3,107)	(9,692)

consolidated **cash flow statement**

	2008 US\$'000	2007 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)
	<hr/> 7,735	<hr/> 2,859
Net cash from financing activities		
	14,556	(7,573)
Net increase / (decrease) in cash and cash equivalents		
Foreign exchange translation differences	(876)	(234)
Cash and cash equivalents at the beginning of the year	4,111	11,918
	<hr/> 17,791	<hr/> 4,111
Cash and cash equivalents at the end of the year		
Cash and cash equivalents comprise:		
Current assets - Cash and cash equivalents	20,641	7,967
Current liabilities - Bank overdraft	(2,850)	(3,856)
	<hr/> 17,791	<hr/> 4,111

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

company cash flow statement

for the year ended 31 December 2008

	2008 US\$'000	2007 US\$'000
Cash flows from operating activities		
Profit on ordinary activities for the year	(161)	330
Adjustments for:		
Depreciation	1	1
Interest income	(592)	(479)
Foreign exchange loss on operating activities	1,761	–
Operating cash flows before movements in working capital	1,009	(148)
Increase in receivables	(337)	(120)
Increase / (decrease) in payables	84	(308)
Net cash from / (used in) operating activities	756	(576)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3)	(4)
Advance to associated companies	(471)	(144)
Interest received	592	479
Net cash from investing activities	118	331
Cash flows from financing activities		
Proceeds from issue of shares	8,660	3,275
Listing expenses paid	(445)	(69)
Proceeds from issue of share options	330	289
Repayment to subsidiary companies	(8,977)	(8,084)
Advance from a related party	380	766
Dividend paid	(435)	(383)
Net cash used in financing activities	(487)	(4,206)
Net increase / (decrease) in cash and cash equivalents	387	(4,451)
Cash and cash equivalents at the beginning of the year	1,993	6,444
Cash and cash equivalents at the end of the year	2,380	1,993
Cash and cash equivalents comprise:		
Current assets - Cash and cash equivalents	2,380	1,993

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

notes to the financial statements

for the year ended 31 December 2008

1. Corporate information

Velosi Limited was incorporated in Jersey as a limited liability company on 28 March 2006 under the laws of Jersey. The Company registration number is 92978. The Company is governed by its articles of association and the principal statute governing the Company is Jersey law. The Company has an unlimited life. The liability of the members of the Company is limited. The Company is domiciled, and has its registered office in Jersey.

2. Accounting policies

(i) *Going concern*

The consolidated financial statements 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.

(ii) *Basis of presentation*

The consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the European Union.

The Group and Company have not applied the following IFRSs and IFRICs that are applicable to the Group and Company and that have been issued but are not yet effective.

IAS 23	Borrowing Costs, revised 2007 (effective 1 January 2009)
IAS 27	Consolidated and Separate Financial Statements, revised 2008 (effective 1 July 2009)
IAS 28	Investment in Associates, revised 2008 (effective 1 July 2009)
IAS 31	Interests in Joint Ventures, revised 2008 (effective 1 July 2009)
IAS 32	Financial Instruments: Presentation, revised 2008 (effective 1 January 2009)
IFRS 2	Share-based Payment, revised 2008 (effective 1 January 2009)
IFRS 8	Operating Segments (effective 1 January 2009)
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions (effective 1 March 2007)
IFRIC 12	Service Concession Agreement (effective 1 January 2008)
IFRIC 13	Customer Loyalty Programmes (effective 1 July 2008)
IFRIC 14	IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

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

(iii) *Basis of financial statements*

In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see notes 22 and 23).

notes to the financial statements

2. Accounting policies (continued)

(iv) Basis of consolidation

The consolidated financial statements 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 recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised 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.

(v) 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.

(vi) Classification of asset held for sale

The asset held for sale at 31 December 2007 was stated at carrying value.

notes to **the financial statements****2. Accounting policies (continued)***(vii) Use of estimates*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Intangible assets**(i) Amortisation**

Intangible assets (other than goodwill) are amortised over their useful lives. Useful lives are based on managements' estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Due to the long lives of assets, changes to the estimates used can result in significant variances in the carrying value.

The Group assess the impairment of intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- significant negative industry or economic trends.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to intangible assets affects the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the Group's financial statements.

(ii) Allocation

The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition and a valuation is subsequently allocated to each intangible asset acquired. The determination of these fair values is based upon management's judgment and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and the selection of an appropriate cost of capital. If these assumptions were to change there would be a material impact to the Group's financial statements.

(c) Allowance for doubtful debts

Each debtor balance is assessed to determine recoverability of debt. Provisions are made for all those debtors where evidence indicates that recoverability is doubtful. Amounts are written off when they are deemed delinquent. Any changes to estimates made in relation to debtors recoverability may results in materially different amounts being reported by the Group's financial statements.

notes to the financial statements

2. Accounting policies (continued)

(viii) 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.

(ix) Intangible assets

Acquired intangible assets which consist of customer lists acquired are valued at cost less accumulated amortisation. Amortisation is calculated using the straight line method over the expected useful life of between 3 and 10 years.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its listed recoverable amount.

(x) 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

(xi) 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****2. Accounting policies (continued)***(xii) Financial instruments*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

(a) Trade receivables and other assets

Trade receivables and other assets are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(b) Cash and cash equivalents

For purposes of the consolidated balance sheet and consolidated statement of cash flows, the Group considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. At 31 December 2008 management believes that the carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

(c) Investments

Investments included as financial assets are valued at fair value and are held as available for sale. Any impairment will be charged to income statement on recognition.

(d) Inventories

Inventories include work in progress which represents the value of work performed as at the date of the balance sheet but not yet billed to customers. Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

(e) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(f) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(g) Financing costs and interest income

Financing costs comprise interest payable on borrowings and finance lease payments and interest income which is calculated using the effective interest rate method.

(xiii) Financial risk management objective and policies

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest-rate risk. These risks are limited by the Group's financial management policies and practices as described below:

notes to **the financial statements****2. Accounting policies (continued)***(xiii) Financial risk management objective and policies (continued)*

(a) Credit risks

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group has no significant concentrations of credit risk. The Group has credit risk management policies in place and exposure to credit risk is monitored on an ongoing basis.

Management generally adopts conservative strategies and tight control on credit policy. The Group has limited the amount of credit exposure to customers (see note 22).

(b) Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. To ensure liquidity, the Group maintains sufficient cash and cash equivalents on demand to meet its obligations as and when they fall due.

(c) Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return on risk.

(i) Foreign currency exchange risks

The Group does not hedge its foreign currencies. Transactions with customers and vendors are mainly denominated in US Dollars. Management considered that the currency exposure arising from these transactions is not significant to the Group. Transactions with group companies denominated in US Dollars, which are exposed to foreign currency translation risks, are not significant to the Group. The Group has bank accounts in US Dollars to mitigate against exchange risks.

(ii) Cash flow and fair value interest rate risks

The Group's primary interest rate risk relates to interest bearing debts. Investments in financial assets are mainly short term in nature and are 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 recognise on cheaper funding in a low interest rate environment and achieve a certain level of protection against interest rate increases.

(xiv) Employee benefits

(a) 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.

(b) 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.

notes to the financial statements

2. Accounting policies (continued)

(xv) 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.

(xvi) 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.

(xvii) 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.

(xviii) 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.

(xix) 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 recognised, together with a corresponding increase in equity, over the vesting period. The cumulative expense recognised 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.

notes to the financial statements

2. Accounting policies (continued)

(xx) 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.

(xxi) Foreign currency

- (a) 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.

- (b) 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.

(xxii) 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 a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

notes to the financial statements

2. Accounting policies (continued)

(xxii) Commitments and contingencies (continued)

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(xxiii) Fixed asset investments

The Company's investments in shares in group companies are stated at cost less provision for the impairment. Any impairment is charged to the income statement as it arises.

(xxiv) Events after the balance sheet date

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

3. 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 US\$'000	2007 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
	182,072	116,997
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
	45,563	27,845

notes to the financial statements

3. Segmental reporting (continued)

	2008 US\$'000	2007 US\$'000
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
	106,940	75,639
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
	44,585	33,160
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
	3,232	4,376
Depreciation		
Europe	162	86
Middle East	497	292
Americas	11	4
Africa	421	327
Australasia	612	330
Central Asia	3	–
Others	1	17
	1,707	1,056

notes to the financial statements

4. Operating profit before interest and taxation

	Group 2008 US\$'000	Group 2007 US\$'000	Company 2008 US\$'000	Company 2007 US\$'000
This is stated after charging:				
Amortisation of intangible assets	331	75	–	–
Allowance for doubtful debts	3,568	1,080	–	–
Auditors' remuneration				
- Audit fees	479	196	152	58
- Others	4	12	–	–
Bad debts written off	211	28	–	–
Depreciation	1,707	1,056	1	1
Foreign exchange loss				
- Unrealised	485	–	1,761	–
Impairment in other investments	9	–	–	–
Loss on disposal of property, plant and equipment	–	6	–	–
Loss on disposal of shares in subsidiary	–	18	–	–
Property, plant and equipment written off	37	5	–	–
Rental of equipments	772	30	–	–
Rental of motor vehicles	1,551	964	7	2
Rental of premises	6,603	847	73	60
Share based payment balance	330	289	330	289
And after crediting:				
Allowance for doubtful debts written back	8	–	–	–
Bad debts recovered	–	9	–	–
Foreign exchange gain				
- Realised	91	941	5	898
Dividend income from associated company	414	324	–	–
Gain on disposal of property, plant and equipment	120	–	–	–
Interest income	244	210	592	479
Negative goodwill written off	–	1	–	–
Rental income	60	79	–	–

5. Directors' emoluments

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

	Group 2008 US\$'000	Group 2007 US\$'000	Company 2008 US\$'000	Company 2007 US\$'000
Directors' emoluments				
Fees	104	108	15	20
Salary	551	500	306	288
Benefits in kind	44	52	43	42
Bonus	80	100	80	100

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

notes to **the financial statements****6. Staff costs**

	Group 2008	Group 2007	Company 2008	Company 2007
	US\$'000	US\$'000	US\$'000	US\$'000
Wages and salaries	51,463	36,241	367	443
Social security costs	1,113	309	–	6
Other pension costs	188	46	–	247
	52,764	36,596	367	696

7. Finance costs

	Group 2008	Group 2007
	US\$'000	US\$'000
Hire purchase interest	106	44
Interest payable on bank loans and overdrafts	232	66
Other finance costs	195	143
	533	253

8. Income tax expense

	Group 2008	Group 2007
	US\$'000	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

notes to the financial statements

8. Income tax expense (continued)

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:

	Group 2008 US\$'000	Group 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 expense 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.

9. Goodwill and other intangible assets

	Goodwill US\$'000	Other intangible assets - customer lists US\$'000	Total 2008 US\$'000	Total 2007 US\$'000
At 1 January	7,341	1,662	9,003	2,114
Foreign exchange translation difference	(1,012)	(124)	(1,136)	157
Acquisition of subsidiary companies (note 11)	1,978	537	2,515	6,812
Realisation on disposal of shares in subsidiary company	–	–	–	(5)
Amortisation	–	(331)	(331)	(75)
At 31 December	8,307	1,744	10,051	9,003

notes to the financial statements

10. Property, plant and equipment

Group

	Motor vehicles US\$'000	Plant and machinery US\$'000	Office equipment, furniture and fittings US\$'000	Long term leasehold land and buildings US\$'000	Freehold property US\$'000	Total US\$'000
Cost						
At 1 January 2008	2,184	2,938	3,202	1,236	559	10,119
Exchange translation difference	(133)	(723)	(229)	(336)	(153)	(1,574)
Acquisition of subsidiaries	–	22	100	288	–	410
Additions at cost	405	967	1,859	1	–	3,232
Disposals	(112)	(187)	(33)	–	(185)	(517)
Write off	–	(17)	(252)	–	–	(269)
Transfer from non-current asset held for sale	–	–	–	856	–	856
Reclassified	–	15	–	(15)	–	–
At 31 December 2008	2,344	3,015	4,647	2,030	221	12,257
Cost						
At 1 January 2007	1,004	1,697	1,695	1,180	–	5,576
Exchange translation difference	54	123	89	114	–	380
Acquisition of subsidiaries	171	240	292	–	559	1,262
Additions at cost	1,135	1,030	1,157	1,054	–	4,376
Disposals	(168)	(119)	–	–	–	(287)
Write off	(12)	(33)	(31)	–	–	(76)
Reclassified to non-current asset held for sale	–	–	–	(1,112)	–	(1,112)
At 31 December 2007	2,184	2,938	3,202	1,236	559	10,119
Accumulated depreciation						
At 1 January 2008	490	1,415	1,290	–	4	3,199
Exchange translation difference	(40)	(358)	(89)	–	(1)	(488)
Charge for the year	452	491	755	–	9	1,707
Disposals	(51)	(121)	(18)	–	–	(190)
Write off	–	(17)	(215)	–	–	(232)
At 31 December 2008	851	1,410	1,723	–	12	3,996

notes to the financial statements

10. Property, plant and equipment (continued)

Group

	Motor vehicles US\$'000	Plant and machinery US\$'000	Office equipment, furniture and fittings US\$'000	Long term leasehold land and buildings US\$'000	Freehold property US\$'000	Total US\$'000
Accumulated depreciation						
At 1 January 2007	259	1,043	914	173	–	2,389
Exchange translation difference	17	75	37	17	–	146
Charge for the year	322	343	365	22	4	1,056
Disposals	(96)	(13)	–	–	–	(109)
Write off	(12)	(33)	(26)	–	–	(71)
Reclassified to non-current asset held for sale	–	–	–	(212)	–	(212)
At 31 December 2007	490	1,415	1,290	–	4	3,199
Net book value						
At 31 December 2008	1,493	1,605	2,924	2,030	209	8,261
At 31 December 2007	1,694	1,523	1,912	1,236	555	6,920

Company

	Office equipment, furniture and fittings	
	2008 US\$'000	2007 US\$'000
Cost		
At 1 January	4	–
Additions at cost	3	4
At 31 December	7	4
Accumulated depreciation		
At 1 January	1	–
Charge for the year	1	1
At 31 December	2	1
Net book value		
At 31 December	5	3

notes to the financial statements

10. Property, plant and equipment (continued)

	Group 2008 US\$'000	Group 2007 US\$'000	Company 2008 US\$'000	Company 2007 US\$'000
Additions of plant and equipment during the year held under hire purchase contracts	545	1,000	–	–
Carrying amount of plant and equipment held under hire purchase contracts at 31 December	1,715	645	–	–

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

	Group 2008 US\$'000	Group 2007 US\$'000	Company 2008 US\$'000	Company 2007 US\$'000
Aggregate cost of property, plant and equipment acquired	3,232	4,376	3	4
Finance via hire purchase	(545)	(1,000)	–	–
Cash paid	2,687	3,376	3	4

11. Investment in subsidiary companies

	Group's effective interest		Country of incorporation	Principal activities
	2008 %	2007 %		
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 Specialised Inspection Sdn Bhd (Formerly known as 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

notes to the financial statements

11. Investment in subsidiary companies (continued)

	Group's effective interest		Country of incorporation	Principal activities
	2008 %	2007 %		
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	65	65	Malaysia	Provision of non-destructive testing (NDT) inspection, ultrasonic and thermographic imaging services
Kurtec Inspection Services Pte Ltd	65	65	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 L.L.C	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	80	Italy	Provision of technical, engineering, and industrial services
Velosi Superintendent Nigeria Limited	70	70	Nigeria	Provision of quality assurance and control, general inspection, corrosion monitoring, and manpower supply services
Velosi (S) Pte Ltd	70	70	Singapore	Vendor inspection services, testing, servicing, repairing and maintenance of control system, equipment, machinery, accessories, and materials
QA Management Services Pty Ltd	51	51	Australia	Provision of quality assurance services
Steel Test (Proprietary) Ltd	51	51	South Africa	Provision of pipe and steel thickness testing services
Kurtec Tube Inspection Sdn Bhd	58	58	Malaysia	Provision of NDT inspection services, tube pipe, and tank cleaning services
Velosi CBL (M) Sdn Bhd	60	60	Malaysia	Provision of equipment inspection services

notes to the financial statements

11. Investment in subsidiary companies (continued)

	Group's effective interest		Country of incorporation	Principal activities
	2008 %	2007 %		
Velosi Angola LDA	70	70	Republic of Angola	Provision of quality assurance & control, inspection, technical manpower supply, certification & statutory inspection, specialised NDE & engineering services
PT Java Velosi Mandiri	70	70	Republic of Indonesia	Provision of consulting engineering services such as quality control inspection and NDT services, provision of technical & professional manpower on secondment
Velosi PromService, LLC	99	99	Russia	Provision of quality assurance and control, general inspection, corrosion monitoring and manpower supply services to the oil and gas industry
Intec (UK) Limited	60	60	United Kingdom	Provision of consultancy, training and manpower
Plant Design Engineers Sdn Bhd	51	51	Malaysia	Provision of consultancy and engineering services on plant design, construction and engineering & investment holding
K2 Specialist Services Pte Ltd	65	65	Singapore	Provision of specialised services in area of repair of ships, tankers and other ocean-going vessels & provision of rope access, technical testing and analysis services
SEA Team Solutions Pte Ltd	33.15	33.15	Singapore	Provision of training and consultancy services
SAST International Limited	51	51	United Kingdom	Provision of consultancy and engineering services
Velosi Asset Integrity Limited	80	80	United Kingdom	Provision of specialised asset integrity management services to the oil and gas and petrochemical industries
PDE International Limited	51	51	United Kingdom	Provision of consultancy and engineering services on plant design, construction and engineering & investment holding
Velosi Project Services Pte Ltd	100	100	Singapore	Provision of management and consultancy services business
Velosi SA (Proprietary) Ltd	100	100	South Africa	Provision of quality related services to industry
Velosi (Vietnam) Co Ltd	100	100	Vietnam	Provision of inspection & project verification, general inspection & verification, inspection & verification of machinery & equipment, cranes & other lifting equipment, marine & drilling machinery & equipment with application of NDT method
Velosi (Ghana) Ltd	70	70	Republic of Ghana	Provision of inspection, quality control & certification services
Velosi Saudi Arabia Co Ltd	60	–	Saudi Arabia	Provision of quality assurance and control, general inspection, corrosion monitoring and manpower placements

notes to the financial statements

11. Investment in subsidiary companies (continued)

	Group's effective interest		Country of incorporation	Principal activities
	2008 %	2007 %		
PSC Europe Srl	48	–	Italy	Provision of inspection and expediting services
K2 International Limited	65	–	Jersey	Oil field inspection and engineering services, management, marketing support, advisory, and business development services
Velosi Project Management Limited	75	–	Jersey	Provision of management and consultancy services business
Velosi America (Jersey) Limited	100	–	Jersey	Provision of management, marketing support, advisory, and business development services
Velosi Africa (Jersey) Limited	100	–	Jersey	Provision of management, marketing support, advisory, and business development services
Velosi Europe (Jersey) Limited	100	–	Jersey	Provision of management, marketing support, advisory, and business development services

Subsidiary companies with an interest of less than 50% are included in the consolidated financial statements due to deemed control. The Group consider these Companies as subsidiaries because it has control over the board and the majority of voting rights through a subsidiary company.

	Company US\$'000 2008	Company US\$'000 2007
Unquoted shares, at cost:		
Velosi (HK) Limited	6	6
Velosi Europe Limited	1	1
Velosi Industries Sdn Bhd	811	811
Velosi Technical Services Ltd	6	6
Velosi International Italy Srl	10	10
	834	834

Restrictions on transfer of funds

In accordance with the local company law and articles of association of certain companies in particular in the Middle East region, 10% of the net profits of each year is required to be retained as statutory / legal reserve. Once the balance of this reserve equals to 50% of the capital, the company concerned normally has the right to discontinue such transfers. Distribution of this reserve is limited to cases stated by the law and / or the relevant articles of association.

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 1 January 2008 to 31 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.

notes to the financial statements

11. Investment in subsidiary companies (continued)**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
	<hr/>	<hr/>
Total purchase consideration	2,538	2,538
Net liabilities / (assets) acquired	54	(23)
Identifiable intangibles acquired (note 9)		(537)
		<hr/>
Goodwill (note 9)		1,978
		<hr/>

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.

Details of the assets, liabilities and net cash outflow arising from the acquisition of subsidiaries were as follows:

	Group 2008 US\$'000
Property, plant and equipment	410
Term loan	–
Hire purchase liabilities	(127)
Deferred and current tax liabilities	–
Other net liabilities	(166)
	<hr/>
Net assets	117
Less: Minority interest	(94)
	<hr/>
Net assets acquired	23
Goodwill arising	1,978
Intangible assets arisen	537
Negative goodwill written off	–
Foreign exchange translation difference	–
	<hr/>
Cost of acquisition	2,538
Less: Cash and cash equivalents of subsidiaries acquired	(101)
Less: Deferred consideration	(1,269)
	<hr/>
Acquisition of new subsidiary net of cash	1,168
	<hr/>

notes to the financial statements

11. Investment in subsidiary companies (continued)

A property has been fair valued based on the valuation performed immediately prior to the acquisition. The normal value is determined by the average between the minimum value and the maximum expressed by the real estate valuer referring to the normal preservation state for the specific intended use of the property. The carrying value of property, plant and equipment pre-valuation was US\$250,000. The carrying value on acquisition of all other assets and liabilities is deemed to be the fair value.

	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)
Outstanding as at 31 December 2008	1,269	–	1,404	2,673

The provisional deferred consideration consists of cash and shares.

12. Investment in associated companies

	Group 2008 US\$'000	Group 2007 US\$'000
Unquoted shares, at cost	205	205
Foreign exchange translation difference	(2)	5
Share of post-acquisition profits	1,135	659
	1,338	869
	Company 2008 US\$'000	Company 2007 US\$'000
Unquoted shares, at cost		
Rina-V Limited	10	10

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

	Group's effective interest		Country of incorporation	Principal activities
	2008 %	2007 %		
Velosi (B) Sdn Bhd	50	50	Brunei Darussalam	Provision of quality control and engineering services to the oil and gas industry
Velosi LLC	50	50	Oman	Certification of engineering equipment and inspection controls
Rina-V Limited	50	50	Hong Kong	Investment holding

notes to the financial statements

12. Investment in associated companies (continued)

	Group's effective interest		Country of incorporation	Principal activities
	2008 %	2007 %		
Rina-V Projects Certification L.L.C	50	–	United Arab Emirates	Certification, engineering services, and inspection controls
Kurtec Pipeline Services Limited	45	–	Jersey	Provision of specialised inspection services, management, marketing support, advisory and business development services
Kurtec Pipeline Services L.L.C	45	–	United Arab Emirates	Provision of specialised inspection services

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

	2008 US\$'000	2007 US\$'000
Share of the associated companies' balance sheets:		
Non-current assets	376	200
Current assets	3,177	2,322
Current liabilities	(2,564)	(1,608)
Non-current liabilities	(64)	(45)
Net assets	925	869
Share of the associated companies' revenue and profit:		
Revenue	6,699	4,994
Profit after tax	892	456

As required by the local commercial company law of an associate, 10% of the net profit of each year should be transferred to statutory reserve until the reserve has reached a minimum of one third of the issued share capital. The company has resolved to discontinue any further transfers to this reserve as the reserve equals to one third of the issued share capital. The reserve is not available for distribution.

Amount due from / (to) associated companies

The amount due from / (to) associated companies included under current assets / (liabilities) represents unsecured interest free advances repayable on demand.

notes to the financial statements

13. Deferred tax assets

	Group 2008	Group 2007
	US\$'000	US\$'000
Unutilised tax losses	26	42
Accelerated capital allowances	21	22
Provision for impairment	317	–
Others	(1)	–
Deferred tax assets	363	64
Deferred taxation movements are:		
Opening balance	64	(17)
Foreign exchange translation difference	(53)	(4)
Acquisition of subsidiary companies	–	(48)
Transfer from income statements	352	133
Closing balance	363	64

14. Inventories

	Group 2008	Group 2007
	US\$'000	US\$'000
Work-in-progress	2,271	1,056

15. Trade and other receivables

	Group 2008	Group 2007	Company 2008	Company 2007
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables	50,168	41,191	–	–
Other debtors, deposits and prepayments	11,500	5,171	459	122
	61,668	46,362	459	122

The typical credit term given to clients is 45 to 90 (2007: 45 to 90) days. No interest is charged on the trade receivables.

Included in the Group trade and other receivables is an amount of US\$1,028,000 pledged as security for bank overdraft facilities.

Included in other debtors, deposits and prepayments is unsecured loan of US\$853,000 which bears interest at 11% and has no fixed terms of repayment.

notes to the financial statements

16. Non-current asset held for sale

The movement during the year relating to non-current asset held for sale is as follows:

	Group 2008 US\$'000	Group 2007 US\$'000
At 1 January	900	–
Foreign exchange translation difference	(44)	–
Transfer from property, plant and equipment	–	900
Transfer to property, plant and equipment	(856)	–
At 31 December	–	900

The non-current asset held for sale had been transferred to property, plant and equipment because the intended potential purchaser did not intend to proceed with the acquisition.

17. Creditors

	Group 2008 US\$'000	Group 2007 US\$'000	Company 2008 US\$'000	Company 2007 US\$'000
Amounts falling due within one year				
Trade and other payables	33,447	20,820	251	167
Amounts due to a related party	142	42	1,105	590
Amounts due to associated companies	16	229	–	202
Bank and other borrowings	2,923	3,856	–	–
Current tax liabilities	2,421	1,761	–	–
Hire purchase liabilities	658	219	–	–
Deferred consideration (note 11)	2,673	4,477	–	–
	42,280	31,404	1,356	959
Amounts falling due after one year				
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	–	–
	2,305	1,756	–	–

18. Trade and other payables

	Group 2008 US\$'000	Group 2007 US\$'000	Company 2008 US\$'000	Company 2007 US\$'000
Trade payables	10,909	9,316	–	–
Other payables and accruals	22,538	11,504	251	167
	33,447	20,820	251	167

The normal trade credit terms granted by suppliers range from 30 to 90 days. No interest is charged on the trade payables. The Company and the Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Included in other payables and accruals is unsecured loan of US\$171,000 which bears interest at 11% and has no fixed terms of repayment.

notes to the financial statements

19. Bank borrowings

	Effective interest rate %	Group 2008 US\$'000	Group 2007 US\$'000
Current			
Bank overdrafts	3.5	2,850	3,856
Bank loan	3.5	73	–
		2,923	3,856
Non-current			
Bank loan	3.5	343	548
		3,266	4,404

The bank overdrafts are unsecured and repayable on demand.

20. Hire purchase liabilities

	Group 2008 US\$'000	Group 2007 US\$'000
Amounts payable under hire purchase liabilities		
Within one year	744	240
In the second to fifth years inclusive	1,031	966
After fifth year	4	4
	1,779	1,210
Less: unexpired term charges	(188)	(40)
Present value of hire purchase liabilities	1,591	1,170
Amount due for settlement within 12 months (shown under current liabilities)	(658)	(219)
Amount due for settlement after 12 months (shown under non-current liabilities)	933	951
Present value of hire purchase liabilities		
Within one year	658	219
In the second to fifth years inclusive	930	947
After fifth year	3	4
	1,591	1,170

The effective interest rates of the hire purchase liabilities ranged from 4.5% to 14.0% (2007: 3.6% to 14.5%).

21. Provision for employee benefits

These provisions are made by Velosi Certification Services L.L.C, Velosi Quality Management International L.L.C, Velosi Certification W.L.L and Velosi Saudi Arabia Co Ltd. 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 consolidated 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 2 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 year 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 currency 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.

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
AED	0.27	0.27	0.27	0.27
QAR	0.27	0.27	0.27	0.27
KWD	3.70	3.51	3.59	3.64
BHD	2.63	2.64	2.63	2.61
USD	1.00	1.00	1.00	1.00
CAD	0.94	0.94	0.82	1.02
AUD	0.85	0.84	0.69	0.88
IDR	—	—	—	—
RUB	0.04	0.04	0.03	0.04
EUR	1.48	1.38	1.41	1.47
GBP	1.85	2.00	1.45	2.00
MYR	0.30	0.29	0.29	0.30
SGD	0.71	0.67	0.69	0.69

notes to the financial statements

22. Financial instruments (continued)

	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
ZAR	0.12	0.14	0.11	0.15
INR	0.02	0.02	0.02	0.03
THB	0.03	0.03	0.03	0.03
HKD	0.13	0.13	0.13	0.13
VND	–	–	–	–
SAR	0.27	–	0.27	–
OMR	2.59	2.59	2.58	2.59
BND	0.70	0.66	0.68	0.68

The Group's exposure to foreign currency risk based on notional amounts as follows:

	Monetary assets		Monetary liabilities	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
AED	5,539	2,891	2,745	1,678
QAR	21,639	13,325	4,844	3,514
KWD	3,832	2,038	1,011	522
BHD	1,555	1,219	41	–
USD	30,185	19,993	16,153	9,937
CAD	2	3	5	5
AUD	1,348	1,130	441	330
IDR	1,071	741	397	149
RUB	1,139	1	730	–
EUR	7,959	373	4,835	405
GBP	9,321	12,928	5,552	10,019
MYR	10,442	10,817	2,706	3,411
SGD	7,325	3,980	2,614	1,397
ZAR	3,563	4,250	1,209	909
INR	–	860	–	491
THB	110	56	88	34
HKD	390	369	157	159
VND	1,032	665	447	200
SAR	488	–	610	–
	106,940	75,639	44,585	33,160

Sensitivity analysis for foreign currency risk

A 10% strengthening of US Dollar against the other foreign currencies at the reporting date would affect equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity US\$'000	Profit or loss US\$'000
31 December 2008	(3,484)	(611)
31 December 2007	(2,812)	(673)

notes to the financial statements

22. Financial instruments (continued)

A 10% weakening of US Dollar against the other foreign currencies would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

A proportion of the Group's GBP and EUR denominated borrowing / loans amounting to GBP2,568,000 and EUR1,161,000 is designated as a hedge of the investment in the Group's subsidiaries, Velosi Europe Limited and Velosi International Italy Srl. The fair value of the borrowing at 31 December was US\$5,354,000. The foreign exchange loss of US\$1,143,000 on translation of the borrowing to currency at the balance sheet date is recognised in reserves within shareholders equity.

(b) Cash flow and fair value interest rate risks

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. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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.

The aging of trade receivables at the reporting date was:

	Gross impairment	
	2008	2007
	US'\$000	US'\$000
Not past due	23,637	15,180
Past due 0 - 30 days	7,571	8,875
Past due 31 - 60 days	6,017	6,025
Past due 61 - 90 days	11,677	9,592
More than 90 days	5,220	3,870
Total	54,122	43,542
Less: Allowance for Doubtful Debts	(3,954)	(2,351)
	50,168	41,191

No impairment losses for trade receivables have been recognised in the accounts. Management maintain a policy of periodically reviewing all debtor balances for recoverability. Adjustments are made only where the balance is deemed to be wholly irrecoverable. In this respect, charges in the profit and loss account represent debtor write offs. Other classes within trade and other receivables do not contain impaired assets.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008	2007
	US'\$000	US'\$000
Non-current asset held for sale	-	900

notes to the financial statements

22. Financial instruments (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2008 US\$'000	2007 US\$'000
Europe	8,371	7,064
Middle East	21,369	13,848
Americas	2,883	5,833
Africa	9,832	8,702
Australasia	7,713	5,339
Central Asia	–	–
Others	–	405
	50,168	41,191

Of the trade receivables balance at 31 December 2008, US\$5.8 million is due from ExxonMobil. There are no other customers who represent more than 10% of the total balance of trade receivables.

(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. To ensure liquidity, the Company maintains sufficient cash and cash equivalents to meet its obligations as and when they fall due.

At 31 December 2008 the Group had cash resources amounting to approximately US\$20.6 million (2007: US\$8.0 million). Included in those cash resources were amounts of approximately US\$1.0 million (2007: US\$1.0 million) of balances which are lodged as security for performance bonds and tender.

Financial instruments by category:

	Loans and receivables	
	2008 US\$'000	2007 US\$'000
Assets as per balance sheet:		
Deferred tax assets	400	88
Cash and cash equivalents	20,641	7,967
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
Total	85,019	56,882

There were no financial liabilities that went through the income statement at fair value in 2007 or during the year.

The table below analyses the maturity profile of the financial liabilities at the balance sheet date based on contractual undiscounted payments.

notes to the financial statements

22. Financial instruments (continued)

	One year or less US\$'000	Two to five years US\$'000	More than five years US\$'000	Total US\$'000
Liabilities as per balance sheet:				
Trade and other payables	33,447	–	–	33,447
Amount due to a related party	142	–	–	142
Amount due to associated companies	16	–	–	16
Bank and other borrowings	2,923	290	53	3,266
Current tax liabilities	2,421	–	–	2,421
Hire purchase liabilities	658	930	3	1,591
Deferred consideration	2,673	–	–	2,673
Deferred tax liabilities	–	37	–	37
Provision for employees end of service benefits	–	818	–	818
Other non-current liabilities	–	174	–	174
Total	42,280	2,249	56	44,585

23. 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 value per share		Shares	Share capital US\$'000	Share premium US\$'000
		GBP	US\$			
At 1 January 2008				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)
				44,341,580	887	32,422

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

notes to the financial statements

23. Share capital (continued)

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.

(c) Share options

	Number of shares	Weighted average exercise price per share	Weighted average remaining contractual life (years)
Balance at 1 January 2008 - exercisable	2,067,708	103p	1.816
Options granted in the year - exercisable	–		
Balance at 31 December 2008 - exercisable	2,067,708	103p	1.816
Balance at 31 December 2007 - exercisable	2,067,708	103p	1.816

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:

	Issued on 27 June 2007
Share price	128p
Exercise price	150p
Expected volatility	35%
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.

(d) Warrants

	Number of shares	Weighted average exercise price per share
Balance at 1 January 2008 - exercisable	476,749	90p
Warrants granted in the year - exercisable	–	
Balance at 31 December 2008 - exercisable	476,749	90p
Balance at 31 December 2007 - exercisable	476,749	90p

notes to **the financial statements****23. Share capital** (continued)

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

	Issued on 21 August 2006
Share price	95p
Exercise price	90p
Expected volatility	21%
Expected life	0 years
Risk free rate	5%

(e) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23 and 26.

(f) Gearing ratio

The gearing ratio at the year end is as follows:

	2008 US\$'000	2007 US\$'000
Debts	3,266	4,404
Cash and cash equivalents	17,791	4,111
Net debt	3,266	4,404
Equity	55,062	36,750
Net debt to equity ratio	5.9%	12.0%

Debt is defined as long- and short-term borrowings, as detailed in note 19.

Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

(g) Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

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, 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

25. Dividends

	2008 US\$'000	2007 US\$'000
Dividend paid during the year	435	383
Dividend per share	1.0 c	1.0 c

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).

notes to the financial statements

26. Reserves

	Share based payment reserves US\$'000	Revaluation reserve US\$'000	Translation reserve US\$'000	Retained earnings US\$'000	Total US\$'000
The Group					
At 1 January 2007	136	287	11	6,932	7,366
Exchange reserve arising on translation of financial statements of overseas subsidiaries	–	–	(74)	–	(74)
Share based payments granted	289	–	–	–	289
Profit for the year	–	–	–	7,455	7,455
Dividend paid (note 25)	–	–	–	(383)	(383)
At 31 December 2007	425	287	(63)	14,004	14,653
Exchange reserve arising on translation of financial statements of overseas subsidiaries	–	–	(2,101)	–	(2,101)
Share options granted	330	–	–	–	330
Profit for the year	–	–	–	9,306	9,306
Dividend paid (note 25)	–	–	–	(435)	(435)
At 31 December 2008	755	287	(2,164)	22,875	21,753
			Share based payment reserves US\$'000	Retained earnings US\$'000	Total US\$'000
The Company					
At 1 January 2007			136	(33)	103
Share based payments granted			289	–	289
Profit for the year			–	330	330
Dividend paid (note 25)			–	(383)	(383)
At 31 December 2007			425	(86)	339
Share based payments granted			330	–	330
Loss for the year			–	(161)	(161)
Dividend paid (note 25)			–	(435)	(435)
At 31 December 2008			755	(682)	73

notes to the financial statements

27. Commitments under operating leases

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

	2008 Land and buildings US\$'000	2007 Land and buildings US\$'000
Operating leases which expire:		
Within one year	600	57
In two to five years	439	140
Over five years	–	–
	1,039	197

The contingent rent payable is determined by multiplying the monthly charge by the number of months left until the maturity of the service / lease agreement. For one of the tenancies, there is an option for the subsidiary to extend the term of the agreement on a yearly basis, by giving at least 2 months notice and to enjoy the same rate unless the owner of the land increases the rate. However, if notice is given, the landlord may increase the monthly rate by 10% after the two years term has expired.

For another tenancy, there is an option for the subsidiary to renew the term of the agreement for another 3 years. The monthly rental is subject to revision from time to time in accordance with the rental rate imposed by Housing Development Board on the landlord. There are no restrictions imposed by lease arrangements such as those concerning dividends, additional debt, and further leasing.

28. Capital commitment

At December 31, the Group had a capital commitment of US\$33,000 for the purchase of office furniture and fixtures.

29. Contingent liabilities

	Group 2008 US\$'000	Group 2007 US\$'000	Company 2008 US\$'000	Company 2007 US\$'000
Letter of guarantee	819	751	–	–
Performance bond guarantee	107	63	–	–

notes to the financial statements

30. Related party transactions

The following table provides the total amount of transactions, which have been entered into with related parties for each of the two years ended 31 December 2008:

Related party		Sales to related parties US\$'000	Purchases from related parties US\$'000	Commission received and receivable from related parties US\$'000
Velosi (M) Sdn Bhd	2008	2,902	165	39
	2007	2,281	429	–
Associated companies				
Velosi LLC	2008	2,024	59	–
	2007	1,561	27	–
Velosi (B) Sdn Bhd	2008	1	9	–
	2007	5	7	–

During the financial year, there were no transactions entered into with key management other than Directors' remuneration as disclosed in note 5.

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) a related party

The amount due from / (to) a related party 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 a related party of the Group in 2007 was an amount of US\$1.074 million pledged as security for bank guarantee facilities.

31. Post balance sheet events

In January 2009, Velosi LLC, Oman, a 50% associate increased its share capital from OMR150,000 to OMR250,000.

Pursuant to the Share Sale Agreement dated 19 October 2007 between Nicholas Robert Conway and David Griffin (collectively known as Vendors), and Velosi Industries Sdn Bhd (Purchaser) to purchase 65% of K2 (the Agreement), the Company shall issue shares to Vendors upon K2 achieving certain profit guarantee according to clause 5 of the Agreement. Further pursuant to clause 5.4 of the Agreement, in the event that it is determined from the audited report at the end of second year that K2 has achieved the entire profit guarantee, the Purchaser shall procure the Company to issue such remaining number of shares due to Vendors.

Based on K2's second year audited report dated 12 February 2009, K2 has achieved the entire profit guarantee of SGD4,000,000. The number of shares to be issued to Vendors shall be the value equivalent to SGD2,100,000.



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