

21 September 2009

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

**Interim Results  
For the six months ended 30 June 2009**

Velosi, the AIM listed provider of asset integrity, quality assurance, quality control, engineering and HSE services to major national and multinational oil and gas companies, is pleased to announce its interim results for the six months ended 30 June 2009.

**Highlights**

- Continuing a track record of significant growth:

	<i>H109</i>	<i>H108</i>	<i>%</i>
Turnover	US\$89.2m	US\$77.3m	<b>15.4</b>
Profit before tax	US\$7.9m	US\$7.2m	<b>10.4</b>
Earnings per share	11.2c	10.4c	<b>8.2</b>

- As at 30 June 2009, the Company had net cash reserves of US\$19.7 million
- Steady flow of new contract wins coupled with 100% retention of existing contracts underpins good visibility on future revenues
- Tightened cost base together with improved cash generation has strengthened the Company's financial base
- Trading is in line with expectations

**John Hogan, Chairman, commented:**

"Velosi has again delivered a good set of results despite the more challenging market environment. Based on historic trading patterns, revenues tend to be stronger in the second half of the year and this, together with the excellent visibility provided by contracted revenues, gives us confidence that we will achieve a good result for the current year. Despite the weakening commercial environment, the Company's strong underlying operating performance has allowed us to strengthen our financial position. As a result the Company has a strong balance sheet with net cash of \$19.7 million, remains cash generative and continues to increase both revenues and profitability."

**For further information, please contact:**

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## **CHAIRMAN'S STATEMENT**

I am very pleased to report on what has been a strong period of growth for the business. In the first six months of 2009 the Company has increased revenues and profits before tax by 15.4% and 10.4% respectively. This is a particularly satisfying performance as we have been able to simultaneously continue to win new contracts whilst also increasing our cash generation and cash reserves thus creating a financially secure base for the business going forward. Revenue growth has come from our excellent track record of renewing and extending existing contracts and continuing to add new contracts.

The partial recovery in oil prices is a positive factor but it is less a function of demand and more a result of reduction in supply and the value of the US dollar, and therefore has not translated into an increase in investment in oil and gas projects. In fact there has been a slowdown in investment, versus historic levels, however, Group revenues have continued to increase as the slowdown has been offset primarily by new income generated as a result of new office openings. The Company's focus is to continue to exploit its position as a one stop shop for the major oil and gas companies.

### **Financial Performance**

Our ability to retain and win new contracts resulted in turnover increasing by 15.4% to US\$89.2 million (2008: US\$77.3 million). Profit from ordinary activities before tax for the period was up 10.4% to US\$7.9 million (2008: US\$7.2 million), and profit after tax also increased, from US\$6.0 million in 2008 to US\$6.4 million.

The effective tax rate for the Group for the half year was 19.2% (2008: 16.2%). The effective tax rate for the Group reflects the contributions from the different regions and their varying tax rates.

Profits attributable to minority interests for the period were US\$1.3 million (2008: US\$1.6 million).

Basic earnings per share after minority interests increased to 11.2 cents (2008: 10.4 cents) and fully diluted earnings per share after minority interests were 11.0 cents (2008: 9.4 cents).

Velosi's cash position remains strong. At 30 June 2009, cash and cash equivalents for the Group were US\$20.1 million (2008: US\$10.7 million). Gearing levels remain low with short-term bank borrowings amounting to US\$2.8 million (2008: US\$5.6 million) and long-term bank borrowings amounting to US\$1.5 million (2008: US\$1.5 million).

### **Dividend**

As previously stated the Board does not propose to pay an interim dividend. The Board does however intend, subject to the availability of distributable reserves and a satisfactory performance in the second half of the year, to recommend a final dividend to shareholders in respect of the financial year ending 31 December 2009.

## **Operational Review**

During 2009 Velosi has continued to develop the business across its chosen geographic regions, in particular we focused on key areas of continued oil and gas investment such as Central Asia, South America and Africa. Our strategy to overlay our core inspection work with higher margin services such as asset integrity management services, project management consultancy, hotwork enclosures and sub sea services has been successful as individual offices are increasingly extending the scope of services to each client.

### **Asia & Australasia**

Turnover: US\$13.5 million (2008: US\$14.1 million), Contribution to Group Sales: 15% (2008: 18%)

Revenues from Asia and Australasia remained broadly level, however, we expect revenues to increase in the second half as the offtake for the Samsung Heavy Industries contract was initially slow but has since come on track. Velosi India has also made good progress with a series of new contract wins with ONGC, GAIL, Bharat Petroleum and GSPL worth approximately US\$6.0 million. In addition, the PPL contract has been expanded to include the assembly and installation of a further 5 derricks. As a result we expect to see an uplift in contribution from this region in the second half of the financial year.

## **Europe**

Turnover: US\$18.5 million (2008: US\$19.6 million), Contribution to Group Sales: 21 % (2008: 25%)

European revenues in 2008 grew significantly and therefore this first half performance is against very strong comparables. The largest contributor to Europe has been the BP Norge AS contract, providing inspection consultancy services in fabrication sites in Norway, the United Kingdom, and Holland amongst other European countries, which marked the Group's first contract in Norway. The Saipem contract in Italy was deferred slightly to the fourth quarter of 2009 but is still expected to contribute strongly over the duration of the contract.

## **Middle East**

Turnover: US\$33.8 million (2008: US\$26.8 million), Contribution to Group Sales: 38% (2008: 35%)

The Middle East region produced a strong contribution, building on a good result in 2008. A combination of the new offices opened in the previous year with a succession of new contract wins has consolidated Velosi's leading position in this region. The 5 year Saudi Aramco contract which began in the second half of 2008 is an important part of our overall success. In addition, Petroleum Development Oman has extended its QA/QC contract for the third time, which covers third party inspection services and is worth approximately US\$30 million over 4 years. Velosi Certification Services LLC also secured a 5 year worldwide vendor inspection and site construction inspection contract in onshore and offshore locations with ADGAS worth in excess of US\$ 10 million.

## **Africa**

Turnover: US\$15.2 million (2008: US\$8.7 million), Contribution to Group Sales: 17% (2008: 11%)

The first half of 2009 saw revenues increase to US\$15.2 million.. The Group was pleased to see the trading performance recover which was due to good contributions from across the Group's areas of operation in Africa including; Ghana, Angola, South Africa and Egypt

On April 16 2009 we were awarded a substantial new 5 year contract with the South African state owned electricity provider Eskom. The contract has been won in a 50:50 partnership with Khum MK Investments to provide Quality and Inspection services for Eskom's new build power plant program. Capital spend on this program is expected to be in excess of US\$30 billion and the fees for inspection should be in the region of 1-3%. The Quality and Inspection services work will be spread out amongst eight competing inspection authorities.

## **Americas and Former Soviet Union (FSU)**

Turnover: US\$8.3 million (2008: US\$8.1 million), Contribution to Group Sales: 9% (2008: 10%)

Americas and FSU traded broadly in line with the previous year, has significant strategic importance and continues to make a useful contribution to the overall Group. We remain confident of our ability to increase revenues by focusing on developing inspection services and securing long term contracts. With existing clients including: UOP (Honeywell) Inco Australia, Gulf Interstate Engineering, CB&I, GE Vetco Gray, Enersul, J. Ray McDermott, and KBR – there is a very solid base on which to develop.

We have been working hard 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.

### **Employees**

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

### **Outlook**

Following a period of rapid expansion, the Group has, over the last 12 months, consolidated its position creating a stable platform to continue to grow and generate further value for shareholders. Cashflow and cash reserves have increased significantly providing the Group with greater flexibility and security.

While oil prices have improved from the lows of around \$40 per barrel, this increase is more a function of the curbing of supply and the value of the US\$, and is not, in our opinion, an indication of increasing demand. We therefore view the current market as challenging and we are working to mitigate the slowdown in investment and the natural tendency for clients in this market to become more price sensitive. Having said that, in recent years the Group has expanded substantially and now operates from 36 countries with 5 principal offices, up from 27 countries with 4 principal offices in 2006. The new offices opened are contributing strongly and this increased volume is principally the reason behind our ability to continue to grow revenues in this environment. Together with our now global presence, which provides a natural hedge against being overly exposed to any one region, we are specifically targeting those geographic regions where the oil and gas majors are continuing to invest such as Kazakhstan, West Africa, Australia and Brazil. Underpinning this strategic approach is our ongoing focus on ensuring the business operates on a cost efficient basis thereby maintaining our strong financial base.

We are pleased with our trading performance for the first half of 2009 and with the first three months of the second half nearly completed, together with our visibility on future revenues, we are confident that we are trading in line with expectations for the full year. Looking ahead, our order book remains strong and we believe we are achieving our aims of delivering a truly global service offering, providing a range of increasingly diverse and higher margin services.

**JOHN HOGAN  
CHAIRMAN**

**VELOSI LIMITED**

**Consolidated Statement of Comprehensive Income  
For the six months ended 30 June 2009**

	Note	Six months ended 30 June 2009 US\$'000 (unaudited)	Six months ended 30 June 2008 US\$'000 (unaudited)	Year ended 31 December 2008 US\$'000 (audited)
Revenue	7	89,187	77,306	182,072
Cost of sales		(67,832)	(58,232)	(136,509)
Gross profit		21,355	19,074	45,563
Other operating income		735	28	883
Administrative expenses		(14,921)	(12,083)	(32,057)
Operating profit		7,169	7,019	14,389
Finance costs		(117)	(269)	(533)
Share of profit of associated companies		865	418	1,006
Profit on ordinary activities before tax		7,917	7,168	14,862
Income tax expense	3	(1,520)	(1,160)	(3,208)
Profit for the period		6,397	6,008	11,654
Other comprehensive income:				
Exchange differences on translating foreign operation		785	-	(2,828)
Other comprehensive income for the period net of tax		785	-	(2,828)
Total comprehensive income for the period		7,182	6,008	8,826
Profit attributable to:				
Owners of the parent		5,057	4,410	9,306
Non - continuing interest		1,340	1,598	2,348
		6,397	6,008	11,654
Total comprehensive income attributable to:				
Owners of the parent		5,537	4,410	7,205
Non - continuing interest		1,645	1,598	1,621
		7,182	6,008	8,826
Basic earnings per share	5	11.2 cents	10.4 cents	21.7 cents
Diluted earnings per share	5	11.0 cents	9.4 cents	19.6 cents

**VELOSI LIMITED**

**Consolidated Statement of Financial Position  
As at 30 June 2009**

		30 June 2009	30 June 2008	31 December 2008
	Note	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		8,646	7,341	8,307
Other intangible assets	8	1,598	1,549	1,744
Property, plant and equipment	11	9,314	7,325	8,261
Investment in associated companies	12	1,364	1,247	1,338
Other investments		-	9	-
Deferred tax assets		450	42	400
		-----	-----	-----
		21,372	17,513	20,050
		-----	-----	-----
<b>Current assets</b>				
Cash and cash equivalents		22,445	15,881	20,641
Inventories		4,080	4,610	2,271
Trade and other receivables		60,322	54,626	63,852
Tax recoverable		85	450	126
		-----	-----	-----
		86,932	75,567	86,890
		-----	-----	-----
Non-current asset held for sale		-	900	-
		-----	-----	-----
<b>Total assets</b>		<b>108,304</b>	<b>93,980</b>	<b>106,940</b>
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<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital		935	869	887
Share premium		33,801	30,226	32,422
Translation reserve		(1,685)	(63)	(2,164)
Retained earnings		29,135	19,291	23,917
		-----	-----	-----
Total equity attributable to equity holders		62,186	50,323	55,062
Minority interest		8,803	7,241	7,293
		-----	-----	-----
<b>Total equity</b>		<b>70,989</b>	<b>57,564</b>	<b>62,355</b>
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**VELOSI LIMITED**

**Consolidated Statement of Financial Position  
As at 30 June 2009**

		30 June 2009	30 June 2008	31 December 2008
	Note	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)
<b>Current liabilities</b>				
Trade and other payables		28,166	22,359	33,605
Bank and other borrowings	14	2,824	5,577	3,581
Current tax liabilities		2,493	2,592	2,421
Deferred consideration	9	1,260	3,984	2,673
		-----	-----	-----
		34,743	34,512	42,280
		-----	-----	-----
<b>Non-current liabilities</b>				
Deferred tax liabilities		36	20	37
Bank and other borrowings	14	1,531	1,549	1,276
Other non-current liabilities		1,005	335	992
		-----	-----	-----
		2,572	1,904	2,305
		-----	-----	-----
		-----	-----	-----
<b>Total liabilities</b>		<b>37,315</b>	<b>36,416</b>	<b>44,585</b>
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<b>Total equity and liabilities</b>		<b>108,304</b>	<b>93,980</b>	<b>106,940</b>
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**VELOSI LIMITED**

**Consolidated Statement of Cash Flow  
For the six months ended 30 June 2009**

	Six months ended 30 June 2009 US\$'000 (unaudited)	Six months ended 30 June 2008 US\$'000 (unaudited)	Year ended 31 December 2008 US\$'000 (audited)
<b>Net cash from / (used in) operating activities</b>	4,538	(513)	9,928
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(1,338)	(1,310)	(2,687)
Receipts from sale of property, plant and equipment	11	128	448
Acquisition of new subsidiary companies, net of cash	-	-	(1,168)
(Advance to) / repayment from associated companies	(738)	228	(358)
Dividend income from associated company	777	-	414
Interest received	31	140	244
<b>Net cash used in investing activities</b>	(1,257)	(814)	(3,107)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	-	8,660	8,660
Share issue expenses	-	(391)	(445)
Net borrowings	(374)	216	(383)
(Repayment to) / advance from related party	(101)	(402)	437
(Repayment to) / advance from directors	(367)	(54)	109
Dividend paid to shareholders	-	-	(435)
Dividend paid to minority shareholders of subsidiary companies	(135)	(86)	(208)
<b>Net cash (used in) / from financing activities</b>	(977)	7,943	7,735
<b>Net increase in cash and cash equivalents</b>	2,304	6,616	14,556
<b>Foreign exchange translation differences</b>	50	-	(876)
<b>Cash and cash equivalents at the beginning of the period</b>	17,791	4,111	4,111
<b>Cash and cash equivalents at the end of the period</b>	20,145	10,727	17,791
<b>Cash and cash equivalents comprise:</b>			
Current assets – Cash and cash equivalents	22,445	15,881	20,641
Current liabilities – Bank overdraft	(2,300)	(5,154)	(2,850)
	20,145	10,727	17,791

**VELOSI LIMITED**

**Consolidated Statement of Changes in Equity  
For the six months ended 30 June 2009**

Unaudited	Share capital US\$'000	Share premium US\$'000	Reserves US\$'000	Total US\$'000	Minority interest US\$'000	Total equity US\$'000
Balance at 1 January 2008	787	21,310	14,653	36,750	5,729	42,479
Share allotment	82	8,916	-	8,998	-	8,998
Total comprehensive income	-	-	4,410	4,410	1,598	6,008
Issue of share options	-	-	165	165	-	165
Dividend paid	-	-	-	-	(86)	(86)
Balance at 30 June 2008	869	30,226	19,228	50,323	7,241	57,564
Balance at 1 July 2008	869	30,226	19,228	50,323	7,241	57,564
Share allotment	18	2,196	-	2,214	-	2,214
Total comprehensive income	-	-	2,795	2,795	23	2,818
Acquisition of subsidiary	-	-	-	-	151	151
Issue of share options	-	-	165	165	-	165
Dividend paid	-	-	(435)	(435)	(122)	(557)
Balance at 31 December 2008	887	32,422	21,753	55,062	7,293	62,355
Balance at 1 January 2009	887	32,422	21,753	55,062	7,293	62,355
Share allotment	48	1,379	-	1,427	-	1,427
Total comprehensive income	-	-	5,537	5,537	1,645	7,182
Issue of share options	-	-	160	160	-	160
Dividend paid	-	-	-	-	(135)	(135)
Balance at 30 June 2009	935	33,801	27,450	62,186	8,803	70,989

## VELOSI LIMITED

### 1. General information

Velosi Limited was incorporated in Jersey on 28 March 2006. The principal activity of the Company is investment holding. The principal activities of the Group are provision of asset integrity management and health, safety, and environment (HSE) services, which cover quality assurance and quality control services. This includes certification, project verification, quality enhancement and engineering support services.

### 2. Basis of preparation and significant accounting policies

The interim condensed consolidated statement is unaudited and does not constitute statutory financial statements. The interim condensed consolidated statement incorporated the results of the Velosi Group for the period from 1 January 2009 to 30 June 2009. The results for the year ended 31 December 2008 have been extracted from the statutory financial statements' for Velosi Limited for the year ended 31 December 2008 which are prepared under International Financial Reporting Standards ("IFRS"). The interim report should be read in conjunction with the annual financial statement for the year ended 31 December 2008.

The accounting policies, presentation and methods of computation have been followed in these unaudited financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the impact of the adoption of the Standards and Interpretations described below:-

**IFRS 8 *Operating Segments*** (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 7), but has had no impact on the reported results or financial position of the Group.

**IAS 1 (revised 2007) *Presentation of Financial Statements*** (effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the reported results or financial position of the Group.

The consolidated financial statements are presented in US Dollars ("US\$") and all values are rounded to the nearest US\$ '000 except where otherwise indicated.

The Interim Report for the six months ended 30 June 2009 was approved by the Directors on 16 September 2009.

### 3. Income tax expense

	Six months ended 30 June 2009 US\$'000 (unaudited)	Six months ended 30 June 2008 US\$'000 (unaudited)	Year ended 31 December 2008 US\$'000 (audited)
Foreign tax:			
Overseas tax payable	1,499	1,163	3,446
Total current tax	<u>1,499</u>	<u>1,163</u>	<u>3,446</u>
Deferred tax:			
Movement in deferred tax position	(51)	(42)	(352)
Taxation on profit from ordinary activities	1,448	1,121	3,094
Add: Share of taxation of associated companies	72	39	114
	<u>1,520</u>	<u>1,160</u>	<u>3,208</u>

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 19% (Interim period 2008: 16%).

### 4. Share capital

#### (a) Share capital (unaudited)

	2009 US\$'000	2008 US\$'000
Authorised: 4,400,000,000 (2008: 4,400,000,000) Ordinary shares of US\$0.02 each	<u>88,000</u>	<u>88,000</u>
Issued: 46,765,871 (2008: 44,341,580) Ordinary shares of US\$0.02 each	<u>935</u>	<u>887</u>

#### (b) Share issued during the period (unaudited)

	Issue value per share		Shares	Share capital US\$'000	Share premium US\$'000
	GBP	US\$			
At 1 January 2009			44,341,580	887	32,422
Shares issued on 15 May 2009	0.39	0.59	2,424,291	48	1,379
			<u>46,765,871</u>	<u>935</u>	<u>33,801</u>

On 15 May 2009, 2,424,291 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, following the satisfaction of the entire profit guarantee of SGD4,000,000 (approximately £1.34 million) aggregate profit after tax and minority interests, set for the stipulated guarantee period.

## 5. 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 30 June 2009, as follows:

	Six months ended 30 June 2009 USD'000 (unaudited)	Six months ended 30 June 2008 USD'000 (unaudited)	Year ended 31 December 2008 USD'000 (audited)
Profit after taxation and minority interest	5,057	4,410	9,306
	Number	Number	Number
Weighted average number of shares for the purpose of calculating basic earnings per share	44,971,092	42,419,424	42,809,629
Effect of dilutive potential ordinary shares:			
Share options	-	2,067,708	-
Warrants	-	476,749	-
Deferred consideration	834,575	1,853,193	4,463,847
Weighted average number of shares for the purpose of calculating diluted earnings per share	45,805,667	46,817,074	47,273,476
Earnings per ordinary share			
Basic earnings per share	11.2 cents	10.4 cents	21.7 cents
Diluted earnings per share	11.0 cents	9.4 cents	19.6 cents

## 6. Dividends

A final dividend of US\$435,000 (representing 1 cent per share) in respect of the financial year ended 31 December 2008 was paid on 31 July 2009.

The Directors do not propose to pay an interim dividend. The Directors do intend, subject to the availability of distributable reserves, to recommend a final dividend to shareholders in respect of the financial year ending 31 December 2009.

## 7. Segmental reporting

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

	Europe	Middle East	Americas	Africa	Australia	Central Asia	Others	Adjustment	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2009									
Turnover	23,666	35,749	9,663	15,086	14,105	487	-	(9,569)	89,187
Gross profit	3,796	7,197	1,734	1,430	4,689	292	-	2,217	21,355
Profit / (loss) before tax	1,036	4,489	145	(552)	1,276	75	(600)	2,048	7,917
Adjustments listed above relate to the following:									
Share of profit of associates, net of taxation								793	793
Segment assets	24,062	42,500	11,914	20,718	31,861	552	36,684	(59,987)	108,304
Segment liabilities	21,082	21,426	10,869	18,240	21,011	560	2,338	(58,211)	37,315
2008									
Turnover	21,205	27,766	10,609	9,307	13,122	-	2,128	(6,831)	77,306
Gross profit	3,327	6,265	1,918	1,881	4,375	-	939	369	19,074
Profit / (loss) before tax	1,100	3,748	274	421	1,892	-	(766)	499	7,168
Adjustments listed above relate to the following:									
Share of profit of associates, net of taxation								379	379
Segment assets	18,540	31,963	11,914	16,340	27,242	-	33,946	(45,965)	93,980
Segment liabilities	16,435	16,812	10,816	13,157	20,104	-	2,550	(43,458)	36,416

## 8. Other intangible assets

	30 June 2009	30 June 2008	31 December 2008
	USD'000 (unaudited)	USD'000 (unaudited)	USD'000 (audited)
At 1 January	1,744	1,662	1,662
Foreign exchange translation difference	23	-	(124)
Acquisition of subsidiary companies	-	-	537
Amortisation	(169)	(113)	(331)
	<u>1,598</u>	<u>1,549</u>	<u>1,744</u>

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 ranging from 5 and 10 years.

## 9. Deferred consideration

	30 June 2009	30 June 2008	31 December 2008
	USD'000 (unaudited)	USD'000 (unaudited)	USD'000 (audited)
At 1 January	2,673	4,477	4,477
Foreign exchange translation difference	15	-	(312)
Acquisition of subsidiary companies	-	-	1,269
Consideration settled	(1,428)	(493)	(2,761)
	<u>1,260</u>	<u>3,984</u>	<u>2,673</u>

The provisional deferred consideration consists of cash and shares.

## 10. Seasonality

The Group's business operations are not seasonal.

## 11. Property, plant and equipment

During the period, the Group acquired new plant and machinery at a cost of US\$1,761,000 (2008: US\$1,350,000). The Group also disposed of plant and machinery with net book value of US\$11,000 (2008: US\$128,000).

## 12. Investment in associated companies

Investment in associated companies has increased as a result of the share of net profit of associated companies, foreign exchange translation difference and dividend from associated companies.

### 13. Related party transactions

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

		Sales to related parties US\$'000	Purchases from related parties US\$'000	Rental received and receivable from related parties US\$'000
Related parties				
Velosi (M) Sdn Bhd	2009	1,349	34	-
	2008	1,447	101	31
Associated companies				
Velosi LLC	2009	819	17	-
	2008	407	17	-

#### 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 related party

The amount due from related party included under current assets represents unsecured interest free advances repayable on demand. The related party is Velosi (M) Sdn Bhd. Included in trade and other receivables is an amount of US\$1.247 million (2007: US\$0.391 million) pledged as security for bank guarantee facilities.

### 14. Bank and other borrowings

	30 June 2009 US\$'000 (unaudited)	30 June 2008 US\$'000 (unaudited)	31 December 2008 US\$'000 (audited)
Current			
Bank overdrafts	2,300	5,154	2,850
Bank loan	76	128	73
Hire purchase	448	295	658
	<u>2,824</u>	<u>5,577</u>	<u>3,581</u>
Non-current			
Bank loan	356	1,069	343
Hire purchase	1,175	480	933
	<u>1,531</u>	<u>1,549</u>	<u>1,276</u>
	<u>4,355</u>	<u>7,126</u>	<u>4,857</u>

These interim results will be available on the Company's website [www.velosi.com](http://www.velosi.com). Further copies can be obtained from the registered office at Walker House, PO Box 72, 28-34 Hill Street, St Helier, Jersey JE4 8PN Channel Islands.