



21 September 2010

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

**Interim Results**  
**For the six months ended 30 June 2010**

VELOSI, the AIM quoted provider of Testing, Inspection and Certification services to major national and multinational oil and gas companies, is pleased to announce its interim results for the six months ended 30 June 2010.

**Highlights**

- Turnover increased by 6.0% to US\$94.5 million (2009: US\$ 89.2 million)
  - 38% and 24% growth in Australasian and European revenues respectively
  - Middle East maintained position as the Group's largest market
  - Africa on track with planned recovery
- Profit before tax reduced slightly to US\$7.4 million (2009: US\$7.9 million) reflecting increased investment in new offices and personnel and changes in business mix
- Acquired the VELOSI trading name in Malaysia
- The Group's overall financial position is strong with a net cash position of US\$ 18.4 million as at 30 June 2010
- Visibility on future revenues remains good and we are positioned to continue to gain market share

**John Hogan, Chairman, commented:**

"The business has continued to grow, by increasing revenues through new contract wins and the extension of existing contracts. At the same time VELOSI is investing in developing its presence in key markets, opening offices in three new countries during the period and in hiring personnel to expand our presence in existing markets. Demand for our services remains robust in terms of supporting current infrastructure projects, as safety concerns across the industry remain paramount. However while we have increased our revenues there are fewer higher margin specialist inspection contracts coming up for tender as the major oil and gas corporations remain cautious."

**For further information, please contact:**

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## **CHAIRMAN'S STATEMENT**

I am pleased to report on a good performance by the business. In the first six months of 2010 the Company increased revenues by 6.0% as we gained market share across a number of key markets.

We continue to hold a strong market position across the Middle East and we have focused on key areas of activity such as Australia, Kazakhstan and Nigeria where we have seen good progress. Our trading performance was boosted by new contract wins, although we would have liked to have seen more higher margin contracts.

Oil and gas multinationals have continued to adopt a cautious approach towards investing in new projects, and levels of investment remain relatively subdued. However, the recent oil spillage in the Gulf of Mexico has reinforced the need to ensure the highest of safety standards across all new and existing projects, which remains a core driver for the business. Overall, the Board believes VELOSI remains very well placed to further build on its position as a global provider of Testing, Inspection and Certification services to major national and multinational oil and gas companies.

### **Financial Performance**

Turnover increased by 6.0% during the period, to US\$94.5 million (2009: US\$89.2 million), reflecting our ability to retain and extend existing contracts, and win new work. Profit from ordinary activities before tax for the period was US\$7.4 million (2009: US\$7.9 million), as we continued to win new work, albeit at tighter margins than historically and also reflecting the costs of our investment in new offices and personnel. Profit after tax was US\$6.3 million (2009: US\$6.4 million).

The effective tax rate for the Group for the half year was 14.6% (2009: 19.2%). 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\$1.6 million (2009: US\$1.3 million).

Basic earnings per share after minority interests were 9.8 cents (2009: 11.2 cents) and fully diluted earnings per share after minority interests were 9.1 cents (2009: 11.0 cents).

VELOSI's cash position remains strong. At 30 June 2010, net cash was US\$18.4 million (2009: US\$19.7 million). Gearing levels remain low with short term bank borrowings amounting to US\$3.3 million (2009: US\$2.3 million) and long-term bank borrowings amounting to US\$2.2 million (2009: US\$0.4 million).

### **Dividend**

As in the past, the Board does not propose to pay an interim dividend. However, subject to the availability of distributable reserves and a satisfactory performance in the second half of the year, the Board does intend to recommend a final dividend to shareholders in respect of the financial year ending 31 December 2010.

### **Operational Review**

VELOSI's focus is to continue to exploit its position as a global one stop shop for the major oil and gas companies across its chosen geographies and a presence in local markets is key in allowing us to deliver the level of service our customers expect.

Accordingly, VELOSI has focused on maintaining a strong cash position to invest in developing the business to drive future revenue growth through new office openings, and during 2010 opened new offices in Papua New Guinea, Malaysia, Thailand, Pakistan and Poland. In addition, in anticipation of a pickup in market activity, we have added staff to expand our service offering. These investments in developing the business have added to the Group's cost base in the short term, after which we expect these new regions to contribute to growing the Group's revenue and profitability, in addition to diversifying the Group's geographical offering.

Looking ahead, we will seek suitable acquisition opportunities, which complement our existing offering in terms of geography and services. Our strategy remains to overlay our core inspection work with higher margin services such as asset integrity management consultancy services, albeit many of the oil and gas majors are currently deferring higher margin work.

As announced in February 2010, VELOSI acquired the VELOSI trading name in Malaysia for a consideration of up to RM23.3m (£4.34m) (the "Trade Agreement"), to be satisfied by the issue of up to 4.76m new ordinary shares of US\$0.02 each based on the weighted average closing middle market price of 91.25 pence per share for the three business days prior to date of the Trade Agreement. At the same time, the Company entered into a licensing agreement with VELOSI (M) Sdn. Bhd. ("VELOSI Malaysia") under which the Group licensed, on an ongoing basis, the VELOSI trade name in Malaysia and intellectual property of the Group to VELOSI Malaysia, in return for VELOSI Malaysia paying an annual licensing fee to the Group.

## **Europe**

Turnover net of intra group sales: US\$22.9 million (2009: US\$18.5 million), Contribution to Group Sales: 24% (2009: 21%)

Operations across Europe delivered a good performance with a strong contribution from BP Norge. Total E&P UK has awarded VELOSI a three year Inspection & Expediting Services contract for its Laggan Tormore project, situated offshore to the north-west of the Shetland Islands. The project commenced in June 2010.

## **Australasia**

Turnover net of intra group sales: US\$18.6 million (2009: US\$13.5 million), Contribution to Group Sales: 20% (2009: 15%)

Revenues from Asia and Australasia rose sharply reflecting the significant increase in activity on the west coast of Australia. Our 51% subsidiary QAM, had a strong first half with increased activity from the Gorgon Projects. K2, our Singapore based subsidiary, maintained its revenue base and has increased its investment in key personnel with an aim of increasing its share of higher margin specialist contracts across South East Asia.

## **Middle East**

Turnover net of intra group sales: US\$33.1 million (2009: US\$33.8 million), Contribution to Group Sales: 35% (2009: 38%)

The Middle East remains our largest region, where we hold a strong market position. During the period under review, good progress has been made under the main Inspection Services Contract with Saudi Aramco, which was won in 2008. In addition, VELOSI was awarded a three year Quality Management Services project contract for the Manifa Industrial Support Facilities and Pipelines project in Manifa, Saudi Arabia, which commenced in June 2010.

VELOSI's worldwide inspection, engineering, expediting and certification contract with Qatar Petroleum has been extended, following a new tender process, for a further three years. This is the fourth contract extension that VELOSI has been awarded by Qatar Petroleum. The contract commenced in August 2010 and is estimated to be worth US\$4.8 million.

VELOSI has been awarded a Third Party Inspection Services contract in Taweelah, Abu Dhabi with Abu Dhabi Ports Company. The contract is expected to be worth approximately US\$30 million in total, and VELOSI is one of four contractors to have been awarded the four year contract which commenced in January 2010.

## **Africa**

Turnover net of intra group sales: US\$14.3 million (2009: US\$15.2 million), Contribution to Group Sales: 15% (2009: 17%)

Having now settled the legal issues relating to the ownership of the VELOSI brand in Nigeria, it is pleasing to report that progress in Nigeria is being made more quickly than anticipated. Consequently, we expect that Nigeria will contribute positively to the Group's profitability ahead of schedule. The Exxon manpower contract in Nigeria has been extended for a further year to October 2011 and the VELOSI Nigeria team is also bidding on a number of new contracts. However, there will be a pause while political discussions on foreign investment laws continue. VELOSI Angola is also performing well with revenues from its principal contract increasing by over 20%.

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

Turnover net of intra group sales: US\$5.5 million (2009: US\$8.3 million), Contribution to Group Sales: 6% (2009: 9%)

The US and FSU are relatively small elements of the Group's operations and tend to focus on vendor inspection and Russian certification. Within the US, the business had not been performing in line with expectations and as a result a new management team has been put in place and this change is beginning to generate results. In the FSU, VELOSI was awarded a five year corrosion monitoring and maintenance contract with Exxon Neftegaz. The contract began in June 2010, and the work will take place at the Sakhalin Project in Russia.

#### **Outlook**

With new offices opened in three new countries in the period, the Group now operates from 39 countries, providing a global service with its constantly expanding range of Testing, Inspection and Certification services, further assisting VELOSI to continue to grow the business and gain market share.

In the medium term there are some 'hot spots' where new projects are being initiated, specifically in Australia, Korea, Brazil and Kazakhstan. We have already put in place resources to position ourselves to support investment in these areas and will continue to further build our presence. Elsewhere we expect to maintain our position and build market share although we anticipate that there will continue to be pressure on margins.

The Board believes that VELOSI is well positioned to compete in the current environment, and as our client retention track record shows, the Company is fully focused on providing excellent service and has consistently grown the business since inception. While we have seen some pressure on operating margins reflecting our investment in new offices and personnel together with changes in the business mix including less higher margin work, we have continued to gain market share through winning new contracts and continued our excellent track record of retaining existing contracts and thereby growing revenues in the first half of the year. Since the half-year end, trading has continued to be positive, with the Group having won further new contracts and retained existing contracts.

The Board believes VELOSI is well positioned to continue to gain market share, and with a strong balance sheet, is confident of the future prospects of the Group.

**JOHN HOGAN**  
**CHAIRMAN**

**VELOSI LIMITED**

**Condensed Consolidated Statement of Comprehensive Income  
For the six months ended 30 June 2010**

	Note	Six months ended 30 June 2010 US\$'000 (unaudited)	Six months ended 30 June 2009 US\$'000 (unaudited)	Year ended 31 December 2009 US\$'000 (audited)
Revenue	7	94,495	89,187	183,563
Cost of sales		(73,723)	(67,832)	(138,675)
Gross profit		20,772	21,355	44,888
Other operating income		773	735	1,141
Administrative expenses		(15,196)	(14,921)	(31,250)
Operating profit		6,349	7,169	14,779
Finance costs		(157)	(117)	(291)
Share of profit of associated companies		1,198	865	2,308
Profit on ordinary activities before tax		7,390	7,917	16,796
Income tax expense	3	(1,079)	(1,520)	(3,848)
Profit for the period		6,311	6,397	12,948
Other comprehensive income:				
Exchange differences on translating foreign operation		(602)	785	1,298
Other comprehensive income for the period net of tax		(602)	785	1,298
Total comprehensive income for the period		5,709	7,182	14,246
Profit attributable to:				
Owners of the parent		4,677	5,057	10,446
Non - controlling interest		1,634	1,340	2,502
Total comprehensive income attributable to:		6,311	6,397	12,948
Owners of the parent		4,226	5,537	11,342
Non - controlling interest		1,483	1,645	2,904
Total comprehensive income attributable to:		5,709	7,182	14,246
Basic earnings per share	5	9.8 cents	11.2 cents	22.8 cents
Diluted earnings per share	5	9.1 cents	11.0 cents	22.3 cents

**VELOSI LIMITED**

**Condensed Consolidated Statement of Financial Position  
As at 30 June 2010**

	Note	30 June 2010 US\$'000 (unaudited)	30 June 2009 US\$'000 (unaudited)	31 December 2009 US\$'000 (audited)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	10,050	9,314	9,565
Goodwill		8,490	8,646	8,772
Other intangible assets	8	8,208	1,598	1,470
Investment in associated companies	12	3,664	1,364	2,713
Deferred tax assets		443	450	95
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		30,855	21,372	22,615
		-----	-----	-----
<b>Current assets</b>				
Inventories		951	4,080	1,241
Trade and other receivables		71,563	60,322	66,967
Tax recoverable		486	85	159
Cash and cash equivalents		20,810	22,445	20,078
		-----	-----	-----
		93,810	86,932	88,445
		-----	-----	-----
<b>Total assets</b>		<b>124,665</b>	<b>108,304</b>	<b>111,060</b>
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<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital		968	935	935
Share premium		35,977	33,801	33,790
Translation reserve		(1,719)	(1,684)	(1,268)
Retained earnings		37,895	29,134	33,083
		-----	-----	-----
Total equity attributable to owners of the parent		73,121	62,186	66,540
Non - controlling interest		11,152	8,803	9,721
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<b>Total equity</b>		<b>84,273</b>	<b>70,989</b>	<b>76,261</b>
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**VELOSI LIMITED**

**Condensed Consolidated Statement of Financial Position  
As at 30 June 2010**

		30 June 2010	30 June 2009	31 December 2009
	Note	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)
<b>Current liabilities</b>				
Trade and other payables		23,792	28,166	25,532
Bank and other borrowings	14	3,942	2,824	2,977
Current tax liabilities		2,269	2,493	2,308
Deferred consideration	9	1,098	1,260	1,287
		-----	-----	-----
		31,101	34,743	32,104
		-----	-----	-----
<b>Non-current liabilities</b>				
Bank and other borrowings	14	2,897	1,531	1,290
Other non-current liabilities		1,645	1,005	1,326
Deferred tax liabilities		11	36	79
Deferred consideration	9	4,738	-	-
		-----	-----	-----
		9,291	2,572	2,695
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		-----	-----	-----
<b>Total liabilities</b>		<b>40,392</b>	<b>37,315</b>	<b>34,799</b>
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<b>Total equity and liabilities</b>		<b>124,665</b>	<b>108,304</b>	<b>111,060</b>
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**VELOSI LIMITED**
**Condensed Consolidated Statement of Cash Flow  
For the six months ended 30 June 2010**

	Note	Six months ended 30 June 2010 US\$'000 (unaudited)	Six months ended 30 June 2009 US\$'000 (unaudited)	Year ended 31 December 2009 US\$'000 (audited)
<b>Net cash (used in) / from operating activities</b>		(56)	4,538	6,941
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		(1,997)	(1,338)	(3,765)
Receipts from sale of property, plant and equipment		25	11	1,054
Acquisition of shares in existing subsidiary companies, net of cash		87	-	(1,086)
Acquisition of new associated companies		-	-	(51)
Repayment from / (Advance to) associated companies		74	(738)	(834)
Dividend income from an associated company		-	777	777
Interest received		18	31	106
<b>Net cash used in investing activities</b>		(1,793)	(1,257)	(3,799)
<b>Cash flows from financing activities</b>				
Share issue expenses		-	-	(58)
Net borrowings		2,293	(374)	(834)
Advance from / (Repayment to) related party		564	(101)	(1,263)
Advance from / (Repayment to) directors		91	(367)	(348)
Dividend paid to shareholders		-	-	(468)
Dividend paid to minority shareholders of subsidiary companies		(190)	(135)	(476)
<b>Net cash from / (used in) financing activities</b>		2,758	(977)	(3,447)
<b>Net increase / (decrease) in cash and cash equivalents</b>		909	2,304	(305)
<b>Foreign exchange translation differences</b>		(456)	50	317
<b>Cash and cash equivalents at the beginning of the period</b>		17,803	17,791	17,791
<b>Cash and cash equivalents at the end of the period</b>		18,256	20,145	17,803
<b>Cash and cash equivalents comprise:</b>				
Current assets – Cash and cash equivalents		20,810	22,445	20,078
Current liabilities – Bank overdraft		(2,554)	(2,300)	(2,275)
		18,256	20,145	17,803
<b>Reconciliation to net cash:</b>	15			
Cash and cash equivalents		18,256	20,145	17,803
Other bank facilities		(2,981)	(432)	(336)
Cash margin – Bank guarantees		3,122	-	2,198
		18,397	19,713	19,665

**VELOSI LIMITED**

**Condensed Consolidated Statement of Changes in Equity  
For the six months ended 30 June 2010**

Unaudited	Share capital US\$'000	Share premium US\$'000	Share based payment reserves US\$'000	Revaluation reserve US\$'000	Translation reserve US\$'000	Retained earnings US\$'000	Total US\$'000	Non -controlling interest US\$'000	Total equity US\$'000
Balance at 1 January 2009	887	32,422	755	287	(2,164)	22,875	55,062	7,293	62,355
Exchange reserve arising on translation of financial statements of overseas subsidiaries	-	-	-	-	480	-	480	305	785
Profit for the period	-	-	-	-	-	5,057	5,057	1,340	6,397
Total comprehensive income for the period	-	-	-	-	480	5,057	5,537	1,645	7,182
Share allotment	48	1,379	-	-	-	-	1,427	-	1,427
Issue of share options	-	-	160	-	-	-	160	-	160
Dividend paid	-	-	-	-	-	-	-	(135)	(135)
Balance at 30 June 2009	935	33,801	915	287	(1,684)	27,932	62,186	8,803	70,989
Balance at 1 July 2009	935	33,801	915	287	(1,684)	27,932	62,186	8,803	70,989
Exchange reserve arising on translation of financial statements of overseas subsidiaries	-	-	-	-	416	-	416	97	513
Profit for the period	-	-	-	-	-	5,389	5,389	1,162	6,551
Total comprehensive income for the period	-	-	-	-	416	5,389	5,805	1,259	7,064
Share issue costs	-	(58)	-	-	-	-	(58)	-	(58)
Acquisition of subsidiaries	-	-	-	-	-	(1,085)	(1,085)	-	(1,085)
Disposal of asset	-	-	-	(287)	-	287	-	-	-
Issue of share options	-	-	160	-	-	-	160	-	160
Expiry of warrants	-	47	(47)	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(468)	(468)	(341)	(809)
Balance at 31 December 2009	935	33,790	1,028	-	(1,268)	32,055	66,540	9,721	76,261

**VELOSI LIMITED**

**Condensed Consolidated Statement of Changes in Equity  
For the six months ended 30 June 2010**

Unaudited	Share capital US\$'000	Share premium US\$'000	Share based payment reserves US\$'000	Revaluation reserve US\$'000	Translation reserve US\$'000	Retained earnings US\$'000	Total US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance at 1 January 2010	935	33,790	1,028	-	(1,268)	32,055	66,540	9,721	76,261
Exchange reserve arising on translation of financial statements of overseas subsidiaries	-	-	-	-	(451)	-	(451)	(151)	(602)
Profit for the period	-	-	-	-	-	4,677	4,677	1,634	6,311
Total comprehensive income for the period	-	-	-	-	(451)	4,677	4,226	1,483	5,709
Share allotment	33	2,187	-	-	-	-	2,220	-	2,220
Acquisition of subsidiaries	-	-	-	-	-	-	-	138	138
Issue of share options	-	-	135	-	-	-	135	-	135
Dividend paid	-	-	-	-	-	-	-	(190)	(190)
Balance at 30 June 2010	968	35,977	1,163	-	(1,719)	36,732	73,121	11,152	84,273

## 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 financial statements are unaudited and do not constitute statutory financial statements. The interim condensed consolidated financial statements incorporate the results of the VELOSI Group for the period from 1 January 2010 to 30 June 2010. The results for the year ended 31 December 2009 have been extracted from the statutory financial statements for VELOSI Limited for the year ended 31 December 2009 which are prepared under International Financial Reporting Standards ("IFRS"). The interim results should be read in conjunction with the annual financial statement for the year ended 31 December 2009.

The accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

The condensed 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 condensed consolidated financial statements for the six months ended 30 June 2010 were approved by the Directors on 20 September 2010.

### 3. Income tax expense

	Six months ended 30 June 2010 US\$'000 (unaudited)	Six months ended 30 June 2009 US\$'000 (unaudited)	Year ended 31 December 2009 US\$'000 (audited)
Foreign tax:			
Overseas tax payable	1,358	1,499	3,240
Total current tax	<u>1,358</u>	<u>1,499</u>	<u>3,240</u>
Deferred tax:			
Movement in deferred tax position	(416)	(51)	384
Taxation on profit from ordinary activities	942	1,448	3,624
Add: Share of taxation of associated companies	137	72	224
	<u>1,079</u>	<u>1,520</u>	<u>3,848</u>

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 14.6% (Interim period 2009: 19.2%).

#### 4. Share capital

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

	2010 US\$'000	2009 US\$'000
Authorised: 4,400,000,000 (2009: 4,400,000,000) Ordinary shares of US\$0.02 each	<u>88,000</u>	<u>88,000</u>
Issued: 48,384,548 (2009: 46,765,871) Ordinary shares of US\$0.02 each	<u>968</u>	<u>935</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 2010			46,765,871	935	33,790
Share issued on 3 March 2010	0.92	1.37	1,618,677	33	2,187
			<u>48,384,548</u>	<u>968</u>	<u>35,977</u>

On 3 March 2010, 1,618,677 new ordinary shares were issued to Mohamed Ashari Bin Abas and Mohd Jai Bin Suboh as part payment for the acquisition of the 'VELOSI' trading name in Malaysia, pursuant to an agreement dated 9 February 2010 between VELOSI Limited, Mohamed Ashari Bin Abas and Mohd Jai Bin Suboh.

#### 5. Earnings per share

The basic and diluted earnings per share are calculated by reference to the earnings attributable to ordinary shareholders divided by the weighted average number of shares for the period from 1 January 2010 to 30 June 2010, as follows:

	Six months ended 30 June 2010 US\$'000 (unaudited)	Six months ended 30 June 2009 US\$'000 (unaudited)	Year ended 31 December 2009 US\$'000 (audited)
Profit after taxation and non - controlling interest	4,677	5,057	10,446
	Number	Number	Number
Weighted average number of shares for the purpose of calculating basic earnings per share	<u>47,839,027</u>	<u>44,971,092</u>	<u>45,875,857</u>
Effect of dilutive potential ordinary shares:			
Deferred consideration	3,562,402	834,575	963,612
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>51,401,429</u>	<u>45,805,667</u>	<u>46,839,469</u>

Earnings per ordinary share			
Basic earnings per share	9.8 cents	11.2 cents	22.8 cents
Diluted earnings per share	9.1 cents	11.0 cents	22.3 cents

## 6. Dividends

A final dividend of US\$730,000 (representing 1.5 cents per share) in respect of the financial year ended 31 December 2009 was paid on 30 July 2010.

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 2010.

## 7. Segmental reporting

The Group has adopted IFRS 8 Operating Segments, which 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.

The Group's business activities are split into six regions – Europe, the Middle East, Americas, Africa, Australasia, and Central Asia. These regions are the basis on which information is reported to the Group Board. The segment result is the measure used for the purposes of resource allocation, assessment of performance and decision making.

All other segments primarily comprise income and expenses relating to the Group's administrative functions. Interest income and interest expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Accordingly, this information is not separately reported to the Board for each reportable segment.

	Europe	Middle East	Americas	Africa	Australasia	Central Asia	Others	Adjustment	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2010									
Turnover	33,210	36,051	6,228	14,390	20,147	102	-	(15,633)	94,495
Gross profit	3,664	7,623	1,268	2,542	5,303	43	(90)	419	20,772
Interest income	1	-	-	6	22	-	82	(93)	18
Interest expense	(82)	(17)	(82)	(4)	(54)	-	(10)	92	(157)
Depreciation and amortisation	(60)	(544)	-	(310)	(568)	(3)	(1)	(164)	(1,650)
Profit / (loss) before tax	978	4,344	(129)	464	531	25	(989)	2,166	7,390
Adjustments listed above relate to the following:									
Share of profit of associates, net of taxation								1,061	
Segment assets	24,640	49,512	7,520	18,455	43,933	885	46,544	(66,824)	124,665
Segment liabilities	21,171	23,865	6,566	16,538	28,962	418	8,750	(65,878)	40,392

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
Interest income	12	25	-	2	16	-	262	(286)	31
Interest expense	(61)	(20)	(228)	(27)	(65)	-	-	284	(117)
Depreciation and amortisation	(62)	(295)	-	(243)	(426)	(1)	(1)	(163)	(1,191)
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	
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

## 8. Other intangible assets

	30 June 2010	30 June 2009	31 December 2009
	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(audited)
Finite intangible assets:			
At 1 January	1,470	1,744	1,744
Foreign exchange translation difference	(51)	23	66
Acquisition	-	-	-
Amortisation	(168)	(169)	(340)
	<u>1,251</u>	<u>1,598</u>	<u>1,470</u>
Indefinite intangible assets:			
At 1 January	-	-	-
Acquisition	6,957	-	-
	<u>6,957</u>	<u>-</u>	<u>-</u>
	<u>8,208</u>	<u>1,598</u>	<u>1,470</u>

Acquired finite 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.

Acquired indefinite intangible assets are valued at cost and relate to an agreement with VELOSI (M) Sdn Bhd ("VMSB") for the use of trade name in return VMSB agrees to pay the Company an agreed fee.

## 9. Deferred consideration

	30 June 2010	30 June 2009	31 December 2009
	US\$'000 (unaudited)	US\$'000 (unaudited)	US\$'000 (audited)
Current liability:			
At 1 January	1,287	2,673	2,673
Foreign exchange translation difference	(189)	15	42
Consideration settled	-	(1,428)	(1,428)
	<u>1,098</u>	<u>1,260</u>	<u>1,287</u>
Non-current liability:			
At 1 January	-	-	-
Acquisition	4,738	-	-
	<u>4,738</u>	<u>-</u>	<u>-</u>
	<u>5,836</u>	<u>1,260</u>	<u>1,287</u>

The provisional deferred consideration consists of cash and shares.

Pursuant to an agreement dated 9 February 2010, VELOSI Limited acquired the VELOSI trading name in Malaysia for a purchase consideration of up to RM23,333,333 (approximately US\$6.803 million). This amount is to be paid by way of issuance of new VELOSI shares to be issued in three tranches with the initial consideration of RM7,933,333 (approximately US\$2.313 million) which was settled by the issue of 1,618,677 consideration shares on 3 March 2010. Subject to the achievement of certain performance criteria towards end of 3rd quarter of 2011, a further RM7,933,333 (approximately US\$2.313 million) consideration shares will be issued. In addition, the remaining balance will be issued upon achievement of the guaranteed income by end of 30 June 2012.

## 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\$1,996,000 (2009: US\$1,761,000). The Group also disposed of plant and machinery with net book value of US\$15,000 (2009:11,000).

## 12. Investment in associated companies

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

### 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
Related parties			
VELOSI (M) Sdn Bhd	2010	1,059	193
	2009	1,349	34
Associated companies			
VELOSI LLC	2010	1,199	96
	2009	819	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 / 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.

### 14. Bank and other borrowings

	30 June 2010 US\$'000 (unaudited)	30 June 2009 US\$'000 (unaudited)	31 December 2009 US\$'000 (audited)
Current			
Bank overdrafts	2,554	2,300	2,275
Bank loan	754	76	41
Hire purchase	634	448	661
	<u>3,942</u>	<u>2,824</u>	<u>2,977</u>
Non-current			
Bank loan	2,227	356	295
Hire purchase	670	1,175	995
	<u>2,897</u>	<u>1,531</u>	<u>1,290</u>
	<u>6,839</u>	<u>4,355</u>	<u>4,267</u>

Included in trade and other receivables is an amount of US\$4.229 million (2009: US\$1.247 million) pledged as security for bank overdraft and guarantee facilities.

**15. Reconciliation from profit on ordinary activities before tax to net cash**

	Six months ended 30 June 2010 US\$'000 (unaudited)	Six months ended 30 June 2009 US\$'000 (unaudited)	Year ended 31 December 2009 US\$'000 (audited)
Profit on ordinary activities before taxation	7,390	7,917	16,796
Adjustment for non-cashflow items	1,257	1,414	3,743
Decrease / (Increase) in inventories	290	(1,809)	1,031
(Increase) / Decrease in receivables	(4,797)	3,722	(3,153)
Decrease in payables	(2,309)	(5,203)	(7,761)
Interest paid	(157)	(117)	(291)
Tax paid	(1,730)	(1,386)	(3,424)
Net cash (used in) / from operating activities	(56)	4,538	6,941
Net cash used in investing activities	(1,793)	(1,257)	(3,799)
Net cash from / (used in) financing activities	2,758	(977)	(3,447)
Net increase / (decrease) in cash and cash equivalents	909	2,304	(305)
Foreign exchange translation differences	(456)	50	317
Cash and cash equivalents at the beginning of the period	17,803	17,791	17,791
Cash and cash equivalents at the end of the period	18,256	20,145	17,803
Other bank facilities	(2,981)	(432)	(336)
Cash margin – Bank guarantees	3,122	-	2,198
Net cash	18,397	19,713	19,665

These interim condensed consolidated financial statements 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 5TF Channel Islands.