

10. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



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The Board of Directors
Datascan Berhad
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No.1 Lingkungan Golf Saujana
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Selangor Darul Ehsan

21 June 2004

Dear Sirs

Accountants' Report

The following report has been prepared by Messrs. KPMG, an approved company auditor, for inclusion in the Prospectus to be dated 28 May 2004 in connection with:

- i) the public issue of 40,000,000 new ordinary shares of RM0.10 each in Datascan Berhad (formerly known as Datascan (Malaysia) Berhad) ("Datascan"); and
- ii) the listing of and quotation for the entire enlarged issued and paid up share capital of Datascan on the Malaysian Exchange of Securities Dealing & Automated Quotation Berhad ("MESDAQ") Market of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") and should not be relied on for any other purposes.

1. General information

1.1 Background

Datascan Berhad ("Datascan") was incorporated as a private limited company on 16 November 1978 under the name of DTS (Malaysia) Sdn. Bhd. The Company changed its name to Transmarco Data Systems (M) Sdn. Bhd. on 12 November 1986. On 28 September 1987, it changed its name to Datascan (Malaysia) Sdn. Bhd. Datascan was subsequently converted into a public limited company on 9 December 2003 and changed its name to Datascan Berhad.



KPMG, a partner in established under the
Malaysian law, is the Malaysian member
firm of KPMG International a Swiss cooperative

10. ACCOUNTANTS' REPORT (Cont'd)**1.2 Share capital**

Datascan's present authorised share capital is RM25 million comprising 250 million ordinary shares of RM0.10 each. Datascan is currently owned by Transight Systems Sdn. Bhd., which in turn is held by two individuals, Rosman bin Abdullah and Rosliza binti Mohd Said.

Pursuant to the listing scheme, including the listing of and quotation for the entire paid-up share capital of Datascan on the MESDAQ as set out in Note 1.3 below, the issued and fully paid-up share capital of Datascan has been increased to RM15,200,000 comprising 152,000,000 ordinary shares of RM0.10 each as follows:

<i>Date of allotment</i>	<i>Number of ordinary shares</i>	<i>Issue price per ordinary share RM</i>	<i>Purpose</i>	<i>Total issued and paid-up share capital RM</i>
Upon incorporation	2	1.00	Subscribers' shares	2
12 June 1981	499,998	1.00	Working capital purposes	500,000
30 November 1989	400,000	1.00	Working capital purposes	900,000
5 February 1990	100,000 [^]	1.00	Working capital purposes	1,000,000
28 May 2004	10,200,000	1.00	Bonus issue of new ordinary shares at par to existing shareholders on the basis of 102 new shares for every 10 shares held	11,200,000
28 May 2004	112,000,000	0.10	Sub-division of RM1.00 each into shares of RM0.10 each	11,200,000
To be issued pursuant to the listing of Datascan	40,000,000	0.10	Public issue	15,200,000

[^] The share capital was fully paid subsequent to 5 February 1990

10. ACCOUNTANTS' REPORT (Cont'd)



1.3 Listing scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of Datascan on the MESDAQ Market Board of the Bursa Malaysia, Datascan undertook a listing scheme which involved the following:-

1.3.1 Bonus issue

The bonus issue of 10,200,000 new ordinary shares of RM0.10 each to its existing shareholders on the basis of one hundred and two (102) new ordinary shares for every ten (10) existing ordinary shares held. All the bonus issue shares rank pari passé in all respects with the then existing ordinary shares of Datascan. The bonus issue was completed on 28 May 2004.

1.3.2 Sub-division

The sub-division of its existing ordinary shares of RM1.00 each into ordinary shares of RM0.10 each. Following the sub-division, Datascan's issued and paid-up capital was increased from 11,200,000 ordinary shares of RM1.00 each to 112,000,000 ordinary shares of RM0.10 each. The sub-division was completed on 28 May 2004.

1.3.3 Public issue

The public issue of 40,000,000 new ordinary shares of RM0.10 each representing 26.3% of the enlarged issued and paid-up capital of Datascan at an indicative issued price of RM0.28 each payable in full on application.

1.3.4 Flotation

Listing of and quotation for the entire issued and paid-up share capital of Datascan on the MESDAQ.

1.3.5 Employee Share Option Scheme ("ESOS")

The exercise of ESOS involving 15,200,000 new ordinary shares of RM0.10 each by directors and eligible employees of the Datascan Group at an issued price of RM0.28 each. The ESOS shall be in force for a duration of 3 years.

10. ACCOUNTANTS' REPORT (Cont'd)**1.4 Information on subsidiaries**

Company	Date and place of incorporation	Share capital		Effective interest %	Principal activities
		Authorised RM	Issued and paid-up RM		
Datascan Services Sdn. Bhd. ("DSSB")	20 September 1997 Malaysia	100,000	100,000	100	Provision of preventive and remedial services for POS hardware and related software implementation and support services
Datascan Asia Sdn. Bhd. ("DASB")	17 July 2000 Malaysia	100,000	100,000	100	The company is currently dormant but will be involved in the export of software applications
Transight Technologies Sdn. Bhd. ("TTSB")	11 April 2002 Malaysia	100,000	100,000	100	Software research and development and provision of systems implementations and software support services
Transight Sdn. Bhd. ("TSB")	13 July 2002 Malaysia	100,000	100,000	100	The company is currently dormant but will be involved in the provision of system integration services relating to POS and ICT products and services
Transbow Sdn. Bhd. ("TBSB")	20 February 2003 Malaysia	100,000	11,750*	100	Provision of property management services
Datascan Hospitality Systems Sdn. Bhd. (formerly known as Specific Mode Sdn. Bhd.) ("DHSSB")	3 September 2003 Malaysia	100,000	100	60	Provision of POS solutions for hotel, cruise liner and restaurants
Transight (S) Pte. Ltd. ("TSPL")	7 October 2003 Singapore	SGD1,000	SGD1,000	60	Provision of system integration services relating to POS and ICT products and services

* The issued and paid-up share capital comprising 10,000 ordinary shares of RM1 each and 1,750 redeemable preference shares of RM1 each.

10. ACCOUNTANTS' REPORT (Cont'd)



1.5 Dividends

There is no dividend declared or proposed for the years/period under review except for the interim dividend of 100%, less income tax at 28%, amounting to RM720,000 in respect of financial year ended 31 December 2000 which was paid in 2001.

1.6 Financial statements and auditors

The financial year end of the Datascan Group is 31 December.

KPMG was appointed as the auditor of Datascan for the year ended 31 December 2002. The financial statements of Datascan for the financial years ended 31 December 1998 to 2001 were audited by another firms of accountants.

The financial statements of DSSB, DASB and TTSB were audited by KPMG for the relevant financial years/period under review.

The financial statements of TSB and TBSB for the financial period ended 31 December 2003 represent the first set of financial statements prepared since the date of their incorporation and were audited by KPMG.

The auditors' reports, where relevant, within the Proposed Datascan Group for all the relevant financial years/period under review were not subject to any modification or qualification.

1.7 Accounting policies and standards

This report is prepared on a basis consistent with accounting policies normally adopted by Datascan, and in accordance with applicable approved accounting standards issued by the Malaysia Accounting Standards Board.

10. ACCOUNTANTS' REPORT (Cont'd)**2. Financial performance****2.1 Proforma consolidated income statements**

We set out below the summarised proforma consolidated income statements and proforma balance sheets of Datascan Group for the past six (6) financial years ended 31 December 1998 to 2003. The proforma consolidated income statements and balance sheets are prepared based on the audited financial statements of all companies on the assumption that the Group has been in existence throughout the years under review. The proforma consolidated income statements and balance sheets are to be read in conjunction with the notes thereto.

	< -----Year ended 31 December----- >					
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	11,601	15,570	12,684	10,232	8,777	16,646
Gross profit	5,664	8,493	6,960	5,965	7,252	9,338
Profit/(loss) before depreciation and interest	2,730	4,678	(1,261)	(533)	1,074	1,333
Depreciation	(163)	(190)	(230)	(252)	(256)	(234)
Interest expense	(1)	-	-	(32)	-	(39)
Profit/(loss) before taxation	2,566	4,488	(1,491)	(817)	818	1,060
Taxation	(564)	(82)	309	251	(289)	(339)
Profit/(loss) after taxation	2,002	4,406	(1,182)	(566)	529	721
Effective tax rate (%)	22.0	1.8	20.7	30.7	35.3	32.0
Pre-tax profit/(loss) margin (%)	22.1	28.8	(11.8)	(8.0)	9.3	6.4
Number of ordinary shares of RM0.10 each assumed in issue ('000)*	112,000	112,000	112,000	112,000	112,000	112,000
Earnings/(losses) per share (sen)						
- Gross	2.3	4.0	(1.3)	(0.7)	0.7	0.9
- Net	1.8	3.9	(1.1)	(0.5)	0.5	0.6

* The number of ordinary shares assumed in issue throughout the financial years under review represent the number of shares in issue after the sub-division i.e. 112,000,000 ordinary shares of RM0.10 each.

The above results have been adjusted to reflect the classifications and adjustments as adopted in the latest audited financial statements.

10. ACCOUNTANTS' REPORT (Cont'd)**2.2 Proforma consolidated balance sheets**

	< ----- As at 31 December ----- >					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Property, plant and equipment	278	702	802	660	567	9,733
Other investments	80	80	70	70	70	70
Deferred tax assets	-	-	673	966	680	410
Current assets	9,635	11,636	10,894	10,018	11,258	8,339
Less: Current liabilities	(3,265)	(1,254)	(3,181)	(3,015)	(3,344)	(2,620)
Net current assets	6,370	10,382	7,713	7,003	7,914	5,719
	6,728	11,164	9,258	8,699	9,231	15,932
Financed by :						
Share capital	1,000	1,000	1,000	1,000	1,000	1,000
Retained profits	5,690	10,096	8,194	7,628	8,157	8,878
	6,690	11,096	9,194	8,628	9,157	9,878
Deferred tax liabilities	38	68	64	71	74	45
Borrowings	-	-	-	-	-	6,009
	6,728	11,164	9,258	8,699	9,231	15,932
Number of ordinary shares of RM0.10 each in issue at period/year end ('000) *	112,000	112,000	112,000	112,000	112,000	112,000
Net tangible assets ("NTA") (RM'000)	6,690	11,096	9,194	8,628	9,157	9,878
NTA per ordinary share (sen)	6.0	9.9	8.2	7.7	8.2	8.8
Current ratio (times)	3.0	9.3	3.4	3.3	3.4	3.2
Total borrowings (RM'000)	-	356	106	153	-	6,674
Debt-equity (times)	-	-	-	-	-	0.7

* The number of ordinary shares assumed in issue throughout the financial years under review represent the number of shares in issue after the sub-division i.e. 112,000,000 ordinary shares of RM0.10 each.

The above results have been adjusted to reflect the classifications and adjustments as adopted in the latest audited financial statements.

10. ACCOUNTANTS' REPORT (Cont'd)**2.3 Proforma consolidated cash flow statement**

We set out below the summarised proforma consolidated cash flow statement of the Group based on the audited financial statements of all companies within the Group for the financial year ended 31 December 2003. The proforma consolidated cash flow statement is prepared on the assumption that the Group has been in effect throughout the period under review. The cash flow is to be read in conjunction with the notes thereto:

	<i>Year ended 31 December 2003 RM'000</i>
Cash flows from operating activities	
Profit before taxation	1,060
Adjustments for:-	
Depreciation	234
Interest income	(90)
Interest expense	39
Operating profit before working capital changes	1,243
Changes in working capital	
Inventories	(560)
Trade and other receivables	(1,503)
Trade and other payables	(1,389)
Cash used in operations	(2,209)
Income taxes paid	(48)
Net cash used in operating activities	<u>(2,257)</u>
Cash flows from investing activities	
Proceeds on disposal of property, plant and equipment	67
Purchase of property, plant and equipment	(2,967)
Interest received	90
Net cash used in investing activities	<u>(2,810)</u>
Cash flows from financing activities	
Interest paid	(39)
Decrease in pledged deposits placed with licensed bank	100
Repayment of term loan	(44)
Repayments by ultimate holding company	2,825
Repayments by holding company	1,290
Advances to related companies	(110)
Net cash generated from financing activities	<u>4,022</u>
Net decrease in cash and cash equivalent	(1,045)
Cash and cash equivalents at beginning of year	<u>1,169</u>
Cash and cash equivalents at end of year	<u>124</u>

10. ACCOUNTANTS' REPORT (Cont'd)**2.3 Proforma consolidated cash flow statement (continued)**

	<i>Year ended 31 December 2003 RM'000</i>
Cash and cash equivalents comprise:	
Cash and bank balances	242
Deposits (excluding deposits pledged)	100
Bank overdraft	(218)
Cash and cash equivalents at end of year	<u>124</u>

2.4 Statement of assets and liabilities

The statement of assets and liabilities of Datascan Group, which are prepared for illustrative purposes are based on the audited financial statements of Datascan Group at 31 December 2003.

	<i>Note</i>	<i>RM'000</i>
Property, plant and equipment	2.5.2	9,733
Other investments	2.5.3	70
Deferred tax assets	2.5.4	410
<i>Current assets</i>		
Inventories	2.5.5	1,770
Trade and other receivables	2.5.6	5,867
Tax recoverable		360
Cash and cash equivalents	2.5.7	342
		<u>8,339</u>
<i>Current liabilities</i>		
Trade and other payables	2.5.8	1,955
Borrowings	2.5.9	665
		<u>2,620</u>
Net current assets		5,719
		<u>15,932</u>
Financed by:		
<i>Capital and reserves</i>		
Share capital	2.5.10	1,000
Retained profits		8,878
		<u>9,878</u>
<i>Long term liabilities</i>		
Borrowings	2.5.9	6,009
Deferred tax liabilities	2.5.4	45
		<u>15,932</u>

10. ACCOUNTANTS' REPORT (Cont'd)

**2.5 Notes to the statement of assets and liabilities****2.5.1 Summary of significant accounting policies**

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years except for the adoption of the following:

- (i) MASB 25, Income Taxes;
- (ii) MASB 27, Borrowing Costs; and
- (iii) MASB 29, Employee Benefits

Apart from the inclusion of the new policies and extended disclosures where required by these new standards, the effects of the changes in the above accounting policies are disclosed in Note 2.5.11.

(a) Basis of accounting

The financial statements of the Group are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary as the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiary acquired or disposed of during the period are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary's net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiary's net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

10. ACCOUNTANTS' REPORT (Cont'd)**(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposals are stated at the lower of net book value and net realisable value.

Depreciation

Property, plant and equipment are depreciated on a straight line basis to write off the cost of the assets over the term of their estimated useful lives at the following principal annual rates:

Plant and equipment	10% - 20%
Furniture and fittings	15%
Motor vehicles	20%
Computer systems	20% - 24%

(d) Investments

Long term investments other than in subsidiaries are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Investment in subsidiaries are stated at cost, less impairment loss where applicable.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value with weighted average cost being the main basis for cost. Cost of inventories comprises invoice costs, import duties, handling and other costs directly attributable to the costs of purchases.

(f) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdraft and pledged deposits.

(h) Liabilities

Borrowing and trade and other payables are stated at cost.

10. ACCOUNTANTS' REPORT (Cont'd)

**(i) Impairment**

The carrying amount of the assets, other than inventories, deferred tax assets and financial assets (financial assets in this context exclude investment in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

10. ACCOUNTANTS' REPORT (Cont'd)**(k) Foreign currency transactions**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements are as follows:

1USD RM3.80

(l) Revenue***i) Goods sold and services rendered***

Revenue is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership of the goods have been transferred to the buyer and when the services are rendered.

ii) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(m) Financing costs

All interest incurred in connection with borrowings are expensed as incurred.

(n) Employee benefit***Defined contribution plan***

Obligation for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

2.5.2 Property, plant and equipment

	Cost RM'000	Accumulated Depreciation RM'000	Net book value RM'000
Building	9,307	31	9,276
Plant and equipment	202	101	101
Furniture and fittings	116	70	46
Motor vehicles	60	18	42
Computer system	859	591	268
	10,544	811	9,733

Security

The building of the Group is charged to a financial institution as a security for a borrowing facility granted to the Company.

10. ACCOUNTANTS' REPORT (Cont'd)**2.5.3 Other investments**

	RM'000
Transferable club memberships, at cost	80
Less: Allowance for diminution in value	(10)
	<u>70</u>

2.5.4 Deferred taxation

The amounts determined after appropriate offsetting, are as follows:

	RM'000
Deferred tax assets	410
Deferred tax liabilities	(45)
	<u>365</u>

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relates to the same taxation authority.

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	RM'000
Property, plant and equipment – capital allowance	<u>45</u>
Property, plant and equipment – capital allowance	24
Unutilised tax losses	<u>(434)</u>
	<u>(410)</u>

No deferred tax was recognised for the following items:

	RM'000
Unabsorbed capital allowances	5
Unutilised tax losses	346
	<u>351</u>

The above items do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

10. ACCOUNTANTS' REPORT (Cont'd)**2.5.5 Inventories**

<i>At cost</i>	RM'000
Data processing equipment	1,399
Spares	316
Supplies	32
Licensed software	23
	<u>1,770</u>

2.5.6 Trade and other receivables

	RM'000
Trade receivables	4,366
Other receivables, deposits and prepayment	673
Holding company – non-trade	478
Related companies	
- trade	240
- non-trade	110
	<u>5,867</u>

The amount due from holding company is unsecured, interest free and has no fixed term of repayment.

The amount due from related companies are unsecured, interest free and have no fixed term of repayment.

2.5.7 Cash and cash equivalents

	RM'000
Short term deposits with a licensed bank	100
Cash and bank balances	242
	<u>342</u>

2.5.8 Trade and other payables

	RM'000
Trade payables	608
Other payables and accrued expenses	1,343
Related companies – non-trade	4
	<u>1,955</u>

The amount due to related companies is unsecured, interest free and has no fixed terms of repayment.

10. ACCOUNTANTS' REPORT (Cont'd)**2.5.9 Borrowings**

	RM'000
Current	
Term loan – secured	447
Overdraft – unsecured	218
	<u>665</u>
Non-current	
Term loan - secured	<u>6,009</u>

The term loan is secured, by way of fixed charges over the Group's building (see Note 2.5.2).

Terms and debt repayment schedule

	Total RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Over 5 years RM'000
Term loan –fixed at 4.25% per annum	6,456	447	362	1,014	4,633
Overdrafts – variable at 1.25% above BLR per annum	218	218	-	-	-
	<u>6,674</u>	<u>665</u>	<u>362</u>	<u>1,014</u>	<u>4,633</u>

The secured term loans is subject to fixed interest rates at 4.25% per annum. The unsecured overdrafts is subject to interest at 1.25% per annum above lenders' base lending rates.

The term loans are repayable in equal monthly instalments over repayment period of 15 years.

2.5.10 Share capital

	RM'000
Ordinary shares of RM1.00 each:	
Authorised	<u>1,000</u>
Issued and fully paid	<u>1,000</u>

2.5.11 Changes in accounting policies and prior year adjustments*Changes in accounting policies*

In the current financial year, Datascan adopted MASB 25, Income Taxes, MASB 27, Borrowing Costs and MASB 29, Employee Benefits on a retrospective basis.

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications the timing differences would reverse thereafter. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).

Apart from the new policies and extended disclosures where required by MASB 27 and MASB 29, there is no effect on this report.

10. ACCOUNTANTS' REPORT (Cont'd)



Prior year adjustments

Changes in accounting policy

The change in accounting policy due to the adoption of MASB 25 has been accounted for by restating comparative and adjusting the opening balance of retained profits at 1 January 2002.

3 Subsequent events

There were no significant events occurring subsequent to balance sheet date that have a material effect on the financial statements of Datascan as of 31 December 2003.

Yours faithfully

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG
Chartered Accountants