

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

6. SUMMARISED INCOME STATEMENTS (CONT'D)

6.15 GM

The following table sets out the summary of the results of GM based on the audited financial statements of GM.

Period ended	3 Month Period Ended 30/04/05 RM
Revenue	-
Gross profit	-
Loss before depreciation, amortisation, interest and taxation	(4,349)
Depreciation	-
Amortisation	-
Interest expenses	-
Loss before taxation but after depreciation, amortisation and interest	(4,349)
Taxation	-
Loss after taxation	(4,349)
Weighted average number of ordinary shares in issued (shares)	20
Gross loss per share (RM)	(217.45)
Net loss per share (RM)	(217.45)

There were no exceptional or extraordinary items in the financial period under review.

The loss incurred above was mainly due to expenses incurred in relation to the initial set up cost of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS

7.1 NEXTNATION

The summarised audited balance sheet of NEXTNATION is as follows:-

AS AT	30/04/05 RM
INVESTMENT	9,399,998
RECEIVABLES	1,636
PAYABLES	(19,570)
NET CURRENT LIABILITIES	<u>(17,934)</u>
	<u>9,382,064</u>
EMPLOYED BY :-	
SHARE CAPITAL	9,400,000
ACCUMULATED LOSS	<u>(17,936)</u>
	<u>9,382,064</u>
NET TANGIBLE ASSETS PER SHARE (RM)	0.10

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.2 NN

The summarised audited balance sheets of NN are as follows:-

	← As at 30 April →				
	2001 RM	2002 RM	2003 RM	2004 RM	2005 RM
PROPERTY, PLANT AND EQUIPMENT	-	-	-	228,160	2,706,110
RESEARCH AND DEVELOPMENT EXPENDITURE	-	-	-	975,196	1,650,594
INVESTMENT	-	-	-	999	306,196
FIXED DEPOSITS	-	-	-	-	180,000
EXPENDITURE CARRIED FORWARD	3,120	-	-	-	-
RECEIVABLES	23,000	28,455	23,098	2,291,050	20,841,848
PAYABLES	(1,120)	(2,134)	(1,620)	(1,783,685)	(9,054,073)
NET CURRENT ASSETS	21,880	26,321	21,478	507,365	11,787,775
NET ASSETS	25,000	26,231	21,478	1,711,720	16,630,675
EMPLOYED BY :-					
SHARE CAPITAL	25,000	25,000	25,000	300,000	3,000,000
RETAINED PROFIT/ (ACCUMULATED LOSS)	-	1,321	(3,522)	1,251,556	12,384,073
	25,000	26,321	21,478	1,551,556	15,384,073
LONG TERM LIABILITIES	-	-	-	160,164	1,246,602
	25,000	26,321	21,478	1,711,720	16,630,675
NET TANGIBLE ASSETS PER SHARE (RM)	0.88	1.05	0.86	1.92	4.58

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.3 NC

The summarised audited balance sheet of NC is as follows:-

AS AT	30/04/05 RM
RECEIVABLES	2,984
PAYABLES	(10,393)
NET CURRENT LIABILITIES	<u>(7,409)</u>
EMPLOYED BY :-	
SHARE CAPITAL	1,000
ACCUMULATED LOSS	<u>(8,409)</u>
	<u>(7,409)</u>
NET TANGIBLE LIABILITIES PER SHARE (RM)	(7.41)

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.4 USAPE

The summarised audited balance sheet of USAPE is as follows:-

AS AT	30/04/05 RM
RECEIVABLES	4,139,133
PAYABLES	(4,129,159)
NET CURRENT ASSETS	<u>9,974</u>
EMPLOYED BY :-	
SHARE CAPITAL	2
RETAINED PROFIT	<u>9,972</u>
	<u>9,974</u>
NET TANGIBLE ASSETS PER SHARE (RM)	4,987

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.5 TAFFU

The summarised audited balance sheet of TAFFU is as follows:-

AS AT	30/04/05 RM
INVESTMENT	200,030
RECEIVABLES	3,421,288
PAYABLES	(3,313,952)
NET CURRENT ASSETS	<u>107,336</u>
	<u>307,366</u>
EMPLOYED BY :-	
SHARE CAPITAL	100,000
RETAINED PROFIT	<u>207,366</u>
	<u>307,366</u>
NET TANGIBLE ASSETS PER SHARE (RM)	3.07

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.6 GI

The summarised audited balance sheet of GI is as follows:-

AS AT	30/04/05 RM
INVESTMENT	96,031
RECEIVABLES	592,125
PAYABLES	(698,944)
NET CURRENT LIABILITIES	<u>(106,819)</u>
	<u>(10,788)</u>
EMPLOYED BY :-	
SHARE CAPITAL	380
ACCUMULATED LOSS	<u>(11,168)</u>
	<u>(10,788)</u>
NET TANGIBLE LIABILITIES PER SHARE (RM)	(107.88)

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.7 NI

The summarised audited balance sheet of NI is as follows:-

AS AT	30/04/05 RM
RECEIVABLES	29,196
PAYABLES	(127,235)
NET CURRENT LIABILITIES	<u>(98,039)</u>
EMPLOYED BY :-	
SHARE CAPITAL	5,000
ACCUMULATED LOSS	<u>(103,039)</u>
	<u>(98,039)</u>
NET TANGIBLE LIABILITIES PER SHARE (RM)	(19.61)

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.8 DM

The summarised audited balance sheet of DM is as follows:-

AS AT	30/04/05 RM
RECEIVABLES	5,091,727
PAYABLES	(4,928,526)
NET CURRENT ASSETS	<u>163,201</u>
EMPLOYED BY :-	
SHARE CAPITAL	100,000
RETAINED PROFIT	<u>63,201</u>
	<u>163,201</u>
NET TANGIBLE ASSETS PER SHARE (RM)	1.63

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.9 KE

The summarised audited balance sheet of KE is as follows:-

AS AT	30/04/05 RM
RECEIVABLES	2,030,286
PAYABLES	(1,889,902)
NET CURRENT ASSETS	<u>140,384</u>
EMPLOYED BY :-	
SHARE CAPITAL	100,000
RETAINED PROFIT	<u>40,384</u>
	<u>140,384</u>
NET TANGIBLE ASSETS PER SHARE (RM)	1.40

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.10 PO

The summarised audited balance sheet of PO is as follows:-

AS AT	30/04/05 RM
RECEIVABLES	2,006,752
PAYABLES	(1,858,326)
NET CURRENT ASSETS	<u>148,426</u>
EMPLOYED BY :-	
SHARE CAPITAL	100,000
RETAINED PROFIT	<u>48,426</u>
	<u>148,426</u>
NET TANGIBLE ASSETS PER SHARE (RM)	1.48

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.11 DP

The summarised audited balance sheet of DP is as follows:-

AS AT	30/04/05 RM
RECEIVABLES	2,648,180
PAYABLES	(2,489,965)
NET CURRENT ASSETS	<u>158,215</u>
EMPLOYED BY :-	
SHARE CAPITAL	100,000
RETAINED PROFIT	<u>58,215</u>
	<u>158,215</u>
NET TANGIBLE ASSETS PER SHARE (RM)	1.58

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.12 CW

The summarised audited balance sheet of CW is as follows:-

AS AT	30/04/05 RM
PROPERTY, PLANT AND EQUIPMENT	55,900
INVESTMENT	2,328
RECEIVABLES	17,484
PAYABLES	(107,449)
NET CURRENT LIABILITIES	<u>(89,965)</u>
	<u>(31,737)</u>
EMPLOYED BY :-	
SHARE CAPITAL	2,328
ACCUMULATED LOSS	<u>(34,065)</u>
	<u>(31,737)</u>
NET TANGIBLE LIABILITIES PER SHARE (RM)	(31.74)

The audited financial statements of CW are expressed in Singapore Dollar and have been converted to Ringgit Malaysia at the exchange rate prevailing as at 30 April 2005 of SGD1 to RM2.33 for the purpose in this report.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.13 OP

The summarised audited balance sheet of OP is as follows:-

AS AT	30/04/05 RM
RECEIVABLES	2,328
PAYABLES	(1,164)
NET CURRENT ASSETS	<u>1,164</u>
EMPLOYED BY :-	
SHARE CAPITAL	2,328
ACCUMULATED LOSS	<u>(1,164)</u>
	<u>1,164</u>
NET TANGIBLE ASSETS PER SHARE (RM)	1.16

The audited financial statements of OP are expressed in Singapore Dollar and have been converted to Ringgit Malaysia at the exchange rate prevailing as at 30 April 2005 of SGD1 to RM2.33 for the purpose in this report.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

7. SUMMARISED BALANCE SHEETS (CONT'D)

7.14 GM

The summarised audited balance sheet of GM is as follows:-

AS AT	30/04/05 RM
RECEIVABLES	30
PAYABLES	(4,349)
NET CURRENT LIABILITIES	<u>(4,319)</u>
EMPLOYED BY :-	
SHARE CAPITAL	30
ACCUMULATED LOSS	<u>(4,349)</u>
	<u>(4,319)</u>
NET TANGIBLE LIABILITIES PER SHARE (RM)	(143.97)

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

8. STATEMENT OF ASSETS AND LIABILITIES

The following is the statement of assets and liabilities of Nextnation Group prepared based on the audited financial statements of Nextnation as at 30 April 2005.

The proforma Nextnation Groups' statement of assets and liabilities has been prepared for illustrative purposes, based on the audited consolidated balance sheet of Nextnation as at 30 April 2005 incorporating the effects of the public issue and bonus issue on the assumption that these transactions had been effected on 30 April 2005.

	Note	Audited Group RM	Proforma Group RM
PROPERTY, PLANT AND EQUIPMENT	8.3	2,762,009	2,762,009
RESEARCH AND DEVELOPMENT EXPENDITURE	8.4	1,650,594	6,450,594
INVESTMENT IN ASSOCIATE COMPANY	8.5	87,461	87,461
AMOUNT DUE FROM JOINTLY CONTROLLED ENTITY	8.6	412,826	412,826
FIXED DEPOSITS WITH A LICENSED BANK	8.7	180,000	180,000
CURRENT ASSETS			
Receivables	8.8	17,065,869	16,681,106
Tax recoverable		1,200	1,200
Fixed deposits with a licensed bank		2,000,000	2,000,000
Cash and bank balances		635,229	19,379,992
Total current assets		19,702,298	38,062,298
CURRENT LIABILITIES			
Payables	8.9	7,737,966	7,737,966
Tax payable		115,000	115,000
Finance payables	8.10	54,570	54,570
Term loans	8.11	86,219	86,219
Total current liabilities		7,993,755	7,993,755
NET CURRENT ASSETS		11,708,543	30,068,543
LONG TERM LIABILITIES			
Finance payables	8.10	(201,212)	(201,212)
Term loans	8.11	(1,045,390)	(1,045,390)
		15,554,831	38,714,831
EMPLOYED BY :-			
SHARE CAPITAL	8.12	9,400,000	25,200,000
RESERVES	8.13	6,154,831	13,514,831
Total shareholders' fund		15,554,831	38,714,831

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton **8.1 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. The Group operates within guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Interest rate risk

The Group has exposure to interest rates risk as it is required to pay interest to finance payables and term loans.

(b) Credit risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures.

(c) Liquidity and cash flow risks

The cash flows of the Group is basically supported by the shareholders' equity.

(d) Foreign exchange risks

Some of the subsidiary companies are exposed to foreign currencies. The Group operates locally and is not exposed to significant foreign currency risk as the majority of the Group's transactions, assets and liabilities are denominated in Ringgit Malaysia. Foreign currency denominated liabilities together with expected future cash flows from highly probable purchases give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

8.2 SIGNIFICANT ACCOUNTING POLICIES**(a) Accounting convention**

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the other significant accounting policies.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of period.

The results of subsidiary companies acquired or disposed during the period are included in the consolidated income statement from the date of their acquisition or up to the date of disposal.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

8.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (cont'd)

At the date of acquisition, the fair value of the subsidiary companies' net assets is reflected in the Group's financial statements. The difference between the acquisition price and the fair value of the net assets of the subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

Goodwill on consolidation is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 8.2 (q).

Reserve arising on consolidation represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary company at the date of acquisition over the cost of acquisition.

The amount of reserve arising on consolidation in excess of the fair value of acquired identifiable non-monetary assets of a subsidiary company is recognised as income immediately.

Inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost plus incidental cost of acquisition.

Depreciation on property, plant and equipment is calculated generally on the straight line method at rates estimated to write off these property, plant and equipment over their estimated useful lives.

The principal annual depreciation rates used by the Group and the Company are as follows:-

Freehold building	2 %
Motor vehicles	20 %
Furniture and fittings	20 %
Office equipment	20 %
Renovation	25 %

Upon disposal of an item of property, plant and equipment, the differences between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(d) Subsidiary companies

A subsidiary company is defined as a company in which the parent company holds directly or indirectly more than 50% of the equity share capital and has control over the financial and operating policies.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton **8.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Subsidiary companies (cont'd)**

Investment in subsidiary companies, which is eliminated on consolidation, is stated at cost in the Company's financial statements. Impairment loss is made when the Directors are of the opinion that there is impairment in the value of the investments.

The policy for the recognition and measurement of impairment losses is in accordance with Note 8.2 (q).

(e) Associate company

Associate company is the company in which the Group holds a long term equity interest of between 20% and 50% and is in a position to exercise significant influence over its financial and operating policies through management participation.

Investment in associate company is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 8.2 (q).

The Group's share of profits less losses and taxation of associate company is included in the consolidated income statements in place of dividends received and the Group's share of post acquisition retained profits/accumulated losses is added to/deducted from the cost investments in the consolidated balance sheet.

These amounts are based on the latest audited financial statements or management financial statements of the companies concerned.

(f) Joint controlled entities

A joint venture is a contractual agreement whereby the Group and other parties have joint control over an economic entity.

The Group's interests in jointly controlled entities are accounted for in the Group financial statements by the equity method of accounting.

Unrealised profits or losses arising from transactions between the Group and its jointly controlled entities are recognised only to the extent of that portion of the gain or loss which is attributable to the interests of other ventures. Unrealised losses are recognised in full when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The policy for the recognition and measurement of impairment losses is in accordance with Note 8.2 (q).

(g) Minority interest

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton **8.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(h) Research and development expenditure**

Research and development expenditure comprises of direct cost and overhead costs incurred in the development of software platform.

Research and development expenditure is charged to income statement in the year in which it is incurred, except in so far as it relates to a clearly defined project where the benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of the future benefit and is stated at cost. The deferred expenditure is amortised on a straight line method for a period of 5 years.

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(j) Property, plant and equipment acquired under hire purchase arrangements

The cost of property, plant and equipment acquired under hire purchase arrangements are capitalised. The depreciation policy on these property, plant and equipment is similar to that of the Company's property, plant and equipment depreciation policy. Outstanding obligation due under the hire purchase agreements after deducting finance expenses is included as liabilities in the financial statements. Finance charges on hire purchase agreements are allocated to the income statement over the period of the respective agreements.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

8.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Foreign currenciesi) Foreign currency transactions

Foreign currency transactions are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at the date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

ii) Foreign entities

Financial statements of foreign consolidated subsidiary company are translated at year-end exchange rate with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	30.4.2005
	RM
Singapore Dollar	2.33
United States Dollar	3.80
100 Thai Baht	9.58
1,000 Indonesia Rupiah	0.40

(l) Receivables

Known bad debts are written off and specific provision is made for debts which are considered doubtful of collection.

(m) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(n) Revenue recognition

Revenue on service providing business is recognised upon performance of services rendered.

Revenue from investment is recognised when the shareholders' right to receive payment is established.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton **8.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) Employee benefits****(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expenses in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans such as Employees Provident Fund ("EPF") are recognised as an expense in the income statement as incurred.

(p) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(q) Impairment of assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton **8.2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(q) Impairment of assets (cont'd)**

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with bank and short term demand deposits and highly liquid investments which are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

8.3 PROPERTY, PLANT AND EQUIPMENT		Freehold Building RM	Office Equipment RM	Furniture And Fittings RM	Motor Vehicles RM	Renovation RM	Total 30.04.2005 RM
Audited and Proforma Group							
Cost							
Addition through acquisition of subsidiary companies/ As at 30 April 2005							
	1,496,970	739,133	73,189	408,663	281,971	2,999,926	
Accumulated depreciation							
Addition through acquisition of subsidiary companies/ As at 30 April 2005							
	11,595	80,426	10,610	107,996	27,290	237,917	
Net book value	1,485,375	658,707	62,579	300,667	254,681	2,762,009	

13. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **8.3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Property, plant and equipment of the Group with net book value of RM300,667 are acquired under hire purchase.

Net book value of motor vehicles of the Group which are held in trust by the Directors of the subsidiary companies amounted to RM300,667.

Freehold building of the Group with net book value amounted to RM1,485,375 are pledged to a licensed bank for banking facilities granted to a subsidiary company.

8.4 RESEARCH AND DEVELOPMENT EXPENDITURE

	Audited Group RM	Proforma Group RM
Addition through acquisition of subsidiary companies	1,650,594	1,650,594
Utilisation of public issue proceeds	-	4,800,000
	<u>1,650,594</u>	<u>6,450,594</u>
At end of period	<u>1,650,594</u>	<u>6,450,594</u>

8.5 INVESTMENT IN ASSOCIATE COMPANY

	Audited and Proforma Group RM
Unquoted shares, at cost	93,713
Share of results of associate company	<u>(6,252)</u>
	<u>87,461</u>
Represented by:-	
Share of net assets	<u>87,461</u>

Details of the associate company is as follows:-

<u>Name of Company</u>	% Effective interest		<u>Principal activities</u>	<u>Country of incorporation</u>
	<u>Company 30.4.2005</u> %	<u>Subsidiary company 30.4.2005</u> %		
Siamtouch Wireless Ltd	-	49	Mobile application service provider (currently dormant)	Thailand

13. ACCOUNTANTS' REPORT (Cont'd)Shamsir Jasani Grant Thornton **8.6 AMOUNT DUE FROM JOINTLY CONTROLLED ENTITY**

	Audited and Proforma Group RM
Amount due from jointly controlled entity	483,192
Share of results of jointly controlled entity	<u>(70,366)</u>
	<u>412,826</u>

The amount due from jointly controlled entity is unsecured, interest free and has no fixed term of repayment.

8.7 FIXED DEPOSITS WITH A LICENSED BANK**Audited and Proforma Group**

Fixed deposits amounting to RM180,000 are held in trust by a Director of a subsidiary company and have been pledged to a licensed bank for banking facilities granted to a subsidiary company.

8.8 RECEIVABLES

	Audited Group RM	Proforma Group RM
Trade receivables	16,290,933	16,290,933
Other receivables	763,258	378,495
Amount due from associate company	<u>11,678</u>	<u>11,678</u>
	<u>17,065,869</u>	<u>16,681,106</u>

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

8.9 PAYABLES

	Audited and Proforma Group RM
Trade payables	6,764,897
Other payables	<u>973,069</u>
	<u>7,737,966</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

8.10 FINANCE PAYABLES

	Audited and Proforma Group RM
Payable within 1 year	69,312
Payable after 1 year but not later than 5 years	<u>222,226</u>
	291,538
Less: Interest in suspense	<u>(35,756)</u>
	<u>255,782</u>
Present value of hire purchase	
- within 1 year	54,570
- after 1 year but not later than 5 years	<u>201,212</u>
	<u>255,782</u>

8.11 TERM LOANS

	Audited and Proforma Group RM
Secured:-	
Term loan 1	365,497
Term loan 2	387,528
Term loan 3	<u>378,584</u>
	1,131,609
Repayable within 12 months	<u>(86,219)</u>
	<u>1,045,390</u>

The term loans obtained from financial institutions is secured by ways of:-

- a) first party assignment over the subsidiary company's freehold buildings;
- b) jointly and severally guaranteed by certain Directors of a subsidiary company; and
- c) personal guarantee from a Director of a subsidiary company in favour of Term loan 1.

Term loan 1 is repayable over 144 equal monthly instalment of RM4,032 commencing from September 2004.

Term loan 2 is repayable over 120 equal monthly instalment of RM4,472 commencing from April 2004.

Term loan 3 is repayable over 120 equal monthly instalment of RM4,472 commencing from February 2004.

The interest rates for the period ranged between 3.7% to 4.8% per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

8.12 SHARE CAPITAL

	Audited Group RM	Proforma Group RM
Authorised:		
Ordinary shares of RM0.10 each	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
Ordinary shares of RM0.10 each		
As at 30 April 2005	9,400,000	9,400,000
Public issue	-	3,200,000
Bonus issue	-	<u>12,600,000</u>
At end of period	<u>9,400,000</u>	<u>25,200,000</u>

8.13 RESERVES

	Audited Group RM	Proforma Group RM
Distributable:-		
Retained profit	6,154,831	6,154,831
Non-distributable:-		
Share premium	-	<u>7,360,000</u>
	<u>6,154,831</u>	<u>13,514,831</u>

8.14 FINANCIAL INSTRUMENTS

(a) Interest rate risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective average interest rates on classes of financial liabilities are as follows :-

	Less than <u>1 year</u> RM	1 to 5 <u>year</u> RM	More than <u>5 years</u> RM	<u>Total</u> RM	Effective interest rate during the <u>period</u>
Group					
<u>30.4.2005</u>					
<u>Financial assets</u>					
Fixed deposits with a licensed bank	2,000,000	180,000	-	2,180,000	1.5% to 3.7%
<u>Financial liabilities</u>					
Finance payables	54,570	201,212	-	255,782	2.7% to 4.8%
Term loans	86,219	401,479	643,911	1,131,609	3.7% to 4.8%

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

8.14 FINANCIAL INSTRUMENTS (CONT'D)**(b) Credit risk**

The maximum credit risk associated with recognised financial assets is the carrying amounts shown in the balance sheet.

The Group has no significant concentration of credit risk with any single counterparty.

(c) Fair values

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date approximated their fair values.

8.15 NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the statements of assets and liabilities of Nextnation Group as at 30 April 2005, the net tangible assets per share is calculated as follows:-

	Proforma Group RM
Net tangible assets as per statements of assets and liabilities	<u>32,264,237</u>
Total number of fully issued and paid-up ordinary shares of RM0.10 each	<u>252,000,000</u>
NTA per ordinary share of RM0.10 each (sen)	<u>12.8</u>

9. SIGNIFICANT EVENTS

- a) On 10 August 2004, the Company ("Nextnation") had made a submission to the Malaysia Securities Exchange Berhad ("MSEB") and the Securities Commission ("SC") in connection with the following:-

(i) Acquisition of Nextnation Network Sdn Bhd

Acquisition of the entire issued share capital of NN for a total consideration of RM9,399,998 to be satisfied by issuance of 9,399,998 ordinary shares of RM 1.00 each in Nextnation at par credited as fully paid-up;

(ii) Share Split

Share split of Nextnation's ordinary shares from RM9,400,000 comprising 9,400,000 ordinary shares of RM1.00 each to RM9,400,000 comprising 94,000,000 ordinary shares of RM0.10 each in Nextnation;

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton **9. SIGNIFICANT EVENTS (CONT'D)****(iii) Public Issue**

In conjunction with the listing and quotation for its entire issued and paid-up share capital on the MESDAQ Market, Nextnation will issue 32,000,000 new ordinary share of RM0.10 each ("Nextnation Shares") at an issue price of RM0.78 per Share to eligible Directors, employees and business associates of the Nextnation Group, selected investors by way of private placement and public offer;

(iv) Bonus Issue

Bonus issue of 126,000,000 new ordinary shares of RM0.10 each in Nextnation to all shareholders of Nextnation prior to the Listing on the basis of one (1) new ordinary share of RM0.10 each for every one (1) existing ordinary share held after the Public Issue and will be completed prior to the Listing; and

(v) Listing and Quotation

A listing of and quotation for the entire enlarged issued and paid-up share capital of Nextnation of RM25,200,000 comprising 252,000,000 Nextnation Shares on the Official List of the MESDAQ Market will be sought.

On 18 April 2005, the Company has obtained conditional approval from relevant authorities.

Pursuant to the abovementioned corporate proposal, the Company has undertaken the followings:-

- (i) On 5 March 2005, Tey Por Yee and Tey Por Chen collectively transferred 82,979 ordinary shares of RM1.00 each in NN to Sphinx with the consent of Nextnation. Subsequently on 27 April 2005, Nextnation entered into a Supplemental Share Purchase Agreement with Tey Por Yee, See Poh Yee, Tey Por Chen, Smart Tower and Sphinx for the acquisition of NN. The acquisition of NN was completed on 28 April 2005.
- (ii) On 28 April 2005, the Company increased its authorised share capital from RM100,000 to RM200,000,000 by the creation of 199,900,000 ordinary shares of RM1.00 each and that when issued, the shares shall rank pari passu in all respects with the existing ordinary shares of the Company.
- (iii) On 29 April 2005, the Company had altered the authorised share capital by subdividing the 200,000,000 ordinary shares of RM1.00 each into 2,000,000,000 ordinary shares of RM0.10 each.

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

10. CONSOLIDATED CASH FLOW STATEMENT

The following is a consolidated cash flow statement of the Nextnation Group prepared based on the audited consolidated financial statements of Nextnation for the financial year ended 30 April 2005.

	Audited 30/04/2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	6,154,831
Adjustments for :-	
Realisation of reserve on consolidation	<u>(6,172,767)</u>
Operating loss before working capital changes	(17,936)
Change in working capital :-	
Receivables	(1,634)
Payables	<u>19,570</u>
Net cash used in operating activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash from acquisition of subsidiary company	<u>2,635,227</u>
Net cash generated from investing activities	<u>2,635,227</u>
CASH FLOWS FROM FINANCING ACTIVITY	
Proceeds from issuance of shares	<u>2</u>
Net cash generated from financing activity	<u>2</u>
CASH AND CASH EQUIVALENTS	
Net changes / At end of period	<u>2,635,229</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Shamsir Jasani Grant Thornton 

11. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 April 2005.

Yours faithfully,



SHAMSIR JASANI GRANT THORNTON
NO: AF-0737
Chartered Accountants



DATO' N K JASANI
Partner
NO: 708/03/06(J/PH)