
13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)

13.2 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005 AND REPORTING ACCOUNTANTS' LETTER THEREON



The Board of Directors
Scicom (MSC) Berhad
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2 September 2005

SCICOM (MSC) BERHAD
PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005

Dear Sirs,

1. We have reviewed the Pro forma Consolidated Balance Sheets of Scicom (MSC) Berhad ("Scicom MSC") and its subsidiaries, hereinafter referred to as Scicom Group, as at 30 June 2005 together with the Notes thereon, for which the Directors are solely responsible, as set out in Section 13.2 of the Prospectus.
2. The Pro forma Consolidated Balance Sheets have been prepared for inclusion in the Prospectus in connection with:
 - (i) the public issue of 32,600,000 new ordinary shares of RM0.10 each at an issue price of RM0.60 per ordinary share to the public, selected investors, eligible Directors, employees and business associates of Scicom Group raising proceeds of RM19,560,000;
 - (ii) the listing of and quotation for the entire enlarged issued and paid-up share capital comprising 128,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Securities; and
 - (iii) the proposed implementation of an employee share option scheme ("ESOS") including up to 10% of Scicom MSC's issued and paid-up share capital at any time during the existence of the ESOS, to be issued pursuant to the options to be granted under the ESOS to eligible Directors and employees of the Scicom Group.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

3. Based on the results of our review, we are of the opinion that:
- (a) the Pro forma Consolidated Balance Sheets of Scicom Group as at 30 June 2005, which are provided for illustrative purposes only, have been properly compiled on the bases set out in the Notes to the Pro forma Consolidated Balance Sheets;
 - (b) such bases are consistent with the accounting policies adopted by the Scicom Group in the preparation of the audited financial statements of the Scicom Group for the financial year ended 30 June 2005; and
 - (c) the adjustments set out in paragraph 7 of Section 13.2 of the Prospectus are appropriate for the purpose of the preparation of the Pro forma Consolidated Balance Sheets of Scicom Group as at 30 June 2005.

Yours faithfully,


PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants



ERIC OOI LIP AUN
(No. 1517/06/06 (J))
Partner of the firm

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)

SCICOM (MSC) BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005 (CONTINUED)

The Pro forma Consolidated Balance Sheets set out below are provided for illustrative purposes only to show the effects on the balance sheet of Scicom (MSC) Berhad ("Scicom MSC") and its subsidiaries ("Scicom Group") as at 30 June 2005, had the Transactions completed prior to the Listing Scheme and the Listing Scheme described in paragraphs 2.1 and 3.1 respectively been effected on that date and should be read in conjunction with the Notes accompanying thereto.

	As at 30.6.2005 (Audited) RM	Transactions completed prior to the Listing Scheme	Listing Scheme	
		Pro forma I After dividend payment and rights issue RM	Pro forma II After public issue and proposed utilisation of proceeds RM	Pro forma III After proposed ESOS RM
NON-CURRENT ASSETS				
Plant and equipment	11,781,788	11,781,788	16,781,788	16,781,788
CURRENT ASSETS				
Trade receivables	4,934,262	4,934,262	4,934,262	4,934,262
Deposits, prepayments and other receivables	2,376,522	2,376,522	2,376,522	2,376,522
Deposits with financial institutions	1,765,456	1,765,456	1,765,456	1,765,456
Cash and bank balances	871,755	871,755	13,931,755	21,611,755
	<u>9,947,995</u>	<u>9,947,995</u>	<u>23,007,995</u>	<u>30,687,995</u>
LESS: CURRENT LIABILITIES				
Payables and accruals	5,845,317	5,845,317	5,845,317	5,845,317
Taxation	83,483	83,483	83,483	83,483
Borrowings (secured and interest-bearing)	2,164,962	2,164,962	2,164,962	2,164,962
	<u>8,093,762</u>	<u>8,093,762</u>	<u>8,093,762</u>	<u>8,093,762</u>
NET CURRENT ASSETS	<u>1,854,233</u>	<u>1,854,233</u>	<u>14,914,233</u>	<u>22,594,233</u>

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)

SCICOM (MSC) BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005 (CONTINUED)

	As at 30.6.2005 (Audited) RM	Transactions completed prior to the Listing Scheme	Listing Scheme	
		Pro forma I	Pro forma II	Pro forma III
		After dividend payment and rights issue RM	After public issue and proposed utilisation of proceeds RM	After proposed ESOS RM
NON-CURRENT LIABILITIES				
Payables	468,360	468,360	468,360	468,360
Borrowings (secured and interest-bearing)	1,033,615	1,033,615	1,033,615	1,033,615
Deferred taxation	137,289	137,289	137,289	137,289
	<u>1,639,264</u>	<u>1,639,264</u>	<u>1,639,264</u>	<u>1,639,264</u>
NET ASSETS	<u>11,996,757</u>	<u>11,996,757</u>	<u>30,056,757</u>	<u>37,736,757</u>
CAPITAL AND RESERVES				
Share capital	7,500,000	9,540,000	12,800,000	14,080,000
Share premium	0	0	14,800,000	21,200,000
Currency translation reserve	(12,610)	(12,610)	(12,610)	(12,610)
Retained earnings	4,509,367	2,469,367	2,469,367	2,469,367
SHAREHOLDERS' FUNDS	<u>11,996,757</u>	<u>11,996,757</u>	<u>30,056,757</u>	<u>37,736,757</u>
Net tangible asset per share (sen)	<u>16.0</u>	<u>12.5</u>	<u>23.5</u>	<u>26.8</u>

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)

SCICOM (MSC) BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005 (CONTINUED)

NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS

1 Basis of preparation

- 1.1 The Pro forma Consolidated Balance Sheets of Scicom Group have been prepared based on the audited balance sheet of Scicom Group as at 30 June 2005 and are based on the accounting policies and bases consistent with those normally adopted by Scicom Group in the preparation of its audited financial statements and comply with the Malaysian Accountings Standards Board ("MASB") approved accounting standards in Malaysia as at 30 June 2005.

2 Transactions completed prior to the Listing Scheme

- 2.1 The Transactions completed prior to the Listing Scheme are as follows:

- (i) The declaration and payment of tax exempt dividend of approximately RM0.027 per ordinary share, amounting to RM2,040,000, completed on 17 and 18 August 2005 respectively;
- (ii) The rights issue of 20,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.10 per ordinary share to the existing shareholders raising proceeds of RM2,040,000 on the basis of approximately 0.27 new ordinary share for every one (1) existing ordinary share held completed on 18 August 2005;

3 Listing Scheme

- 3.1 The Listing Scheme is as follows:

- (i) the public issue of 32,600,000 new ordinary shares of RM0.10 each at an issue price of RM0.60 per ordinary share to the public, selected investors, eligible Directors, employees and business associates of Scicom Group raising proceeds of RM19,560,000;
- (ii) the listing of and quotation for the entire enlarged issued and paid up share capital comprising 128,000,000 ordinary shares of RM0.10 each on the MESDAQ Market of the Bursa Securities; and
- (iii) the proposed implementation of an employee share option scheme ("ESOS") including up to 10% of Scicom MSC's issued and paid-up share capital at any time during the existence of the ESOS, to be issued pursuant to the options to be granted under the ESOS to eligible Directors and employees of the Scicom Group.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)

SCICOM (MSC) BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005 (CONTINUED)

NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

4 Utilisation of proceeds

The gross proceeds from the public issue of 32,600,000 new ordinary shares of RM0.10 each at an issue price of RM0.60 per ordinary share amounting to RM19,560,000 will be received on October 2005 and utilised within 24 months from date of listing as follows:

	RM'000
Estimated share issue expenses	1,500
Working capital	13,060
Capital expenditure	5,000
	19,560
	19,560

5 Employee Share Option Scheme ("ESOS")

It is assumed that the options to subscribe for an aggregate of 10% of Scicom MSC's issued and paid-up share capital are fully exercised on the listing and quotation date on the MESDAQ Market of the Bursa Securities amounting to 12,800,000 ordinary shares of RM0.10 each at an assumed price of RM0.60 per ordinary share.

6 Pro forma Consolidated Balance Sheets

6.1 The Pro forma Consolidated Balance Sheets have been prepared for illustrative purposes only to show the effects of the transactions completed prior to the Listing Scheme and the Listing Scheme described below, assuming that these had been effected as at 30 June 2005:

(a) Pro forma I

Pro forma I incorporates the effects on a pro forma basis the effects of the declaration and payment of tax exempt dividend and the rights issue as described in paragraphs 2.1(i) and 2.1(ii) respectively.

(b) Pro forma II

Pro forma II incorporates the effects of Pro forma I and on a pro forma basis the effects of the public issue as described in paragraph 3.1(i) and the proposed utilisation of proceeds as described in paragraph 4. The estimated share issue expenses of RM1,500,000 is charged against the share premium of Scicom MSC.

(c) Pro forma III

Pro forma III incorporates the effects of Pro forma II and on a pro forma basis the effects of the proposed ESOS as described in paragraph 3.1(iii) and paragraph 5, respectively.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)

SCICOM (MSC) BERHAD

PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2005 (CONTINUED)

7 Details of adjustments

The details of adjustments arising from the transactions completed prior to the Listing Scheme and the Listing Scheme on the respective Pro forma are set out below:

7.1 Pro forma I

	As at 30.6.2005 (Audited) RM	Adjustments		As illustrated in Pro forma I RM
		Dividend payment RM	Rights issue RM	
Share capital	7,500,000	0	2,040,000	9,540,000
Retained earnings	4,509,367	(2,040,000)	0	2,469,367
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and bank balances	871,755	(2,040,000)	2,040,000	871,755
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7.2 Pro forma II

	As illustrated in Pro forma I RM	Public issue RM	Payment of share issue expenses RM	Adjustments Proposed utilisation of proceeds RM	As illustrated in Pro forma II RM
Share capital	9,540,000	3,260,000	0	0	12,800,000
Share premium	0	16,300,000	(1,500,000)	0	14,800,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Plant and equipment	11,781,788	0	0	5,000,000	16,781,788
Cash and bank balances	871,755	19,560,000	(1,500,000)	(5,000,000)	13,931,755
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7.3 Pro forma III

	As illustrated in Pro forma II RM	Adjustments Proposed ESOS RM	As illustrated in Pro forma III RM
Share capital	12,800,000	1,280,000	14,080,000
Share premium	14,800,000	6,400,000	21,200,000
	<u> </u>	<u> </u>	<u> </u>
Cash and bank balances	13,931,755	7,680,000	21,611,755
	<u> </u>	<u> </u>	<u> </u>

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)

13.3 REPORTING ACCOUNTANTS' REPORT



The Board of Directors
 Scicom (MSC) Berhad
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 Selangor Darul Ehsan

2 September 2005

PwC/AK/py/1452J

Dear Sirs,

INTRODUCTION

This Accountants' Report (the "Report") has been prepared by PricewaterhouseCoopers, an approved company auditor, for the purpose of inclusion in the Prospectus of Scicom (MSC) Berhad, ("Scicom MSC" or the "Company") dated 7 September 2005 in connection with the listing and quotation for the entire issued and paid-up share capital of 128,000,000 ordinary shares of RM0.10 each in Scicom MSC on the MESDAQ Market of the Bursa Malaysia Securities Berhad.

Scicom MSC was incorporated on 30 October 2002 under the Malaysian Companies' Act 1965 as a private limited liability company. Scicom (MSC) commenced operations on 1 November 2002. The Company was incorporated as Scicom (MSC) Sdn. Bhd. and subsequently converted to Scicom (MSC) Berhad on 15 September 2004 as a public limited liability company.

Details of the subsidiaries of the Scicom MSC as at 30 June 2005 are set out below and in Section E(ii) Note (i).

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Incorporation date</u>	<u>Effective interest (%)</u>
Scicom Sdn. Bhd.	Malaysia	15 April 1997	100
Scicom Contact Centre Services Private Limited* ("Scicom Contact")*	India	29 October 2003	100
Scicom International (UK) Ltd. ("Scicom UK")	United Kingdom	26 April 2002	100
Scicom Teleservices Pte Ltd.* ("Scicom TPL")	Singapore	7 September 1999	100

* Audited by a firm other than PricewaterhouseCoopers Malaysia.

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13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

INTRODUCTION (CONTINUED)

This Report presents summarised income statements and statements of assets and liabilities of Scicom MSC and its subsidiaries (collectively referred to as "Scicom Group") and historical financial statements of Scicom MSC and its significant subsidiaries, Scicom SB and Scicom Contact, for the respective financial years/period as set out under this Report.

This Accountants' Report includes the following sections:

Description	Section
SUMMARISED INCOME STATEMENTS AND STATEMENTS OF ASSETS AND LIABILITIES FOR THE SCICOM GROUP	
Summarised consolidated financial information for the Scicom Group	A
HISTORICAL FINANCIAL INFORMATION	
Basis of preparation of historical financial information	B
Summary of significant accounting policies	C
Financial risk management objectives and policies	D
Information on Scicom MSC:	E
(i) General information on Scicom MSC	
(ii) Historical information of Scicom MSC	
(iii) Statement of assets and liabilities of Scicom MSC	
Information on Scicom SB:	F
(i) General information on Scicom SB	
(ii) Historical information of Scicom SB	
(iii) Statement of assets and liabilities of Scicom SB	
Information on Scicom Contact:	G
(i) General information on Scicom Contact	
(ii) Historical information of Scicom Contact	
(iii) Statement of assets and liabilities of Scicom Contact	
Significant post balance sheet date event	H

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

A SUMMARISED INCOME STATEMENTS AND STATEMENTS OF ASSETS AND LIABILITIES FOR THE SCICOM GROUP

The summarised income statements and statements of assets and liabilities of the Scicom Group as set out in Sections A(i) and A(ii) do not purport to represent what the results of operations of Scicom Group would actually have been had the Scicom Group as at 30 June 2005 been in existence from the beginning of the earliest period presented. The Scicom Group structure as at 30 June 2005 is described in the Introduction section of this Report. The summarised income statements and statements of assets and liabilities should be read in conjunction with the basis of preparation as set out Section A(iii).

A(i) Summarised income statements for Scicom Group

The summarised income statements for the Scicom Group as set out below consist of:

- (a) Pro forma income statements of the Scicom Group for the financial years ended 30 June 2001 through 30 June 2003.
- (b) Audited consolidated financial statements of the Scicom Group for the financial years ended 30 June 2004 and 30 June 2005.

	← AUDITED →		← PRO FORMA →		
	Year ended 30 June		Year ended 30 June		
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Revenue	53,957	46,466	39,444	18,770	10,677
Other operating income	865	382	242	86	0
Operating expenses	(49,047)	(42,222)	(36,830)	(18,219)	(10,444)
Profit from operations	5,775	4,626	2,856	637	233
Finance costs	(367)	(671)	(237)	(121)	(69)
Profit before taxation	5,408	3,955	2,619	516	164
Taxation	0	(266)	(258)	(326)	(58)
Profit after taxation	5,408	3,689	2,361	190	106
Minority interest	0	(106)	33	0	0
Net profit attributable to shareholders	5,408	3,583	2,394	190	106

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

A SUMMARISED INCOME STATEMENTS AND STATEMENTS OF ASSETS AND LIABILITIES FOR THE SCICOM GROUP (CONTINUED)

A(ii) Summarised statements of assets and liabilities for Scicom Group

The summarised statements of assets and liabilities for Scicom Group as set out below consist of:

- (a) Pro forma statements of assets and liabilities of the Scicom Group for the financial years ended 30 June 2001 through 30 June 2003.
- (b) Audited consolidated financial statements of the Scicom Group for the financial years ended 30 June 2004 and 30 June 2005.

	← AUDITED →		← PRO FORMA →		
	As at 30 June		As at 30 June		
	2005	2004	2003	2002	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Plant and equipment	11,782	9,449	6,411	2,581	1,819
CURRENT ASSETS					
Trade receivables	4,934	9,736	8,844	8,421	1,598
Deposits, prepayments and other receivables	2,377	1,732	916	644	483
Deposits with licensed banks	1,765	1,757	1,978	250	0
Cash and bank balances	872	2,133	2,018	226	143
	9,948	15,358	13,756	9,541	2,224
LESS: CURRENT LIABILITIES					
Payables and accruals	5,845	10,971	11,058	9,663	2,108
Taxation	84	48	272	258	121
Borrowings (secured)	2,165	5,025	3,071	583	226
	8,094	16,044	14,401	10,504	2,455
NET CURRENT ASSETS/(LIABILITIES)	1,854	(686)	(645)	(953)	(231)
NON-CURRENT LIABILITIES					
Payables and accruals	468	0	0	0	0
Borrowings (secured)	1,034	1,948	2,080	298	397
Deferred taxation	137	211	0	0	86
	1,639	2,159	2,080	298	483
NET ASSETS	11,997	6,604	3,686	1,320	1,105

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

A SUMMARISED INCOME STATEMENTS AND STATEMENTS OF ASSETS AND LIABILITIES FOR THE SCICOM GROUP (CONTINUED)

A(iii) Basis of preparation of summarised income statements and statements of assets and liabilities

The summarised income statements and statements of assets and liabilities for the financial years ended 30 June 2001 through 30 June 2003, as shown respectively, are prepared solely for illustrative purposes and have been prepared by the Directors of Scicom Group on the following basis:

- (a) For the financial years ended 30 June 2001 and 30 June 2002, the pro forma financial information is presented based solely on the audited consolidated financial statements of Scicom SB as Scicom MSC was only incorporated on 30 October 2002.
- (b) The pro forma financial information for the financial year ended 30 June 2003 is presented based on the audited consolidated financial statements of Scicom Group from date of incorporation, 30 October 2002, to 30 June 2003 and has been adjusted to include Scicom Group's share of the results of Scicom SB for the financial year ended 30 June 2003 as if Scicom SB was acquired on 1 July 2002 and to exclude the effects of intercompany transactions. The results of Scicom SB was not consolidated into the Scicom Group audited consolidated financial statements for the financial period ended 30 June 2003 as the acquisition was completed on 16 June 2003 and therefore, did not have a significant effect to the financial results of the Scicom Group.

B BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The historical financial information included in this Report is derived from:

- I Audited consolidated financial statements of Scicom MSC and its subsidiaries for financial period from 30 October 2002 (date of incorporation) to 30 June 2003 and the financial years ended 30 June 2004 and 2005.
- II. Audited financial statements of Scicom MSC's subsidiary, Scicom Sdn. Bhd. for the financial years ended 30 June 2001 to 2005.
- III. Audited financial statements of Scicom MSC's subsidiary, Scicom Contact Centre Private Limited for financial period from 29 October 2003 (date of incorporation) to 30 June 2004 and the financial year ended 30 June 2005.

The historical information of the Scicom International (UK) Ltd. and Scicom Teleservices Pte Ltd., which were acquired during the financial year ended 30 June 2004, is not presented as these companies are dormant as at 30 June 2005.

13. **REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)**



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been used consistently by Scicom MSC and its subsidiaries, where applicable, in dealing with items which are considered material in relation to the financial statements.

(a) Basis of consolidation

Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the financial year are included from the date of acquisition to the date of disposal. At the date of acquisition, the fair values are reflected in the consolidated financial statements. The excess of the cost of acquisition over the fair value of the Group's share of the subsidiaries' identifiable net assets at the date of acquisition is reflected as goodwill on consolidation.

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.

All intragroup transactions, balances and unrealised gains on intragroup transactions are eliminated, unsecured losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of the net assets.

(b) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

A write down is made if the carrying amount of the investment exceeds the recoverable amount. See accounting policy Note (f) on impairment of assets.

On disposal of an investment in a subsidiary, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of their identifiable net assets at the date of acquisition. Goodwill (including negative goodwill) on acquisition of subsidiaries is written off on acquisition or included in the balance sheet as intangible asset. Capitalised goodwill is amortised using the straight line method over its estimated useful life. The Directors determine the estimated useful life of goodwill based on the evaluation of the respective companies at the time of the acquisition. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note (f) on impairment of assets.

(d) Revenue recognition

Revenue comprises the invoiced value for the sale of services, net of sales taxes, rebates and discounts.

Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Other operating income comprises revenue earned on other services.

Interest income is recognised on the accruals basis.

(e) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation of plant and equipment is calculated on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. The principal annual depreciation rates used are as follows:

Furniture and fittings	20%
Office equipment	20% - 33 1/3%
Software	20% - 33 1/3%
Office renovations	50%
Motor vehicles	20%

Office equipment includes computers and telecommunication equipment.

Computer software and development costs with economic benefit exceeding three years are capitalised where material. Computer software costs are amortised on a straight line basis over the estimated useful life of the software, which is between three to five years.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

13. **REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)**



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Plant and equipment (continued)

A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note (f) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Repairs and maintenance are charged to the income statement during the period in which they are incurred.

(f) Impairment of assets

Plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(g) Foreign currency transactions

The financial statements are presented in Ringgit Malaysia (RM).

Foreign currency transactions are translated into Ringgit Malaysia at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency transactions (continued)

The principal closing rates used in translation of foreign currency amounts are as follows:

<u>Foreign currency</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	RM	RM	RM	RM	RM
United States Dollar (USD)	3.80	3.80	3.80	3.78	3.78
Singapore Dollar (SGD)	2.23	2.20	2.20	2.20	2.20
1000 Korean Wan (KRN)	*	3.30	3.18	3.16	*
Pound Sterling (GBP)	6.86	6.80	*	*	*
100 Indian Rupees (INR)	8.86	8.42	*	*	*

* Not applicable.

(h) Foreign subsidiaries

The Group's foreign subsidiaries are those operations that are not an integral part of the operations of the Group. Income statements of the foreign entities are translated into Ringgit Malaysia at average exchange rates for the year and the balance sheets are translated at exchange rates ruling at balance sheet date. Exchange differences arising from retranslation of the net investment in foreign entities are taken to 'Currency Translation Reserve' in shareholders' equity. On disposal of the foreign entities, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

(i) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary on distributions of retained earnings to companies in the Group.

Deferred taxation is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

13. **REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)**



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income taxes (continued)

Deferred income tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred tax.

(j) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, bank balances, deposits held at call with banks, bank overdrafts and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts. Deposits held as pledged securities for bank overdrafts are not included in cash and cash equivalents.

(k) Trade receivables

Trade receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at financial year end. Bad debts are written off when identified.

Certain trade receivables of Scicom SB are factored out to a finance institution for a fixed sum with recourse to Scicom SB. Amount received from the finance institution is recorded as a liability, which will be offset by receipts from customers. Any fee incurred to effect the factoring is recognised as an expense. Any interest charged by the finance institution is recognised as finance cost.

(l) Operating lease

Leases of assets under which a significant portion of risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease period.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Finance lease

Leases of plant and equipment where the Group and the Company assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the outstanding balance. The corresponding rental obligations, net of finance charges are included in borrowing. The interest element of the finance charge is charged to the income statement over the lease period.

Plant and equipment acquired under finance leases are depreciated according to the basis set out in accounting policies Note (e).

(n) Financial instruments

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy notes associated with each item.

(ii) Fair value estimation for disclosure purposes

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

In assessing the fair value of other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long term debt. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

(ii) Post-employment benefits

Defined contribution plan benefits

The Group makes contributions to post-employment funds under local laws and regulations in certain territories. The contributions are charged to the income statement in the period in which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(p) Borrowings

Borrowings are recognised initially based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method, any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Interest is reported within finance cost in the income statement.

(q) Share capital

Ordinary shares with discretionary dividends are classified as equity.

13. **REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)**



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

D FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities exposes it to a variety of financial risks, including credit risk, liquidity risk, cash flow risk, foreign exchange risk and interest rate risk. The Group's overall financial risk management objective is to minimise its potential adverse effects on the financial performance of the Group.

The following financial risk management policies are applied by Scicom MSC and its subsidiaries where applicable.

(a) Credit risk

Credit risk arises from sales made on deferred credit terms. The Group manages this risk by monitoring credit ratings and limiting the aggregate financial exposure to any individual company. The Group extends credit to customers based on evaluation of the customer's financial position or creditworthiness. The Group does not expect any third parties to fail to meet their obligations.

(b) Liquidity risk

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient funding requirements for working capital.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
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D FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Cash flow risk

The Group reviews its cash flows regularly to manage its exposure to fluctuations in future cash flows. In the event of the occurrence of cash flow deficit, the Group shall take the necessary steps to resolve the deficit position, by obtaining necessary financing from financial institutions and/or undertaking fund raising by way of issuance of additional share capital.

(d) Foreign exchange risk

The Group is exposed to foreign exchange risk on sales, purchases and deposits with financial institutions that are denominated in a currency other than Ringgit Malaysia and manage this risk by monitoring closely their balances for all foreign currencies.

Scicom Contact is exposed to foreign exchange risk on sales and purchases that are denominated in a currency other than Indian Rupees. Scicom Contact manages this risk by monitoring closely its balances for all foreign currencies.

(e) Interest rate risk

The Group's exposures to interest rate risk arise predominantly from liabilities bearing variable interest rates. The Group's policy is to monitor the interest rate and take appropriate action where necessary.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

E INFORMATION ON SCICOM MSC

E(i) General information on Scicom MSC

Background information

Scicom MSC was incorporated on 30 October 2002 under the Malaysian Companies' Act, 1965 as a private limited liability company and commenced operations on 1 November 2002. The Company was incorporated as Scicom (MSC) Sdn. Bhd. and subsequently converted to Scicom (MSC) Berhad on 15 September 2004 as a public limited liability company.

The address of the registered office of business of the Company is:

Level 14, Uptown 1
No 1, Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

The address of the Company's principal place of business is:

25th Floor, Menara TA ONE
22, Jalan P. Ramlee
50250 Kuala Lumpur

Principal activities

The principal activities of the Company are that of an investment holding company and the provision of customer contact centre within the Business Process Outsourcing space. In addition, Scicom MSC also provides customer service training products as well as contact centre consulting and marketing services. There has been no significant change in the principal activities of the Company during the financial year ended 30 June 2005.

The Group provides customer contact centre outsourcing services, customer services training products as well as contact centre consulting and marketing services. The details of the principal activities of the subsidiaries are set out the Section E(ii) Note (i) of this Report. There has been no significant change in the principal activities of the Group during the financial year ended 30 June 2005.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

E(i) General information on Scicom MSC (continued)

Share capital

As at 30 June 2005, the authorised and issued ordinary share capital of the Company are as follows:

	RM
Authorised share capital:	
250,000,000 ordinary shares of RM0.10 per share	25,000,000
	<u>25,000,000</u>
Issued and fully paid-up share capital:	
75,000,000 ordinary shares of RM0.10 per share	7,500,000
	<u>7,500,000</u>

Authorised share capital

The movements in the authorised share capital of the Company from its date of incorporation are detailed as follows:

<u>Date</u>	<u>Number of ordinary shares of RM1 each created '000</u>	<u>Number of ordinary shares of RM0.10 each '000</u>	<u>Cumulative authorised share capital RM'000</u>
Ordinary shares:			
30.10.2002 (date of incorporation)	100	0	100
11.06.2003	4,900	0	5,000
03.09.2004	0	50,000*	5,000
06.09.2004	0	200,000	25,000
	<u>0</u>	<u>200,000</u>	<u>25,000</u>

* The ordinary share capital was subdivided from RM1.00 each to RM0.10 each.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

E(i) General information on Scicom MSC (continued)

Issued and paid-up share capital

The movements in the issued and paid-up share capital of the Company from its date of incorporation are detailed as follows:

<u>Date of issue</u>	<u>Terms of issue</u>	<u>Number of ordinary shares of RM1 each issued</u>	<u>Number of ordinary shares of RM0.10 each</u>	<u>Cumulative issued and fully paid-up ordinary share capital RM</u>
Ordinary shares: 30.10.2002 (date of incorporation)	Subscribers' shares at par	2	0	2
11.06.2003	Cash at par	5	0	7
16.06.2003	Cash at par	567,282	0	567,289
17.06.2003	Cash at par	1	0	567,290
09.04.2004	Bonus issue	2,432,710	0	3,000,000
03.09.2004	Subdivision	0	30,000,000	3,000,000
06.09.2004	Bonus issue	0	45,000,000	7,500,000

Historical financial statements and auditors

The financial statements are the responsibility of the Company's Directors.

We are the auditors of Scicom MSC for all financial years/periods relevant to this Report.

The financial statements of the Scicom MSC for all financial years/periods relevant to this Report were audited in accordance with the approved auditing standards in Malaysia and reported without any qualification.

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

Dividends

The Company did not pay any dividends during the financial years/period presented in this Report.

13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors
Scicom (MSC) Berhad
2 September 2005

E(i) General information on Scicom MSC (continued)

Basis of preparation of historical financial statements

The financial information included in this Report is derived from:

- Audited consolidated financial statements of Scicom Group for the 8 months period ended 30 June 2003.
- Audited consolidated financial statements of Scicom Group for the financial year ended 30 June 2004 and 30 June 2005.

The financial statements of the Group and the Company have been prepared under the historical cost convention and comply with the Malaysian Accounting Standards Board ("MASB") approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial years/period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

Certain financial information extracted from the audited financial statements of Scicom MSC has been extended or reclassified herein to comply with the additional disclosure requirements of new MASB standards which came into effect progressively since the financial period ended 30 June 2003.

During the financial year ended 30 June 2004, the Group and the Company changed its accounting policy with respect to employee benefits as a result of the adoption of a new Malaysian Accounting Standards Board ("MASB") 29 – "Employee Benefits".

The adoption of MASB 29 resulted in the Group and the Company accruing for obligations with respect of short-term employee benefits in the form of accumulated annual leave. These obligations were not provided for prior to the adoption of MASB 29. The new accounting policy has the effect of reducing the Group's and the Company's net profit for the financial year ended 30 June 2004 by RM191,544 and RM58,972 respectively. The application of the new accounting policy did not have a material effect to the results of the Group and Company for the financial period ended 30 June 2003.