

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



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

E(ii) Historical financial information of Scicom MSC (continued)

Notes to the financial statements (continued)

(r) Share capital

	As at 30.6.2005 RM	As at 30.6.2004 RM	Company As at 30.6.2003 RM
Authorised ordinary shares of RM0.10/RM1.00 each:			
At start of financial year/period	5,000,000	5,000,000	100,000
Created during the financial year/period	20,000,000	0	4,900,000
At end of financial year/period	<u>25,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid ordinary shares of RM0.10/ RM1.00 each:			
At start of financial year/period	3,000,000	567,290	2
Bonus issue during the financial year/period	4,500,000	2,432,710	567,288
At end of financial year/period	<u>7,500,000</u>	<u>3,000,000</u>	<u>567,290</u>

(s) Commitments

(i) Capital commitments

Capital expenditure approved by the Directors not provided for in the financial statements are as follows:

	As at 30.6.2005 RM'000	As at 30.6.2004 RM'000	Group As at 30.6.2003 RM'000	As at 31.12.2004 RM'000	As at 30.6.2004 RM'000	Company As at 30.6.2003 RM'000
Authorised and contracted - Plant and equipment	0	103	2,420	0	0	2,069

(ii) Non-cancellable operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	As at 30.6.2005 RM'000	As at 30.6.2004 RM'000	Group As at 30.6.2003 RM'000	As at 31.12.2004 RM'000	As at 30.6.2004 RM'000	Company As at 30.6.2003 RM'000
- not later than 1 year	2,666	2,621	3,138	1,669	1,828	1,487
- later than 1 year and not later than 5 years	2,809	1,757	9,573	2,023	1,674	2,860
	<u>5,475</u>	<u>4,378</u>	<u>12,711</u>	<u>3,692</u>	<u>3,502</u>	<u>4,347</u>

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E(ii) Historical financial information of Scicom MSC (continued)

Notes to the financial statements (continued)

(t) Fair value

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The carrying amount of financial liabilities with maturity of more than one year as at 30 June 2005 is set out below:

	Group		Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Non-trade accrual	468	433	0	0
Finance lease liabilities	1,034	1,058	666	688

In assessing the fair values of financial liabilities, the discounted cash flow method was applied using current market interest rates available to the Group and the Company.

(u) Contingent liabilities (unsecured)

For the financial year ended 30 June 2005, the amounts of the contingent liabilities in relation to the following cases are not disclosed as it is still a subject to be determined by the Industrial and Session Courts and such disclosure may be prejudicial to the Group's dispute on the subject matter. In the event that the relevant Courts were to rule against the Company's subsidiary, such ruling is not expected to have a materially adverse effect on the Group's or subsidiary's operations or financial condition.

- (a) An ex-employee had made a claim against a subsidiary of the Company for wrongful dismissal. This case has been referred to the Industrial Court.
- (b) An ex-contractor had made a claim against a subsidiary of the Company for payments of services rendered. This case is currently pending a hearing before the Session Court.

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



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E(ii) Historical financial information of Scicom MSC (continued)

Notes to the financial statements (continued)

(v) Disposal of a subsidiary

On 28 June 2004, the Group disposed of the entire equity interest in Scicom International Ltd. for cash consideration of RM10.

The effect of the disposal on the Group's results was as follows:

	Year ended 30.6.2004 RM'000
Revenue	1,901
Expenses excluding finance cost	(1,986)
Loss on disposal of subsidiary	(177)
Loss from operations	(262)
Finance cost	0
Decrease in net profit for the financial year	(262)

(w) Significant acquisitions of subsidiaries

(i) Acquisitions of Scicom Sdn. Bhd. and Scicom International Ltd.

On 16 June 2003, the Company acquired 63% equity interest in Scicom Sdn. Bhd. for purchase consideration of 567,283 ordinary shares of RM1 each. Scicom International Ltd. became a subsidiary of the Company by virtue of Scicom Sdn. Bhd.'s equity interest in Scicom International Ltd.

The acquisition did not have any significant effect to the financial results of the Group as the acquisition was effected towards the end of the financial period ended 30 June 2003.

The effects of the acquisition on the financial position of the Group were as follows:

	As at 30.6.2003 RM'000
Non-current assets	4,842
Current assets	11,365
Current liabilities	(13,799)
Non-current liabilities	(1,894)
Net assets	514
Minority interest	(514)
Group's share of net assets	0

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E(ii) Historical financial information of Scicom MSC (continued)

Notes to the financial statements (continued)

(w) Significant acquisitions of subsidiaries (continued)

- (ii) Acquisition of Scicom Contact Centre Services Private Limited, Scicom International (UK) Ltd. and Scicom Teleservices Pte. Ltd.

On 29 October 2003, the Company acquired 100% equity interest in Scicom Contact Centre Services Private Limited for a cash consideration of RM8,696.

On 5 November 2003, the Company acquired 100% equity interest in Scicom International (UK) Ltd. for a cash consideration of RM7.

On 30 April 2004, the Company acquired 100% equity interest in Scicom Teleservices Pte Ltd. for a cash consideration of RM4.

The effects of these acquisitions on the financial results of the Group were as follows:

	Year ended 30.6.2004 RM'000
Revenue	0
Other operating income	0
Depreciation of plant and equipment	(56)
Goodwill on acquisition written off	(305)
Other operating expenses	(834)
Loss from operations	(1,195)
Finance cost	0
Loss from ordinary activities before taxation	(1,195)
Tax expense	0
Decrease in net profit for the financial year	(1,195)

The effects of these acquisitions on the financial position of the Group were as follows:

	As at 30.6.2004 RM'000
Plant and equipment	628
Trade receivables	0
Deposits, prepayment and other receivables	578
Deposits with licensed bank	157
Cash and bank balances	36
Payables and accruals	(155)
Increase in Group's net assets	1,244

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



The Board of Directors
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E(ii) Historical financial information of Scicom MSC (continued)

Notes to the financial statements (continued)

(x) Non-cash transaction

The principal non-cash transaction of the Group and the Company is in respect of:

	Group			Company		
	Year ended 30.6.2005 RM'000	Year ended 30.6.2004 RM'000	Period from 30.10.2002 (date of incorporation) to 30.6.2003 RM'000	Year ended 30.6.2005 RM'000	Year ended 30.6.2004 RM'000	Period from 30.10.2002 (date of incorporation) to 30.6.2003 RM'000
Purchase of certain plant and equipment by means of hire purchase	1,129	1,965	2,502	1,129	1,882	305

E(iii) Statement of assets and liabilities of Scicom MSC

The statement of assets and liabilities which are prepared based on the audited financial statements of the Group and the Company for the 8 months period ended on 30 June 2003 and financial years ended 30 June 2004 and 30 June 2005 have been included in the balance sheets and consolidated balance sheets of the Group and the Company respectively as stated in Section E(ii).

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



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F INFORMATION ON SCICOM SB

F(i) General information on Scicom SB

Background information

Scicom Sdn. Bhd. ("Scicom SB" or the "Company") was incorporated on 15 April 1997 under the Malaysian Companies' Act 1965 as a private limited liability company. It commenced operations on 1 September 1997.

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

Level 25, Menara TA One
22, Jalan P Ramlee
50250 Kuala Lumpur

The Directors regard Scicom (MSC) Berhad, a company incorporated and domiciled in Malaysia, as the ultimate holding company.

Principal activities

The principal activity of the Company is in the provision of customer contact centre within Business Process outsourcing space. In addition, the Company 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.

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



The Board of Directors
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F(i) General information on Scicom SB (continued)

Share capital

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

	RM
Authorised share capital:	
1,000,000 ordinary shares of RM1 per share	1,000,000
	<u> </u>
Issued and fully paid-up share capital:	
900,000 ordinary shares of RM1 per share	900,000
	<u> </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 of creation</u>	<u>Number of ordinary shares of RM1.00 each created</u> '000	<u>Cumulative authorised share capital</u> RM'000
Ordinary shares:		
At 15 April 1997 (date of incorporation)	100	100
At 24 March 1999	400	500
At 3 August 2001	500	1,000
	<u> </u>	<u> </u>

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 RM1.00 each issued</u>	<u>Issued and cumulative fully paid up ordinary share capital</u> RM
Ordinary shares:			
At 15 April 1997 (date of incorporation)	Subscribers' share	2	2
At 1 July 1997	Cash at par	50,000	50,002
At 24 June 1998	Cash at par	49,998	100,000
At 30 June 1999	Cash at par	300,000	400,000
At 3 August 2001	Bonus issue	500,000	900,000
		<u> </u>	<u> </u>

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



The Board of Directors
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F(i) General information on Scicom SB (continued)

Historical financial statements and auditors

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

We are the auditors of Scicom SB for all financial years relevant to this Report. The financial statements of Scicom SB for the five (5) financial years ended 30 June 2001 through 30 June 2005 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 presented in this Report.

Basis of preparation of historical financial information

The financial information included in this Report is derived from the audited financial statements of the Company for the five (5) financial years ended 30 June 2001 through 30 June 2005.

The financial statements of the Company have been prepared under the historical cost convention and comply with the 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 SB 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 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".

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



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F(i) General information on Scicom SB (continued)

Historical financial statements and auditors (continued)

Basis of preparation of historical financial information (continued)

The change in accounting policy has a material impact on the profit after taxation and shareholder's funds of the Company. This change has been accounted for retrospectively for financial year ended 30 June 2003. Information for financial years ended 30 June 2000 through 30 June 2002 was not available as it was not practicable to obtain.

The change in accounting policy from the adoption of MASB 29 has been applied retrospectively and the comparative financial statements have been restated as follows:

	As previously reported RM'000	Effect of change in accounting policy RM'000	As restated RM'000
<u>As at 30 June 2003</u>			
Non-trade accruals	1,302	155	1,456
Retained earnings/(accumulated losses)	58	(155)	(96)
	<u> </u>	<u> </u>	<u> </u>
<u>Financial year ended 30 June 2003</u>			
Loss after taxation	(167)	(155)	(322)
	<u> </u>	<u> </u>	<u> </u>

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



The Board of Directors
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F(ii) Historical financial information on Scicom SB

Income statements

	Note	Year ended 30 June				
		2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Revenue	(a)	1,425	17,837	24,332	17,559	10,677
Management fees		0	5,258	3,619	0	0
Other operating income		19	276	159	87	0
		<u>1,444</u>	<u>23,371</u>	<u>28,110</u>	<u>17,646</u>	<u>10,677</u>
Less: Operating expenses						
Advertisement		0	269	393	143	0
Allowance for doubtful debts		0	136	465	1,143	0
Depreciation of plant and equipment		1,321	1,832	1,429	646	541
Entertainment		0	145	302	83	60
Insurance expenses		25	43	46	86	26
Office supplies		0	69	115	87	66
Other operating expenses		79	228	1,234	711	568
Printing charges		0	42	40	76	37
Professional fees		23	230	1,596	419	548
Rental expenses		34	584	1,276	1,297	807
Staff cost (including remuneration of Executive Directors)	(b)	1,021	17,795	19,422	11,445	7,338
Staff welfare		0	342	332	90	63
Telecommunication and utilities expenses		1	353	513	424	171
Travelling expenses		38	484	879	581	219
		<u>2,542</u>	<u>22,552</u>	<u>28,042</u>	<u>17,231</u>	<u>10,444</u>
(Loss)/profit from operations		(1,098)	819	68	415	233
Finance cost	(c)	(210)	(489)	(183)	(122)	(69)
(Loss)/profit before taxation	(d)	(1,308)	330	(115)	293	164
Taxation	(e)	138	(266)	(207)	(272)	(58)
Net (loss)/profit for the financial year		<u>(1,170)</u>	<u>64</u>	<u>(322)</u>	<u>21</u>	<u>106</u>

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



The Board of Directors
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F(ii) Historical financial information on Scicom SB (continued)

Balance sheets

	Note	As at 30 June				
		2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
NON-CURRENT ASSETS						
Plant and equipment	(f)	1,098	4,254	5,443	2,130	1,819
Investment in a subsidiary	(g)	0	0	146	146	0
		<u>1,098</u>	<u>4,254</u>	<u>5,589</u>	<u>2,276</u>	<u>1,819</u>
CURRENT ASSETS						
Trade receivables	(h)	175	4,040	7,971	8,197	1,598
Deposits, prepayments and other receivables	(i)	495	717	883	373	483
Deposits with financial institutions	(j)	1,600	1,600	1,724	250	0
Cash and bank balances	(k)	14	72	1,449	4	143
		<u>2,284</u>	<u>6,429</u>	<u>12,027</u>	<u>8,824</u>	<u>2,224</u>
LESS: CURRENT LIABILITIES						
Payables and accruals	(l)	149	2,570	10,447	8,166	1,655
Taxation		83	48	253	200	121
Borrowings (secured)	(m)	911	4,151	2,970	1,310	679
Amount due to ultimate holding company	(n)	2,174	1,790	1,248	0	0
		<u>3,317</u>	<u>8,559</u>	<u>14,918</u>	<u>9,676</u>	<u>2,455</u>
NET CURRENT LIABILITIES		<u>(1,033)</u>	<u>(2,130)</u>	<u>(2,891)</u>	<u>(852)</u>	<u>(231)</u>
NON-CURRENT LIABILITIES						
Borrowings (secured)	(m)	367	1,045	1,894	298	397
Deferred taxation	(o)	0	211	0	0	86
		<u>367</u>	<u>1,256</u>	<u>1,894</u>	<u>298</u>	<u>483</u>
NET (LIABILITIES)/ASSETS		<u>(302)</u>	<u>868</u>	<u>804</u>	<u>1,126</u>	<u>1,105</u>
CAPITAL AND RESERVES						
Share capital	(p)	900	900	900	900	400
(Accumulated losses)/retained earnings		(1,202)	(32)	(96)	226	705
		<u>(302)</u>	<u>868</u>	<u>804</u>	<u>1,126</u>	<u>1,105</u>

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



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F(ii) Historical financial information on Scicom SB (continued)

Statements of changes in equity

	Issued and fully paid ordinary shares of RM1 each		Retained earnings/ (accumulated losses) RM'000	Total RM'000
	Number of shares RM'000	Nominal value RM'000		
At 1 July 2000	400	400	599	999
Profit after taxation	0	0	106	106
At 30 June 2001	400	400	705	1,105
At 1 July 2001	400	400	705	1,105
Issue of shares through capitalisation of retained earnings	500	500	(500)	0
Profit after taxation	0	0	21	21
At 30 June 2002	900	900	226	1,126
At 1 July 2002	900	900	226	1,126
Loss after taxation	0	0	(167)	(167)
Change in accounting policy	0	0	(155)	(155)
At 30 June 2003 - restated	900	900	(96)	804
At 1 July 2003	900	900	(96)	804
Profit after taxation	0	0	64	64
At 30 June 2004	900	900	(32)	868
As at 1 July 2004	900	900	(32)	868
Loss after taxation	0	0	(1,170)	(1,170)
At 30 June 2005	900	900	(1,202)	(302)

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F(ii) Historical financial information on Scicom SB (continued)

Cash flow statements

	Note	Year ended 30.6.2005 RM'000
OPERATING ACTIVITIES		
Loss after taxation		(1,170)
Adjustments for:		
Bad debts written off		3
Depreciation of plant and equipment		1,321
Interest expense		258
Interest income		(48)
Taxation		(138)
Write back of bad debts		(3)
Operating profit before changes in working capital		223
Changes in working capital:		
Receivables		4,086
Payables		(2,422)
Intercompany balances		2,354
Cash flows from operations		4,241
Interest received		48
Taxation paid		(38)
Net cash flow from operating activities		4,251
INVESTING ACTIVITIES		
Purchase of plant and equipment		(134)
Net cash flow used in investing activities		(134)
FINANCING ACTIVITIES		
Repayment of factoring facility		(536)
Repayment of Al-Bai Bithaman Ajil Islamic Term Financing		(337)
Repayment of finance lease principal		(699)
Interest paid		(258)
Net cash flow used in financing activities		(1,830)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		(2,502)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	(k)	(215)

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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements

(a) Revenue

	Year ended 30 June				
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Customer services	0	13,730	17,750	15,249	7,920
Recruitment services	1,068	2,729	3,960	0	0
Telecommunication consulting	357	1,378	1,279	1,449	1,964
Training and consultancy	0	0	1,020	379	0
Others	0	0	323	482	793
	<u>1,425</u>	<u>17,837</u>	<u>24,332</u>	<u>17,559</u>	<u>10,677</u>

(b) Staff cost

Wages, salaries and bonus	981	15,862	17,285	10,260	6,928
Defined contribution plan	34	1,619	1,709	989	398
Other employee benefits	6	158	298	160	0
	<u>1,021</u>	<u>17,639</u>	<u>19,292</u>	<u>11,409</u>	<u>7,326</u>
Directors' remuneration:					
Fees	0	156	130	36	12
	<u>1,021</u>	<u>17,795</u>	<u>19,422</u>	<u>11,445</u>	<u>7,338</u>

The other remunerations received by the Directors of the Company are as follows:

	Year ended 30 June				
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Wages, salaries and bonus	0	1,078	540	580	570
Benefits-in-kind	0	15	45	48	28
	<u>0</u>	<u>1,093</u>	<u>585</u>	<u>628</u>	<u>598</u>

The number of employees as at the end of each financial year is as follows:

	30.6.2005 RM'000	30.6.2004 RM'000	30.6.2003 RM'000	30.6.2002 RM'000	30.6.2001 RM'000
Total employees	<u>12</u>	<u>630</u>	<u>706</u>	<u>431</u>	<u>192</u>

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Notes to the financial statements (continued)

(c) Finance cost

	Year ended 30 June				
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Interest expense:					
- finance lease	95	229	59	60	48
- bank overdraft	130	123	6	11	6
- factoring interest	0	139	134	51	18
- Al-Bai Bithaman Ajil Islamic Term Financing	33	55	11	0	0
	258	546	210	122	72
Interest income	(48)	(57)	(27)	0	(3)
	210	489	183	122	69

(d) (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Year ended 30 June				
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Auditors' remuneration	20	20	15	16	15
Plant and equipment written off	0	0	0	0	5
Bad debts written off	3	10	122	13	7
Management fee payable to a Company related to Directors in which the Directors have interest	0	0	228	180	180
Rental of apartments	34	199	436	230	88
Rental of office	0	374	597	434	248
Rental of office equipment	0	10	236	630	455
Realised exchange (gain)/loss	1	(29)	(98)	(87)	(47)
Unrealised exchange (gain)/loss	0	(93)	0	24	0
Write back of bad debts	(3)	(60)	0	0	0

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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(e) Taxation

	Year ended 30 June				
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
<u>Current taxation</u>					
Current year taxation	20	55	207	358	26
Under-accrual in respect of prior year	53	0	0	0	0
<u>Deferred taxation</u>					
Origination of temporary differences	(211)	211	0	(86)	32
Total	(138)	266	207	272	58
	Year ended 30 June				
	2005 %	2004 %	2003 %	2002 %	2001 %
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate:					
Malaysian tax rate	(28)	28	(28)	28	28
Tax effects of:					
Expenses not deductible for tax purposes	2	60	211	1	7
Temporary differences not recognised	14	0	(2)	64	0
Different tax rates					
– Small Medium Enterprises are taxed at 20%	0	(7)	0	0	0
Underaccrual in prior year	1	0	0	0	0
	(11)	81	181	93	35

Subject to the agreement by the tax authorities, the Company has tax exempt account of approximately RM127,058 to frank as tax exempt dividends as at each of the balance sheet dates presented in this Report.

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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(f) Plant and equipment	Furniture and fittings RM'000	Office equipment RM'000	Software RM'000	Office renovations RM'000	Motor vehicles RM'000	Total RM'000
<u>Cost</u>						
As at 1 July 2004	956	4,157	2,160	851	994	9,118
Additions	0	131	0	3	0	134
Transfer to ultimate holding company	(956)	(2,561)	(2,160)	(854)	(5)	(6,536)
As at 30 June 2005	0	1,727	0	0	989	2,716
<u>Accumulated depreciation</u>						
As at 1 July 2004	503	2,376	795	776	414	4,864
Charge for the financial period	133	575	344	70	199	1,321
Transfer to ultimate holding company	(636)	(1,943)	(1,139)	(846)	(3)	(4,567)
As at 30 June 2005	0	1,008	0	0	610	1,618
Net book value as at 30 June 2005	0	719	0	0	379	1,098
Net book value as at 30 June 2004	453	1,781	1,365	75	580	4,254

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



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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(f) Plant and equipment (continued)

Net book values of plant and equipment acquired under finance leases are as follows:

	As at 30 June				
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Office equipment	719	655	924	569	713
Software	0	283	469	0	0
Office renovations	0	37	80	0	0
Motor vehicles	379	504	558	230	301
	<u>1,098</u>	<u>1,479</u>	<u>2,031</u>	<u>799</u>	<u>1,014</u>

All the plant and equipment of the Company have been charged as security for the bank overdraft facility and Al-Bai Bithaman Ajil Islamic Term Financing granted to the Company as disclosed in Note (m).

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



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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(g) Investment in a subsidiary

	<u>30.6.2005</u>	<u>30.6.2004</u>	<u>30.6.2003</u>	<u>30.6.2002</u>	<u>30.6.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	0	0	146	146	0

Details of the subsidiary are as follows:

Name	Country of incorporation	Group's effective interest			Principal activities
		<u>2004</u>	<u>2003</u>	<u>2002</u>	
		%	%	%	
Scicom International Ltd.*	Republic of Korea	0	63	99.99	Provision of call centre services

* Audited by a firm other than PricewaterhouseCoopers, Malaysia.

Year ended 30 June 2002

- (i) On 4 December 2001, the Company paid RM146,153 in cash to subscribe for 99.99% equity interest in Scicom International Ltd., a newly incorporated corporation. Scicom International Ltd. is a limited liability company, incorporated and domiciled in the Republic of Korea.

Year ended 30 June 2004

- (ii) On 6 April 2004, the Company disposed its entire shareholding in Scicom International Ltd., for a total cash consideration of RM146,153.

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



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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(h) Trade receivables

	30.6.2005	30.6.2004	30.6.2003	30.6.2002	As at 30.6.2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	175	4,181	7,976	8,222	1,608
Less: Allowance for doubtful debts	0	(141)	(5)	(25)	(10)
Total	175	4,040	7,971	8,197	1,598
The currency exposure profile of trade receivables is as follows:					
- Ringgit Malaysia	175	4,038	5,170	2,080	788
- United States Dollar	0	2	2,801	6,117	810
	175	4,040	7,971	8,197	1,598

Credit terms of trade receivables ranged from 30 to 90 days.

Certain trade receivables have been factored to a financial institution pursuant to a factoring facility obtained by the Company as referred to in Note (m).

Concentrations of credit risk with respect to trade receivables are to a few numbers of customers. The Company's historical experience in collection of trade receivables falls within recorded allowances. Management believes that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Company's trade receivables.

(i) Deposits, prepayments and other receivables

	30.6.2005	30.6.2004	30.6.2003	30.6.2002	As at 30.6.2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits	463	582	595	252	180
Prepayments	27	135	27	12	20
Other receivables	5	0	261	109	283
	495	717	883	373	483

Deposits, prepayments and other receivables are denominated in Ringgit Malaysia.

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



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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(j) Deposits with financial institutions

	<u>30.6.2005</u>	<u>30.6.2004</u>	<u>30.6.2003</u>	<u>30.6.2002</u>	<u>As at 30.6.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits with a licensed bank	1,600	1,600	1,600	250	0
Performance guarantees	0	0	124	0	0
	<u>1,600</u>	<u>1,600</u>	<u>1,724</u>	<u>250</u>	<u>0</u>

Deposits with a licensed bank are denominated in Ringgit Malaysia.

The weighted average interest rate of deposits with a licensed bank that was effective at the financial year end was as follows:

	<u>30.6.2005</u>	<u>30.6.2004</u>	<u>30.6.2003</u>	<u>30.6.2002</u>	<u>As at 30.6.2001</u>
	%	%	%	%	%
Deposits with licensed banks	2.79	3.13	3.10	3.20	0

The average maturity days of placement of funds with deposits with are as follows:

	<u>30.6.2005</u>	<u>30.6.2004</u>	<u>30.6.2003</u>	<u>30.6.2002</u>	<u>As at 30.6.2001</u>
Deposits with licensed banks (days)	365	331	330	20	0

The deposits with a licensed bank of RM1,600,000 are pledged to a bank overdraft facility granted to the Company as referred to in Note (m) to the financial statements.

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



The Board of Directors
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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(k) Cash and cash equivalents

	As at				
	30.6.2005	30.6.2004	30.6.2003	30.6.2002	30.6.2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	14	72	1,449	4	143
Bank overdraft (Note (m))	(229)	(2,574)	(1,298)	(583)	(226)
	<u>(215)</u>	<u>(2,502)</u>	<u>151</u>	<u>(579)</u>	<u>(83)</u>
The currency exposure profile of cash and cash equivalents is as follows:					
- Ringgit Malaysia	(217)	(2,505)	150	(579)	(83)
- Others	2	3	1	0	0
	<u>(215)</u>	<u>(2,502)</u>	<u>151</u>	<u>(579)</u>	<u>(83)</u>

Bank balances are deposits held at call with banks.

(l) Payables and other accruals

	As at				
	30.6.2005	30.6.2004	30.6.2003	30.6.2002	30.6.2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	0	38	6,782	4,831	583
Accruals					
- trade	0	0	0	605	0
- non-trade	30	1,077	1,457	745	280
Other payables	119	1,455	2,208	1,962	759
Provision for liability	0	0	0	0	30
Amount due to a Director	0	0	0	3	3
Amount due to subsidiary company	0	0	0	20	0
	<u>149</u>	<u>2,570</u>	<u>10,447</u>	<u>8,166</u>	<u>1,655</u>
The currency exposure profile of payables and accruals is as follows:					
- Ringgit Malaysia	149	2,482	4,913	3,748	1,537
- United States Dollar	0	9	5,534	4,371	53
- Korean Won	0	0	0	45	45
- Pound Sterling	0	41	0	0	0
- Singapore Dollar	0	38	0	2	20
- Indian Rupees	0	0	0	0	0
	<u>149</u>	<u>2,570</u>	<u>10,447</u>	<u>8,166</u>	<u>1,655</u>

Credit terms of trade payables ranged from 30 to 120 days.

The amounts due to a Director and subsidiary company are unsecured, interest-free and have no fixed terms of repayment.

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



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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(m) Borrowings (secured and interest-bearing)

	30.6.2005	30.6.2004	30.6.2003	30.6.2002	As at 30.6.2001
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Current</u>					
Factoring facility liability	0	536	692	499	167
Bank overdraft	229	2,574	1,298	583	226
Al-Bai Bithaman Ajil Islamic Term Financing	298	337	316	0	0
Finance lease	384	704	664	228	286
	<u>911</u>	<u>4,151</u>	<u>2,970</u>	<u>1,310</u>	<u>679</u>
<u>Non-current</u>					
Al-Bai Bithaman Ajil Islamic Term Financing	0	298	635	0	0
Finance lease liabilities	367	747	1,259	298	397
	<u>367</u>	<u>1,045</u>	<u>1,894</u>	<u>298</u>	<u>397</u>
<u>Total</u>					
Factoring facility liability	0	536	692	499	167
Bank overdraft	229	2,574	1,298	583	226
Al-Bai Bithaman Ajil Islamic Term Financing	298	635	951	0	0
Finance lease liabilities	751	1,451	1,923	526	683
	<u>1,278</u>	<u>5,196</u>	<u>4,864</u>	<u>1,608</u>	<u>1,076</u>
<u>Maturity of borrowings</u>					
- not later than 1 year	911	4,151	2,970	1,310	679
- later than 1 year and not later than 5 years	367	1,045	1,802	298	361
- later than 5 years	0	0	92	0	36
	<u>1,278</u>	<u>5,196</u>	<u>4,864</u>	<u>1,608</u>	<u>1,076</u>

All borrowings are denominated in Ringgit Malaysia.

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



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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(m) Borrowings (secured and interest-bearing) (continued)

On 30 June 2005, HSBC Bank Malaysia Berhad consented to the transfer of certain plant and equipment from the Company to the Company's ultimate holding company, Scicom (MSC) Berhad.

Factoring facility

The main features of the factoring facility are as follows:

- The amount of advance is 80% of invoice value with a maximum facility limit of RM1,000,000;
- Interest rate charge on the amount advanced during the financial year ended 30 June 2005 was 10% and during the financial years ended 30 June 2004 and 30 June 2003 was 17% per annum;
- Factoring fee is 0.8% on the invoice value; and
- If an invoice factored remains unpaid for a period of nine months from factoring date, the Company is liable to repay the amount initially paid out in advance.

As at 30 June 2005, the factoring facility was terminated.

Bank overdraft

The salient terms of the bank overdraft is as follows:

- (a) The bank overdraft is secured by way of the following:
- Debentures over all fixed and floating assets of the Company in respect of general banking facilities owing from time to time including future advances with unlimited covenant to pay on the part of the Company up-stamped at ad valorem duty to secure RM3,600,000; and
 - Time deposit of RM1,600,000 to be held under lien by the bank and to be supported by a security over deposit in respect of obligation of the Company.
- (b) The Covenants underlying this facility are:
- The Company undertakes not to declare dividends or make any advances to directors or shareholders without the consent of HSBC Bank Malaysia Berhad; and
 - The Company's internal funds or its director's private resources shall fund any cost over runs.

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



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F(ii) Historical financial information on Scicom SB (continued)

Notes to the financial statements (continued)

(m) Borrowings (secured and interest-bearing) (continued)

Bank overdraft (continued)

The effective interest rate of the bank overdraft as at the balance sheet dates are as follows:

	<u>30.6.2005</u>	<u>30.6.2004</u>	<u>As at</u> <u>30.6.2003</u>
	%	%	%
Bank overdraft	8.0	8.0	8.4

Al-Bai Bithaman Ajil Islamic Term Financing

The salient terms of the Al-Bai Bithaman Ajil Islamic Term Financing are as follows:

- (a) Al-Bai Bithaman Ajil Islamic Principle loan with repayment due in the financial year end 30 June 2006;
- (b) The Al-Bai Bithaman Ajil Islamic Term Financing is secured by a specific charge over assets amounting to RM1,000,000 and debenture issued under the Company amounting to RM1,000,000; and
- (c) The covenants underlying this facility are:
 - The Company undertakes not to declare any dividends or make any advances to Directors/shareholder without the consent of HSBC Bank Malaysia Berhad; and
 - The Company's internal funds or its Directors' private resources shall fund any cost over runs.

The effective interest rate of the financing cost of the Al-Bai Bithaman Ajil Islamic Term Financing as at the balance sheet dates are as follows:

	<u>30.6.2005</u>	<u>30.6.2004</u>	<u>As at</u> <u>30.6.2003</u>
	%	%	%
Al-Bai Bithaman Ajil Islamic Term Financing	6.8	8.0	8.4