



The Board of Directors  
Deleum Berhad  
PwC/PH/LKT/zu/1644J  
11 April 2007

**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(iii) Summary of significant accounting policies (continued)**

**(o) Financial instruments**

**(i) Description**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

**(ii) 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 policy statements associated with each item.

**(iii) Fair value estimation for disclosure purposes**

The face values, less any estimated credit adjustments, for financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of financial assets with a maturity of more than one year such as publicly traded securities is based on quoted market prices at the balance sheet date. The fair values of financial liabilities with a maturity of more than one year is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.



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**(iii) Summary of significant accounting policies (continued)**

**(p) Share capital**

**(i) Classification**

Ordinary shares are classified as equity. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

**(ii) Share issue costs**

Incremental external costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

**(iii) Dividends to shareholders of the Company**

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becomes payable, it will be accounted as a liability.

**(q) Borrowings**

**(i) Classification**

Borrowings are initially recognised 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.

**(ii) Capitalisation of borrowing costs**

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.



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**(iii) Summary of significant accounting policies (continued)**

**(r) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment 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 of the asset exceeds its recoverable amount. The recoverable amount is the higher of an assets' net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement. Impairment losses on goodwill are not reversed.

**(s) 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 risk 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 intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

**(t) Payables**

Payables, including accruals represent liabilities for equipments purchased and services rendered to the Group prior to the end of the financial period and which remain unpaid.



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**(iv) Financial risk management policies**

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risks. The Group's overall financial risk management objectives are to ensure that the Group creates value for its shareholders and to ensure that adequate financial resources are available for the development of the Group's businesses. The Group operates within clearly defined guidelines that are approved by the Board and seeks to minimise potential adverse effects on its financial performance. The Group's policy in respect of the major areas of treasury activity is set out as follows:

**(a) Foreign Currency Exchange Risk**

The Group is exposed to currency risk as a result of foreign currency transactions entered into currencies other than their measurement currency. The Group's policy is to minimise the exposure of transaction risk by matching foreign currency receivable against foreign currency payable.

**(b) Interest Rate Risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debts and maintaining deposits at current market rates.

**(c) Market Risk**

For key contracts, the Group establishes price levels that the Group considers acceptable and also enters into supply agreements where necessary, to achieve these levels.

**(d) Credit Risk**

Credit risk arises when sales are made on deferred credit terms. The Group seeks to invest cash assets safely and profitably. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. The Group's customers are mainly major players in the oil and gas industry and have high credit worthiness. The Group considers the risk of material loss in the event of non-performance by a customer to be unlikely.

The majority of its deposits are placed with major financial institutions in Malaysia. The Directors are of the view that such credit risk is minimal in view of the Group's historical experience in collection and the stability of the economic position of Malaysia.

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

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**(iv) Financial risk management policies (continued)**

**(e) Liquidity and Cash Flow Risks**

The Group has maintained minimal standby credit lines to further ensure sufficient cash and availability of funding.

**(v) Notes to the Historical Financial Statements**

**(a) Disposals of subsidiaries**

2005

Disposal of WesternGeco (M) Sdn. Bhd., Delcom Trading Sdn. Bhd., United Communication Industry Sdn. Bhd., Sonsub Services (M) Sdn. Bhd., Delcom SVS Sdn. Bhd., Econergy Sdn. Bhd., O&G Integrated Services Sdn. Bhd., Defcom Services Sdn. Bhd. and Multi Logistic Services Sdn. Bhd.

The Group disposed its total shareholding in the above subsidiaries in November 2005 for a cash consideration of RM182,518. The effect of the disposals on the financial statements of the Group is as follows:

	<u>At date of disposals</u> RM
Property, plant and equipment	6,637
Receivables	161,898,638
Cash at bank	28,123,635
Payables	(179,646,648)
Deferred tax liabilities	(1,429)
Minority interest	(3,385,716)
	<hr/>
Net assets disposed	6,995,117
Realisation of reserve on consolidation	(13,165)
Proceeds from disposals	(182,518)
	<hr/>
Loss on disposals	6,799,434
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The cash flow on disposals is determined as follows:

Cash proceeds received from disposals	182,518
Cash and cash equivalents of subsidiaries disposed off	(28,123,635)
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Cash flow on disposals	(27,941,117)
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## 10. ACCOUNTANTS' REPORT (Cont'd)



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**(v) Notes to the Historical Financial Statements (continued)**

**(a) Disposals of subsidiaries (continued)**

2006

Disposal of Foradel Sdn. Bhd.

The Group disposed its total shareholding in the above subsidiary in August 2006 for a cash consideration of RM300,000. The effect of the disposal on the financial statements of the Group is as follows:

	At date of disposal RM
Dry docking expenditure (Note (l))	836,120
Receivables	12,133,854
Cash at bank	2,373,463
Payables	(12,329,708)
Deferred tax liabilities (Note (y))	(374,920)
Minority interest	(712,478)
	<hr/>
Net assets disposed	1,926,331
Proceeds from disposal	(300,000)
	<hr/>
Loss on disposal	<u>1,626,331</u>

The cash flow on disposal is determined as follows:

Cash proceeds received from disposal	300,000
Cash and cash equivalents of subsidiary disposed off	(2,373,463)
	<hr/>
Cash flow on disposal	<u>(2,073,463)</u>



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(b) Segmental reporting**

The Group is organised into four main business segments:

- Specialised Equipment and Services - Mainly consist of provision of subsea production development, gas turbine packages and umbilicals.
- Oilfield Equipment and Services - Mainly consist of provision of wireline and wellhead equipment and related services, offshore drilling rig operations, gas turbine overhaul, supply of gas turbine parts and other oilfield equipment and technical services.
- Oilfield Chemicals and Other Services - Development and provision of solid deposit removal solutions and speciality chemicals.
- Seismic survey - Services in respect of seismic acquisition and data processing. This business segment was disposed in 2005.

Other operations of the Group comprise mainly investment holding.

Inter-segment revenue comprise marketing fees charged to Turboservices Sdn. Bhd. and Foradel Sdn. Bhd. based on agreed terms and conditions between the relevant parties.

During the financial year ended 31 December 2006, business segments have been re-identified and changed to better reflect the business activities of the Group. Previously, the Group was organised into the following main business segments:

- Exploration and Production Equipment and Services - Provision and operation of offshore drilling rigs.
- Gas turbines packages, technical services and parts - Provision of specialised equipment and provision of technical services.
- Oilfield Equipment and Services - Provision of wireline and wellhead equipment and related services and other oilfield equipment and technical services.
- Seismic survey - Services in respect of seismic acquisition and data processing. This business segment was disposed in 2005.

Comparatives have been restated to conform with the present basis.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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(v) Notes to the Historical Financial Statements (continued)

(b) Segmental reporting (continued)

Primary reporting format – business segments

	Specialised equipment and services	Oilfield equipment and services	Oilfield chemicals and other services	Seismic survey	Others	Eliminations	Group (Restated) RM
	RM	RM	RM	RM	RM	RM	RM
<u>For the financial year ended 31 December 2005</u>							
<b>Revenue</b>							
External revenue	123,063,169	286,032,922	8,435,435	289,624,050	-	-	707,155,576
Intersegment revenue	-	8,730,943	-	-	-	(8,730,943)	-
Total revenue	<u>123,063,169</u>	<u>294,763,865</u>	<u>8,435,435</u>	<u>289,624,050</u>	<u>-</u>	<u>(8,730,943)</u>	<u>707,155,576</u>
<b>Results</b>							
Segment results	<u>8,031,448</u>	<u>20,681,861</u>	<u>183,600</u>	<u>2,680,064</u>	<u>236,153</u>	<u>-</u>	<u>31,813,126</u>
Unallocated corporate expenses							(9,841,440)
Loss on disposal of subsidiaries							(6,799,434)
Finance cost							(144,785)
Share of results of associates							7,820,656
Tax expense							(7,262,794)
Profit for the financial year							<u>15,585,329</u>
							<u>(42)</u>



## 10. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)

## (v) Notes to the Historical Financial Statements (continued)

## (b) Segmental reporting (continued)

## Primary reporting format – business segments (continued)

For the financial year ended 31 December 2006

	Specialised equipment and services RM	Oilfield equipment and services RM	Oilfield chemicals and other services RM	Seismic survey RM	Others RM	Eliminations RM	Group RM
<u>Revenue</u>							
External revenue	226,920,241	220,436,092	4,690,668	-	-	-	452,047,001
Intersegment revenue	-	8,159,803	-	-	-	(8,159,803)	-
Total revenue	<u>226,920,241</u>	<u>228,595,895</u>	<u>4,690,668</u>	<u>-</u>	<u>-</u>	<u>(8,159,803)</u>	<u>452,047,001</u>
<u>Results</u>							
Segment results	7,540,170	17,585,082	883,778	-	1,913,694	-	27,922,724
Unallocated corporate expenses							(8,668,841)
Loss on disposal of subsidiaries							(1,626,331)
Finance cost							(109,247)
Share of results of associates							10,011,446
Tax expense							(6,730,368)
Profit for the financial year							<u>20,799,383</u>

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## (v) Notes to the Historical Financial Statements (continued)

## (b) Segmental reporting (continued)

## Primary reporting format – business segments (continued)

As at 31 December 2005	Specialised equipment and services RM	Oilfield equipment and services RM	Oilfield chemicals and other services RM	Seismic survey RM	Others RM	Group RM
<u>Net assets</u>						
Segment assets	72,562,392	105,208,059	3,202,606	3,453,938	32,892,726	217,319,721
Unallocated corporate assets						9,060,382
Total assets						<u>226,380,103</u>
Segment liabilities	56,276,209	80,669,940	147,002	-	1,055,706	138,148,857
Unallocated corporate liabilities						9,434,934
Total liabilities						<u>147,583,791</u>
<u>For the financial year ended 2005</u>						
Other information:						
Capital expenditure	-	713,843	1,000	-	-	714,843
Unallocated corporate capital expenditure	-	-	-	-	-	2,520,051
Depreciation and amortisation	-	4,147,010	52,028	-	44,998	4,244,036
Unallocated depreciation and amortisation on corporate assets	-	-	-	-	-	1,489,891

## 10. ACCOUNTANTS' REPORT (Cont'd)



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## (v) Notes to the Historical Financial Statements (continued)

## (b) Segmental reporting (continued)

## Primary reporting format – business segments (continued)

As at 31 December 2006	Specialised equipment and services RM	Oilfield equipment and services RM	Oilfield chemicals and other services RM	Seismic survey RM	Others RM	Group RM
Net assets						
Segment assets	34,655,828	91,433,912	4,098,160	-	32,215,064	162,402,964
Unallocated corporate assets						17,877,831
Total assets						180,280,795
Segment liabilities	27,610,028	55,188,814	288,863	-	-	83,087,705
Unallocated corporate liabilities						3,003,440
Total liabilities						86,091,145
For the financial year ended 2006						
Other information:						
Capital expenditure	-	8,527,731	-	-	-	8,527,731
Unallocated corporate capital expenditure	-	-	-	-	-	6,123,526
Depreciation and amortisation	-	2,860,770	42,395	-	-	2,903,165
Unallocated depreciation and amortisation on corporate assets	-	-	-	-	-	1,717,344

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(b) Segmental reporting (continued)**

**Secondary reporting format – geographical segments**

Deleum Group's transactions are principally conducted in one geographical segment, Malaysia, as such no segmental information by geographical segment has been disclosed.

**(c) Revenue**

	<u>Group</u>		<u>Company</u>	
	Year ended <u>31.12.2005</u> (Restated) RM	Year ended <u>31.12.2006</u> RM	From 23.11.2005 (date of incorporation) to <u>31.12.2005</u> RM	Year ended <u>31.12.2006</u> RM
Sale of specialised equipment	228,243,757	329,754,062	-	-
Technical and engineering support services	471,750,555	118,555,094	-	-
Marketing fee	7,161,264	3,737,845	-	-
Dividend income	-	-	-	3,766,400
	<u>707,155,576</u>	<u>452,047,001</u>	<u>-</u>	<u>3,766,400</u>

**(d) Profit for the financial period/year**

	<u>Group</u>		<u>Company</u>	
	Year ended <u>31.12.2005</u> (Restated) RM	Year ended <u>31.12.2006</u> RM	From 23.11.2005 (date of incorporation) to <u>31.12.2005</u> RM	Year ended <u>31.12.2006</u> RM
The following items have been charged/ (credited) in arriving at profit for the financial period/year:				
Allowance for doubtful debts:				
- trade receivables	75,495	1,055,756	-	-
- other receivables	107,415	-	-	-
Amortisation of dry docking expenditure	2,537,048	1,157,177	-	-
Auditors' remuneration				
- current year	131,253	132,823	*-	21,000
- over provision in previous year	(2,859)	-	-	-
Bad debts recovered	(395,892)	(65,214)	-	-
Bad debts written off	85,215	210,663	-	-

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(d) Profit for the financial period/year (continued)**

	Group		Company	
	Year ended <u>31.12.2005</u> (Restated)	Year ended <u>31.12.2006</u>	From 23.11.2005 (date of incorporation) to <u>31.12.2005</u>	Year ended <u>31.12.2006</u>
	RM	RM	RM	RM
Depreciation on property, plant and equipment	3,173,304	3,439,757	-	257,609
Depreciation on investment properties	23,575	23,575	-	-
Dry docking expenditure written off	4,845,002	-	-	-
(Gain)/loss on foreign exchange				
- realised	(261,087)	279,926	-	-
- unrealised	(70,372)	(355,755)	-	-
Gain on disposal of property, plant and equipment	(643,650)	(214,266)	-	(122,773)
Gross dividend from subsidiary	-	-	-	(3,766,400)
Impairment loss on other investment	-	64,030	-	-
Interest income	(658,315)	(1,013,054)	-	(9,820)
Property, plant and equipment written off	4,440	2,833	-	-
Rental expense:				
- business premises	572,199	351,445	-	-
- lease of equipment and motor vehicles	9,607,560	183,684	-	-
- rigs	12,320,988	-	-	-
Rental income	(244,736)	(180,748)	-	-
Staff cost (excluding defined contribution plan)	21,027,370	13,537,297	-	1,610,213
Defined contribution plan	3,146,635	1,476,590	-	202,421
Loss on disposal of subsidiaries				
- Included in other operating expenses	6,799,434	1,626,331	-	-
Loss on disposal of associates				
- included in the share of results of associates	-	4,554	-	-

\* The auditors' remuneration of RM10,000 for the Company in the financial period ended 31 December 2005 was borne by a subsidiary.

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**(v) Notes to the Historical Financial Statements (continued)**

**(e) Directors' Remuneration**

The Directors of the Company in office during the financial period/year ended 31 December 2005 and 31 December 2006 are as follows:

Dato' Izham bin Mahmud	(Appointed on 21.12.2005)
Datuk Vivekananthan a/l M.V. Nathan	(Appointed on 21.12.2005)
Chandran Aloysius Rajadurai	(Appointed on 21.12.2005)
Hj. Abd Razak bin Abu Hurairah	(Appointed on 21.12.2005)
Samsul Bahari bin Othman	(First Director, resigned on 21.12.2005)
Khoo Siow Ling	(First Director, resigned on 21.12.2005)

The aggregate amount of emoluments received by Directors of the Group during the financial period/year were as follows:

	Group		Company	
	Year ended 31.12.2005 RM	Year ended 31.12.2006 RM	From 23.11.2005 (date of incorporation) to 31.12.2005 RM	Year ended 31.12.2006 RM
Salaries and bonuses	1,519,430	1,799,760	-	913,000
Defined contribution plans	205,881	227,456	-	126,105
Estimated monetary value of benefits-in-kind	111,788	155,597	-	38,885
	<u>1,837,099</u>	<u>2,182,813</u>	<u>-</u>	<u>1,077,990</u>

Emoluments received by Directors in the form of salaries and bonuses and defined contribution plan have been included in staff cost and defined contribution plan as disclosed in Note (d).

**(f) Finance cost**

	Group	
	Year ended 31.12.2005 RM	Year ended 31.12.2006 RM
Profit sharing margin on Islamic term loan	139,792	106,625
Interest expense on bank overdraft	4,993	2,622
	<u>144,785</u>	<u>109,247</u>

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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(g) Tax expense**

	Group		Company	
	Year ended 31.12.2005 (Restated) RM	Year ended 31.12.2006 RM	From 23.11.2005 (date of incorporation) to 31.12.2005 RM	Year ended 31.12.2006 RM
Current tax:				
- Malaysian tax	8,248,119	6,866,302	-	-
In respect of prior years:				
- Malaysian tax	(342,945)	(27,906)	-	-
Deferred tax (Note (y))				
- Origination and reversal of temporary differences	(642,380)	(108,028)	-	-
	<u>7,262,794</u>	<u>6,730,368</u>	<u>-</u>	<u>-</u>

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	Year ended 31.12.2005 (Restated) %	Year ended 31.12.2006 %	From 23.11.2005 (date of incorporation) to 31.12.2005 %	Year ended 31.12.2006 %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate				
Malaysian tax rate	28	28	-	28
Tax effects of:				
- expenses not deductible for tax purposes	20	9	-	43
- share of result of associates	(13)	(11)	-	-
- income not subject to tax	-	(2)	-	(71)
- utilisation of previously unrecognised tax losses	(2)	-	-	-
- over provision in prior years	(1)	-	-	-
Effective tax rate	<u>32</u>	<u>24</u>	<u>-</u>	<u>-</u>

Tax savings from the utilisation of brought forward tax losses and capital allowances for the Group for the financial year ended 31 December 2005 and 31 December 2006 is RM245,000 and RM Nil respectively.

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**(v) Notes to the Historical Financial Statements (continued)**

**(h) Earnings per share - basic**

Basic earnings per share of Deleum Group is calculated by dividing the profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares assumed in issue during the financial year.

	Year ended 31.12.2005 RM	Group Year ended 31.12.2006 RM
Profit for the financial year attributable to equity holders of the Company	11,793,722	18,090,348
Weighted average number of ordinary shares in issue	60,000,000	60,000,000
Basic earnings per share (sen)	19.66	30.15

**(i) Dividends**

The dividends paid or declared by a subsidiary during the financial year are as set out below.

	Year ended 31.12.2005		Group Year ended 31.12.2006	
	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM
<u>In respect of the financial year ended 31 December 2004</u>				
Tax exempt final dividend on 10,000,000 ordinary shares paid on 18 July 2005	20.00	2,000,000	-	-
		2,000,000		-
<u>In respect of the financial year ended 31 December 2005</u>				
Tax exempt first interim dividend on 10,000,000 ordinary shares paid on 20 September 2005	38.95	3,895,000	-	-
Second interim dividend of 200 sen declared as follows on 23 November 2005:				
- Tax exempt interim dividend on 10,000,000 ordinary shares paid on 27 December 2005	48.50	4,850,000	-	-
- Interim dividend, less income tax of 28% on 10,000,000 ordinary shares paid on 27 December 2005	51.50	3,708,000	-	-
- Interim dividend, less income tax of 28% on 10,000,000 ordinary shares paid on 18 July 2006	100.00	7,200,000	-	-
		19,653,000		-
		21,653,000		-



## 10. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)

### (v) Notes to the Historical Financial Statements (continued)

#### (i) Dividends (continued)

On 5 March 2007, the Company declared an interim gross dividend of 14 sen per share in respect of the financial year ended 31 December 2006 comprising of:

	RM
Interim gross dividend of 6.28 sen per share, tax exempt, on 60,000,000 ordinary shares	3,766,000
Interim gross dividend of 7.72 sen per share, less income tax of 28%, on 60,000,000 ordinary shares	3,336,480
	<u>7,102,480</u>

The interim dividend has been paid on 26 March 2007.

#### (j) Property, plant and equipment

<u>Group</u>	<u>Office premises</u> RM	<u>Long term leasehold land</u> RM	<u>Long term leasehold buildings</u> RM	<u>Office equipment, furniture and fittings and renovations</u> RM	<u>Plant, machinery, other equipment and motor vehicles</u> RM	<u>Total</u> RM
Net book value						
<u>Year ended 31 December 2005</u>						
At 1 January 2005 (Restated)	-	1,684,266	2,996,600	1,213,446	7,460,339	13,354,651
Disposal of subsidiaries	-	-	-	(6,637)	-	(6,637)
Additions	-	-	-	1,440,731	1,794,163	3,234,894
Disposals	-	-	-	(213,937)	(62,181)	(276,118)
Written off	-	-	-	(4,440)	-	(4,440)
Depreciation charge	-	(38,866)	(195,106)	(862,156)	(2,077,176)	(3,173,304)
At 31 December 2005 (Restated)	<u>-</u>	<u>1,645,400</u>	<u>2,801,494</u>	<u>1,567,007</u>	<u>7,115,145</u>	<u>13,129,046</u>
<u>At 31 December 2005 (Restated)</u>						
Cost	-	1,943,285	3,329,518	7,633,162	28,174,194	41,080,159
Accumulated depreciation	-	(297,885)	(528,024)	(6,066,155)	(21,059,049)	(27,951,113)
Net book value	<u>-</u>	<u>1,645,400</u>	<u>2,801,494</u>	<u>1,567,007</u>	<u>7,115,145</u>	<u>13,129,046</u>
<u>At 1 January 2005 (Restated)</u>						
Cost	-	1,943,285	3,551,818	6,700,235	28,368,903	40,564,241
Accumulated depreciation	-	(259,019)	(555,218)	(5,486,789)	(20,908,564)	(27,209,590)
Net book value	<u>-</u>	<u>1,684,266</u>	<u>2,996,600</u>	<u>1,213,446</u>	<u>7,460,339</u>	<u>13,354,651</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(j) Property, plant and equipment (continued)**

<u>Group</u>	<u>Office premises</u> RM	<u>Long term leasehold land</u> RM	<u>Long term leasehold buildings</u> RM	<u>Office equipment, furniture and fittings and renovations</u> RM	<u>Plant, machinery, other equipment and motor vehicles</u> RM	<u>Total</u> RM
<u>Year ended 31 December 2006</u>						
<u>Net book value</u>						
At 1 January 2006 (restated)	-	1,645,400	2,801,494	1,567,007	7,115,145	13,129,046
Additions	3,369,320	2,444,000	1,309,500	343,876	7,184,561	14,651,257
Disposals	-	-	-	-	(199,069)	(199,069)
Written off	-	-	-	-	(2,833)	(2,833)
Depreciation charge	-	(38,601)	(124,000)	(859,776)	(2,417,380)	(3,439,757)
At 31 December 2006	<u>3,369,320</u>	<u>4,050,799</u>	<u>3,986,994</u>	<u>1,051,107</u>	<u>11,680,424</u>	<u>24,138,644</u>
<u>At 31 December 2006</u>						
Cost	3,369,320	4,387,285	4,639,018	7,967,602	35,156,853	55,520,078
Accumulated depreciation	-	(336,486)	(652,024)	(6,916,495)	(23,476,429)	(31,381,434)
Net book value	<u>3,369,320</u>	<u>4,050,799</u>	<u>3,986,994</u>	<u>1,051,107</u>	<u>11,680,424</u>	<u>24,138,644</u>
<u>At 1 January 2006 (restated)</u>						
Cost	-	1,943,285	3,329,518	7,633,162	28,174,194	41,080,159
Accumulated depreciation	-	(297,885)	(528,024)	(6,066,155)	(21,059,049)	(27,951,113)
Net book value	<u>-</u>	<u>1,645,400</u>	<u>2,801,494</u>	<u>1,567,007</u>	<u>7,115,145</u>	<u>13,129,045</u>
<u>Company</u>						
<u>Year ended 31 December 2006</u>						
<u>Net book value</u>						
At 1 January 2006	-	-	-	-	-	-
Additions	-	2,444,000	1,309,500	3,510	1,282,194	5,039,204
Transfer from a subsidiary	-	-	-	-	32,327	32,327
Disposal	-	-	-	-	(32,327)	(32,327)
Depreciation charge	-	-	-	(1,170)	(256,439)	(257,609)
At 31 December 2006	-	<u>2,444,000</u>	<u>1,309,500</u>	<u>2,340</u>	<u>1,025,755</u>	<u>4,781,595</u>
<u>At 31 December 2006</u>						
Cost	-	2,444,000	1,309,500	3,510	1,282,194	5,039,204
Accumulated depreciation	-	-	-	(1,170)	(256,439)	(257,609)
Net book value	-	<u>2,444,000</u>	<u>1,309,500</u>	<u>2,340</u>	<u>1,025,755</u>	<u>4,781,595</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(j) Property, plant and equipment (continued)**

Company	Long term leasehold land	Long term leasehold buildings	Office equipment, furniture and fittings and renovations	Plant, machinery, other equipment and motor vehicles	Total RM
	RM	RM	RM	RM	
<u>At 31 December 2005</u>					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net book value	-	-	-	-	-
			<u>Term loan</u>	<u>Banking facilities</u>	
			2005	2006	
			RM	RM	
Net book value of property, plant and equipment of the Group pledged as security:					
- long term leasehold land		-	-	1,645,397	1,585,471
- long term leasehold buildings		-	-	2,801,494	2,698,819
- office equipment, furniture & fittings and renovations		72,840	101,765	1,420,593	852,287
- plant, machinery, other equipment and motor vehicles		3,680,314	5,231,689	1,223,649	1,401,282
		<u>3,753,154</u>	<u>5,333,454</u>	<u>7,091,133</u>	<u>6,537,859</u>

**(k) Investment properties**

Net book value	Group	
	2005	2006
	RM	RM
At 1 January	1,155,188	1,131,613
Depreciation charge	(23,575)	(23,575)
At 31 December	<u>1,131,613</u>	<u>1,108,038</u>
Cost	1,178,764	1,178,764
Accumulated depreciation	(47,151)	(70,726)
	<u>1,131,613</u>	<u>1,108,038</u>
Fair value of investment properties	<u>1,200,000</u>	<u>1,200,000</u>

The investment properties have been pledged as security for banking facilities as disclosed in Note (x).

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(l) Dry docking expenditure**

	<u>2005</u>	<u>Group</u>
	RM	2006
		RM
<u>Net book value</u>		
At 1 January	6,922,060	1,993,297
Disposal of subsidiary (Note (a))	-	(836,120)
Incurred during the financial year	2,453,287	-
Amortisation charge during the financial year	(2,537,048)	(1,157,177)
Written off during the financial year	(4,845,002)	-
	<u>1,993,297</u>	<u>-</u>
At 31 December		
At 31 December		
Cost	14,328,915	14,328,915
Accumulated amortisation	(12,335,618)	(13,492,795)
Disposal of subsidiary (Note (a))	-	(836,120)
	<u>1,993,297</u>	<u>-</u>

**(m) Subsidiaries**

	<u>2005</u>	<u>Company</u>
	RM	2006
		RM
Unquoted shares at cost	<u>73,832,517</u>	<u>73,932,617</u>

Details of subsidiaries, the Company's effective interest, principal activities and country of incorporation are set out in Note (ae) to the financial statements.

During the financial year ended 31 December 2006, the Company acquired 2 ordinary shares of RM1 each in Turboservices Overhaul Sdn. Bhd. ("TOSB") from DSSB and subsequently paid RM99,998 in cash to subscribe for 99,998 new ordinary shares of RM1 each in TOSB.

On 21 August 2006, the Company paid RM100 in cash to subscribe for 100% equity interest in Delflow Solutions Sdn. Bhd., a newly incorporated subsidiary.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(n) Associates**

	<u>2005</u>	<u>Group</u> <u>2006</u>
	RM	RM
Group's share of net assets of associates	28,134,350	31,655,066

The Group's effective equity interest in the associates, their respective principal activities and country of incorporation are set out in Note (ae) to the financial statements.

In relation to the Group's interests in associates, the assets, liabilities, income and expenses are shown below.

	<u>2005</u>	<u>Group</u> <u>2006</u>
	RM	RM
Current assets	25,184,725	31,270,027
Non-current assets	18,550,293	20,722,016
Current liabilities	(15,110,572)	(19,521,536)
Non-current liabilities	(490,095)	(815,441)
	<u>28,134,350</u>	<u>31,655,066</u>
Revenue	34,366,248	40,268,751
Expenses	(25,581,027)	(28,065,474)
	<u>8,785,221</u>	<u>12,203,277</u>
Taxation	(964,565)	(2,187,277)
Share of post tax results from associates	7,820,656	10,016,000
Less: Loss on disposal of associates	-	(4,554)
	<u>7,820,656</u>	<u>10,011,446</u>

The associates have no significant contingent liability to which the Group is exposed, nor has the Group any significant contingent liability in relation to its interest in the associates.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(o) Other investments**

	<u>2005</u>	<u>Group</u>
	RM	2006
		RM
<u>Non-current</u>		
At cost:		
Quoted shares in Malaysia	24,750	24,750
Less: Impairment loss	(21,645)	(21,645)
	<u>3,105</u>	<u>3,105</u>
At cost:		
Unquoted shares in Malaysia	160,000	160,000
Less: Impairment loss	(95,970)	(160,000)
	<u>64,030</u>	<u>-</u>
	<u>67,135</u>	<u>3,105</u>
Market value:		
Quoted shares in Malaysia	<u>3,105</u>	<u>3,105</u>

**(p) Inventories**

	<u>2005</u>	<u>Group</u>
	RM	2006
		RM
At cost:		
Raw materials	74,589	-
Finished goods	490,218	2,094,025
	<u>564,807</u>	<u>2,094,025</u>

**(q) Amounts due from/(to) associates**

Amounts due from associates	<u>3,020,403</u>	<u>18,007</u>
Amounts due to associates	<u>2,503</u>	<u>-</u>

The amounts due from/(to) associates are unsecured, interest free, have no fixed terms of repayment and are denominated in Ringgit Malaysia.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(r) Trade and other receivables, deposits and prepayments**

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
	RM	RM	RM	RM
Trade receivables	125,483,571	75,457,858	-	-
Less: Allowance for doubtful debts	(353,874)	(1,409,630)	-	-
	125,129,697	74,048,228	-	-
Other receivables	8,675,204	6,619,468	-	590
Less: Allowance for doubtful debts	(2,353,126)	(2,353,126)	-	-
	6,322,078	4,266,342	-	590
	131,451,775	78,314,570	-	590
Deposits	711,925	273,962	-	18,000
Prepayments	443,582	505,630	-	505,630
	132,607,282	79,094,162	-	524,220

The currency exposure profile of trade receivables is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
	RM	RM	RM	RM
- Ringgit Malaysia	10,038,902	12,001,901	-	-
- US Dollar	105,159,092	61,451,376	-	-
- Pound Sterling	9,890,742	328,538	-	-
- Singapore Dollar	40,961	40,250	-	-
- Euro	-	226,163	-	-
	125,129,697	74,048,228	-	-

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

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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(r) Trade and other receivables, deposits and prepayments (continued)**

Credit terms of trade receivables range from 30 to 45 days.

Details of the ageing of trade receivables based on Deleum Group's accounting records as at 31 December are as follows:

	Within credit period		Exceed credit period		Total
	0-30 days	31-60 days	61-120 days	over 120 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2005</u>					
Trade receivables	<u>73,362</u>	<u>32,258</u>	<u>17,663</u>	<u>1,847</u>	<u>125,130</u>
% of total receivables	<u>58.6%</u>	<u>25.8%</u>	<u>14.1%</u>	<u>1.5%</u>	<u>100%</u>
Debtor turnover (days)					<u>65</u>
<u>31 December 2006</u>					
Trade receivables	<u>46,544</u>	<u>14,389</u>	<u>7,574</u>	<u>5,541</u>	<u>74,048</u>
% of total receivables	<u>62.9%</u>	<u>19.4%</u>	<u>10.2%</u>	<u>7.5%</u>	<u>100%</u>
Debtor turnover (days)					<u>60</u>

56% of the Group's trade receivables as at 31 December 2006 relates to 4 main customers while the remaining balance is spread over a large number of customers who are major players in the oil and gas industry with high credit worthiness. The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The trade receivables of a subsidiary have been pledged as security for borrowings as disclosed in Note (x).



## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(s) Amount due to subsidiaries**

	<u>Company</u>	
	<u>2005</u>	<u>2006</u>
	RM	RM
Amount due to subsidiaries	13,832,519	19,615,469

The amount due to a subsidiary is unsecured, interest free, has no fixed terms of repayment and is denominated in Ringgit Malaysia.

**(t) Cash and cash equivalents**

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
	RM	RM	RM	RM
Deposits with licensed banks	31,369,794	33,947,270	-	2,250,000
Cash and bank balances	13,875,806	7,102,319	2	261,006
Deposits, bank and cash balances	45,245,600	41,049,589	2	2,511,006
Bank overdraft (Note (v))	(73)	(1,683)	-	-
	<u>45,245,527</u>	<u>41,047,906</u>	<u>2</u>	<u>2,511,006</u>

The currency exposure profile of deposits, cash and bank balances is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
	RM	RM	RM	RM
- Ringgit Malaysia	34,843,531	38,803,343	2	2,511,006
- US Dollar	10,334,387	2,175,975	-	-
- Others	67,609	68,588	-	-
	<u>45,245,527</u>	<u>41,047,906</u>	<u>2</u>	<u>2,511,006</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(t) Cash and cash equivalents (continued)**

The weighted average interest rates of deposits and bank overdraft that were effective as at the end of the financial year/period were as follows:

	Group		Company	
	2005 %	2006 %	2005 %	2006 %
Deposits with licensed banks	2.29	2.50	-	2.50
Bank overdraft	7.25	7.75	-	-

Deposits of Deleum Group and the Company have an average maturity period of 21 days (2005: 18 days) and 30 days (2005: Nil) respectively. Bank balances are deposits held at call with banks and earn no interest.

**(u) Amounts due to related parties**

The amounts due to related parties were trade in nature, unsecured, interest free and had no fixed terms of repayment. These amounts are denominated in Ringgit Malaysia. The related parties were corporations related to the corporate shareholder of a subsidiary, Foradel Sdn. Bhd., which has been disposed in 2006.

**(v) Trade and other payables and accruals**

	Group		Company	
	2005 RM	2006 RM	2005 RM	2006 RM
Trade payables	104,237,028	41,272,304	-	-
Trade accruals	7,928,123	31,939,472	-	-
Other payables	112,165,151	73,211,776	-	-
Accruals	16,856,718	5,594,870	-	600,052
	5,306,018	1,567,333	-	-
	134,327,887	80,373,979	-	600,052

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(v) Trade and other payables and accruals (continued)**

The currency exposure profile of trade payables and trade accruals are as follows:

	<u>2005</u> RM	<u>Group</u> <u>2006</u> RM
- Ringgit Malaysia	2,605,343	4,896,735
- US Dollar	98,351,881	67,088,404
- Pound Sterling	10,559,948	1,002,047
- Singapore Dollar	624,498	-
- Others	23,481	224,590
	<u>112,165,151</u>	<u>73,211,776</u>

Credit terms of payment granted by the suppliers of the Group are 30 to 45 days (2005: 30 to 45 days).

Details of the ageing of trade payables based on Deleum Group's accounting records as at 31 December are as follows:

	<u>Within credit period</u>		<u>Exceed credit period</u>		<u>Total</u> RM'000
	<u>0-30</u> <u>days</u> RM'000	<u>31-60</u> <u>days</u> RM'000	<u>61-120</u> <u>days</u> RM'000	<u>over 120</u> <u>days</u> RM'000	
<u>2005</u>					
Trade payables	<u>33,756</u>	<u>40,856</u>	<u>23,110</u>	<u>6,515</u>	<u>104,237</u>
% of total payables	<u>32.4%</u>	<u>39.2%</u>	<u>22.2%</u>	<u>6.2%</u>	<u>100%</u>
Trade payables turnover (days)					<u>59</u>
<u>2006</u>					
Trade payables	<u>12,424</u>	<u>7,233</u>	<u>12,728</u>	<u>8,887</u>	<u>41,272</u>
% of total payables	<u>30.1%</u>	<u>17.5%</u>	<u>30.9%</u>	<u>21.5%</u>	<u>100%</u>
Trade payables turnover (days)					<u>37</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(w) Borrowings**

	<u>2005</u> RM	<u>Group</u> <u>2006</u> RM
Bank overdraft (Note (t)) - unsecured	73	1,683
Term loans (Note (x)) - secured	549,049	1,057,533
	<u>549,122</u>	<u>1,059,216</u>

**(x) Term loans (secured)**

	<u>2005</u> RM	<u>Group</u> <u>2006</u> RM
Al-Bai Bithaman Ajil term loans	1,919,724	4,089,057
Less: Amount repayable within 12 months (Note (v))	(549,049)	(1,057,533)
	<u>1,370,675</u>	<u>3,031,524</u>
Due within 1 year	549,049	1,057,533
Due between 2 to 5 years	1,370,675	3,031,524
	<u>1,919,724</u>	<u>4,089,057</u>

The Al-Bai Bithaman Ajil term loans are repayable by 60 equal monthly instalments of RM54,589 each commencing 24 April 2004 and 60 equal monthly instalments of RM52,830 each commencing 29 January 2007 respectively. The term loans bear profit sharing margins of 6.22% to 6.35% (2005: 6.35%) per annum as at 31 December 2006 and is secured over a debenture over all the fixed and floating assets of a subsidiary and corporate guarantee for RM4,498,348 furnished by a subsidiary.

The fair value amount of the term loan as at the balance sheet date is as follows:

	<u>2005</u> RM	<u>Group</u> <u>2006</u> RM
Fair value of term loan	1,842,229	3,872,986

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(y) Deferred tax liabilities**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relates to the same tax authority. The following amounts, determined appropriate offsetting, are shown on the balance sheet:

	<u>2005</u> RM	<u>2006</u> RM
Deferred tax liabilities	(1,361,372)	(878,424)
At 1 January	(2,005,181)	(1,361,372)
(Charged)/credited to income statement		
- property, plant and equipment	(166,265)	98,736
- dry docking expenditure	1,350,000	-
- unrealised foreign exchange (loss)/gain	74,645	(65,349)
- allowance for doubtful debts	(616,000)	74,461
Disposal of subsidiaries (Note (a))	1,429	374,920
At 31 December	(1,361,372)	(878,424)
<u>Deferred tax assets (before offsetting)</u>		
Property, plant and equipment	32,080	-
Unrealised foreign exchange loss	218,885	-
Allowance for doubtful debts	-	74,641
	250,965	74,641
Less: Offsetting	(250,965)	(74,641)
Deferred tax assets (after offsetting)	-	-
<u>Deferred tax liabilities (before offsetting)</u>		
Property, plant and equipment	(951,982)	(853,246)
Dry docking expenditure	(584,000)	-
Unrealised foreign exchange gain	(76,355)	(99,819)
	(1,612,337)	(953,065)
Less: Offsetting	250,965	74,641
Deferred tax liabilities (after offsetting)	(1,361,372)	(878,424)

## 10. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)

### (v) Notes to the Historical Financial Statements (continued)

#### (z) Share capital

	Group		Company	
	2005 RM	2006 RM	2005 RM	2006 RM
<u>Authorised ordinary shares of RM1 each</u>				
At start of the financial year/ date of incorporation	100,000,000	100,000,000	100,000	100,000,000
Created during the financial year/period	-	-	99,900,000	-
At end of the financial year	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
<u>Issued and fully paid up ordinary shares of RM1 each</u>				
At start of the financial year/ date of incorporation	60,000,000	60,000,000	2	60,000,000
Issued during the financial year/period	-	-	59,999,998	-
At end of the financial year/period	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>	<u>60,000,000</u>

The share capital of Deleum Group as at 31 December 2005 has been presented as if the internal group reorganisation disclosed in Section D had taken place on 1 January 2005.

#### (aa) Retained earnings

Subject to agreement from Inland Revenue Board, there is sufficient exempt income tax credit to frank all the retained earnings of the Company as at 31 December 2006 (2005: Nil) if paid out as dividends.

#### (ab) Merger deficit

	Group	
	2005 RM	2006 RM
Arising from the Company's business combination with Delcom Services Sdn. Bhd.	<u>50,000,000</u>	<u>50,000,000</u>

Merger deficit represents the excess of the nominal value of the shares of Deleum being allotted of RM60,000,000 over the nominal value of the share capital of Delcom Services Sdn. Bhd. acquired of RM10,000,000.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(ac) Capital reserve (non-distributable)**

	<u>2005</u>	<u>Group</u>
	RM	2006
		RM
Capital reserve	126,800	-
Reserve on consolidation	1,294,730	-
	<u>1,421,530</u>	<u>-</u>

**(ad) Significant related party disclosures**

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below are carried out on agreed terms and conditions with the related parties.

The companies mentioned below are related to a corporate shareholder of a subsidiary, Foradel Sdn. Bhd.

	<u>Year ended</u>	<u>Group</u>
	<u>31.12.2005</u>	<u>Year ended</u>
		<u>31.12.2006</u>
		RM
Insurance and consultancy fees charged by a related company:		
- Pride International Management Company	22,636	-
Supplies purchased from related companies:		
- Petroleum Supply Company	4,166,497	-
Rental and personnel costs charged by a corporate shareholder of a subsidiary:		
- Pride Foramer Malaysia	11,789,038	-
Rental cost charged by a related company:		
- Medfor Labuan Ltd.	8,006,223	-
Personnel costs charged to a related company:		
- International de Travaux et de Material	(220,097)	-
- Pride Foramer	(235,971)	-
- Somaser SNC	(70,236)	-
	<u>(526,304)</u>	<u>-</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(ad) Significant related party disclosures (continued)**

The following transaction is with a party related to a corporate shareholder of a subsidiary, Turboservices Sdn. Bhd.

	<u>Group</u>	
	<u>Year ended</u>	<u>Year ended</u>
	<u>31.12.2005</u>	<u>31.12.2006</u>
	RM	RM
Purchases:		
- Solar Turbines International Company	83,334,000	71,001,851

Significant outstanding balance arising from the above transactions during the financial period/year are as follows:

	<u>Group</u>	
	<u>Year ended</u>	<u>Year ended</u>
	<u>31.12.2005</u>	<u>31.12.2006</u>
	RM	RM
Amount due to Solar Turbines International Company	18,814,030	10,953,124

**(ae) Subsidiaries and associates**

	<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Group's effective equity interest</u>		<u>Principal activities</u>
			<u>2005</u>	<u>2006</u>	
			%	%	
A	SUBSIDIARIES:				
	Delcom Services Sdn. Bhd. ("DSSB")	Malaysia	100	100	Provision of specialised equipment and technical and engineering support services to the oil and gas, and general industries.
	* Delcom Services Holdings Limited ("DSHL")	Hong Kong	100	100	Investment holding.



## 10. ACCOUNTANTS' REPORT (Cont'd)



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## E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)

### (v) Notes to the Historical Financial Statements (continued)

#### (ae) Subsidiaries and associates (continued)

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities
		2005 %	2006 %	
<b>A SUBSIDIARIES (CONTINUED):</b>				
* Turboservices Overhaul Sdn. Bhd.	Malaysia	-	100	Dormant.
* Delflow Solutions Sdn. Bhd.	Malaysia	-	100	Dormant.
<u>Subsidiaries of DSSB</u>				
* Delcom Oilfield Services Sdn. Bhd.	Malaysia	100	100	Provision of wireline and wellhead equipment, offshore drillings rigs and related services and other oilfield equipment and technical services to the oil and gas industry.
* Turboservices Sdn. Bhd.	Malaysia	74	74	Provision of gas turbine overhaul and technical services and supply of gas turbine parts to the oil and gas, and general industries.
* Turboservices Overhaul Sdn. Bhd.	Malaysia	100	-	Dormant.
* VSM Technology Sdn. Bhd.	Malaysia	90	90	Dormant.
* Delcom Chemicals Sdn. Bhd.	Malaysia	60	60	Development and provision of solid deposit removal solutions for enhancement of crude oil production, and provision of oilfield chemicals and services.
* Wisteria Sdn. Bhd.	Malaysia	100	100	Dormant.
* Delcom Holdings Sdn. Bhd.	Malaysia	100	100	Dormant.
<u>Subsidiaries of DSHL</u>				
* Delcom Utilities (Cambodia) Limited	British Virgin Islands	60	60	Dormant.
* Delcom Power (Cambodia) Limited	British Virgin Islands	60	60	Dormant.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(ae) Subsidiaries and associates (continued)**

Name of Company	Country of incorporation	Group's effective equity interest		Principal activities
		2005 %	2006 %	
<b>B ASSOCIATES:</b>				
<u>Associates of DSSB</u>				
* Malaysian Mud and Chemicals Sdn. Bhd.	Malaysia	32	32	Operation of a bulking installation, offering dry and liquid bulking services to offshore oil exploration companies.
<u>Associate of Delcom Utilities (Cambodia) Limited</u>				
<sup>^</sup> Cambodia Utilities Pte Ltd	Cambodia	12	12	Maintain and operate a power plant in Cambodia.
<b>SUBSIDIARIES AND ASSOCIATES DISPOSED:</b>				
<u>Subsidiaries of DSSB</u>				
Foradel Sdn. Bhd. ∞	Malaysia	73	-	Provision and operation of offshore drilling rigs.
<u>Associates of DSSB</u>				
Sistem Iridium Malaysia Sdn. Bhd. ∞	Malaysia	30	-	Dormant.
* Vetco Gray Delcom Sdn. Bhd. ∞	Malaysia	40	-	Dormant.
<u>Associates of DSHL</u>				
* Delcom Services (Thailand) Co Ltd ∞	Thailand	49	-	Dormant.
* PT Binaguna Delcom ∞	Indonesia	49	-	Supply of oilfield equipment and services to the oil and gas industry.

<sup>^</sup> Audited by member firms of PricewaterhouseCoopers International Limited which are separate and independent legal entities from PricewaterhouseCoopers Malaysia.

\* Corporations not audited by PricewaterhouseCoopers Malaysia or member firm of PricewaterhouseCoopers International Limited.

∞ Company disposed off during the financial year ended 31 December 2006.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(af) Operating lease commitments**

Deleum Group has lease commitments in respect of rented premises which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:

	<u>Group</u>	
	<u>2005</u>	<u>2006</u>
	RM	RM
Within one year	609,954	359,706
Between one to five years	1,094,834	1,266,024
More than five years	991,320	1,086,474
	<u>          </u>	<u>          </u>

**(ag) Capital commitments**

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
	RM	RM	RM	RM
Capital expenditure for property, plant and equipment:				
Authorised and contracted for at the balance sheet date but not yet incurred	6,900,000	11,508,062	3,650,000	27,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Authorised and contracted for after the balance sheet date	-	1,944,914	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(ah) Changes in accounting policies and reclassification of comparatives**

Set out below are changes in accounting policies that resulted in restatements and reclassification of prior year comparatives and/or opening balances but did not affect the recognition and measurement of the Group's and Company's net assets:

- Under the transitional provision of FRS 3, the Group's carrying amount of negative goodwill that arose from acquisitions prior to 1 January 2006 was derecognised with a corresponding adjustment to retained earnings.
- FRS 101 has affected the presentation of minority interest. In the consolidated balance sheet, minority interest is now presented within equity, separately from shareholders' equity. Profit or loss in the consolidated income statement as well as total income and expenses for the year recognised directly in equity are now allocated between minority interest and equity holders of the Company.
- Under FRS 101, the Group's share of results of associates are now shown net of tax.
- The definition of investment properties under FRS 140 has resulted in identification of certain assets of the Group that meet the definition of investment properties. These properties are now classified into a separate asset category on the balance sheet. Previously, they were included in property, plant and equipment.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(ah) Changes in accounting policies and reclassification of comparatives (continued)**

The effect of these changes in accounting policies on the Group's financial statements are as follows:

<u>Group</u>	<u>As previously reported</u> RM	<u>Reclassification</u> RM	<u>As restated</u> RM
<u>At 1 January 2005</u>			
Property, plant and equipment	14,509,839	(1,155,188)	13,354,651
Investment properties	-	1,155,188	1,155,188
<b>Total equity</b>	<b>71,273,040</b>	<b>23,254,796</b>	<b>94,527,830</b>
<u>Financial year ended 31 December 2005</u>			
Share of results of associates	8,785,221	(964,565)	7,820,656
Profit before tax	23,812,688	(964,565)	22,848,123
Tax expense	(8,227,359)	964,565	(7,262,794)
<b>Profit for the financial year</b>	<b>11,793,722</b>	<b>3,791,607</b>	<b>15,585,329</b>
<u>At 31 December 2005 / 1 January 2006</u>			
Property, plant and equipment	14,260,659	(1,131,613)	13,129,046
Investment properties	-	1,131,613	1,131,613
<b>Total equity</b>	<b>61,333,227</b>	<b>17,463,085</b>	<b>78,796,312</b>
<u>At 1 January 2006</u>			
Retained earnings	50,438,372	1,421,530	51,859,902
Capital reserve	1,421,530	(1,421,530)	-
<u>Financial year ended 31 December 2006</u>			
Share of results of associates	12,198,723	(2,187,277)	10,011,446
Profit before tax	29,717,028	(2,187,277)	27,529,751
Tax expense	(8,917,645)	2,187,277	(6,730,368)
<b>Profit for the financial year</b>	<b>18,090,348</b>	<b>2,709,035</b>	<b>20,799,383</b>
<u>At 31 December 2006</u>			
Property, plant and equipment	25,246,682	(1,108,038)	24,138,644
Investment properties	-	1,108,038	1,108,038
Retained earnings	68,528,720	1,421,530	69,950,250
Capital reserve	1,421,530	(1,421,530)	-
<b>Total equity</b>	<b>78,502,601</b>	<b>15,687,049</b>	<b>94,189,650</b>

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(ah) Changes in accounting policies and reclassification of comparatives (continued)**

Certain comparative figures have been reclassified to conform with presentation for the financial year ended 31 December 2006. The effects of the reclassification are as follows:

<u>Group</u>	<u>As previously reported</u> RM	<u>Reclassification</u> RM	<u>As restated</u> RM
<u>Financial year ended</u>			
<u>31 December 2005</u>			
Revenue			
- sale of specialised equipment	244,927,884	(16,684,127)	228,243,757
- marketing fee	-	7,161,264	7,161,264
Cost of sales	(656,475,038)	9,522,863	(646,952,175)
Segmental reporting – business segments			
External revenue			
- specialised equipment and services	-	123,063,169	123,063,169
- oilfield equipment and services	110,512,439	175,520,483	286,032,922
- oilfield chemicals and other services	-	8,435,435	8,435,435
- exploration and production equipment and services	130,438,120	(130,438,120)	-
- gas turbine packages, technical services and parts	168,145,532	(168,145,532)	-
- others	8,435,435	(8,435,435)	-
Intersegment revenue			
- oilfield equipment and services	-	8,730,943	8,730,943
- exploration and production equipment and services	1,777,610	(1,777,610)	-
- gas turbine packages, technical services and parts	6,953,333	(6,953,333)	-
Total revenue			
- specialised equipment and services	-	123,063,169	123,063,169
- oilfield equipment and services	110,512,439	184,251,426	294,763,865
- oilfield chemicals and other services	-	8,435,435	8,435,435
- exploration and production equipment and services	132,215,730	(132,215,730)	-
- gas turbine packages, technical services and parts	175,098,865	(175,098,865)	-
- others	8,435,435	(8,435,435)	-

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(ah) Changes in accounting policies and reclassification of comparatives (continued)**

<u>Group</u>	<u>As previously reported</u> RM	<u>Reclassification</u> RM	<u>As restated</u> RM
<u>Financial year ended</u>			
<u>31 December 2005 (continued)</u>			
Segment results			
- specialised equipment and services	-	8,031,448	8,031,448
- oilfield equipment and services	7,337,977	13,343,884	20,681,861
- oilfield chemicals and other services	-	183,600	183,600
- exploration and production equipment and services	5,975,213	(5,975,213)	-
- gas turbine packages, technical services and parts	15,400,118	(15,400,118)	-
- others	419,754	(183,601)	236,153
Capital expenditure			
- oilfield equipment and services	705,514	8,329	713,843
- oilfield chemicals and other services	-	1,000	1,000
- gas turbine packages, technical services and parts	8,329	(8,329)	-
- others	1,000	(1,000)	-
Depreciation and amortisation			
- oilfield equipment and services	1,082,489	3,064,521	4,147,010
- oilfield chemicals and other services	-	52,028	52,028
- exploration and production equipment and services	2,545,516	(2,545,516)	-
- gas turbine packages, technical services and parts	519,005	(519,005)	-
- others	97,026	(52,028)	44,998
<u>At 31 December 2005</u>			
Segment assets			
- specialised equipment and services	-	72,562,392	72,562,392
- oilfield equipment and services	57,057,947	48,150,112	105,208,059
- oilfield chemicals and other services	-	3,202,606	3,202,606
- exploration and production equipment and services	56,775,746	(56,775,746)	-
- gas turbine packages, technical services and parts	63,936,758	(63,936,758)	-
- others	36,095,332	(3,202,606)	32,892,726

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**E HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELEUM BERHAD (CONTINUED)**

**(v) Notes to the Historical Financial Statements (continued)**

**(ah) Changes in accounting policies and reclassification of comparatives (continued)**

<u>Group</u>	As previously reported RM	<u>Reclassification</u> RM	As restated RM
<u>At 31 December 2005 (continued)</u>			
Segment liabilities			
- specialised equipment and services	-	56,276,209	56,276,209
- oilfield equipment and services	47,248,634	33,421,306	80,669,940
- oilfield chemicals and other services	-	147,002	147,002
- exploration and production equipment and services	47,437,406	(47,437,406)	-
- gas turbine packages, technical services and parts	42,260,109	(42,260,109)	-
- others	1,202,708	(147,002)	1,055,706
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**(ai) Litigation**

Paramjit Singh Gill ("the Plaintiff") is claiming for a 50% interest in a Vehicle Speed Monitoring System Project ("the Project") which was undertaken by DSSB and VSM Technology Sdn. Bhd. ("VSM"), subsidiaries of the Company, pursuant to an agreement between DSSB and the Ministry of Transport dated 5 May 1995. In their defence, DSSB and VSM are *inter alia* claiming that the Plaintiff's alleged involvement in the Project was solely by virtue of his firm of solicitors being appointed to act on a retainer basis by DSSB and VSM, and that at no time was there any understanding or argument whether in writing or oral, express or implied that the Plaintiff would participate, whether actively or otherwise, or have any interest in VSM.

The matter is now fixed for further hearing on 11 to 14 June 2007. Based on the advice of solicitors, the Directors are of the opinion that the claim is unlikely to be successful and no provision has been made in the financial statements.



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

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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP**

**(i) Historical Financial Performance**

The following financial information are based on the audited financial statements of Delcom Group for the financial years ended 31 December 2004 to 31 December 2006:

		<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Financial Position</u>				
Paid-up capital	(RM'000)	10,000	10,000	10,000
Shareholders' funds	(RM'000)	71,273	62,985	79,603
Total borrowings	(RM'000)	2,437	1,920	4,091
Net Tangible Assets ("NTA")	(RM'000)	71,273	62,985	79,603
NTA per share	(RM)	7.13	6.30	7.96
Current ratio	(Times)	1.29	1.32	1.73
Gearing	(Times)	0.03	0.03	0.05
<u>Financial Results</u>				
Revenue	(RM'000)	589,153	707,156	452,047
Gross profit	(RM'000)	52,795	60,203	39,372
Finance cost	(RM'000)	131	145	109
Profit before tax	(RM'000)	29,752	24,500	23,315
Profit for the financial year	(RM'000)	23,265	17,237	16,584
Earnings per share				
– basic	(sen)	193.17	134.46	166.18
Gross dividend rate	(%)	20	239	100
Effective tax rate	(%)	22	30	29
Gross profit margin	(%)	9	9	9
Pre-tax profit margin	(%)	5	3	5
Interest coverage ratio	(Times)	228.95	170.22	214.41
After tax return on shareholders' funds	(%)	27	21	21

The definition of financial ratios is as detailed in Appendix VI to this Report.

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

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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)**

**(ii) Historical Financial Statements**

**Consolidated Income Statements**

The following consolidated income statements are based on the audited financial statements of Delcom Group for the financial years ended 31 December 2004 to 31 December 2006:

	Note	2004 (Restated) RM	2005 (Restated) RM	2006 RM
Revenue	(a)	589,153,389	707,155,576	452,047,001
Cost of sales		(536,358,881)	(646,952,175)	(412,674,715)
Gross profit		52,794,508	60,203,401	39,372,286
Other operating income		1,010,440	2,026,091	1,457,845
Selling and distribution costs		(2,846,920)	(3,258,723)	(2,867,608)
Administrative expenses		(26,871,905)	(31,605,894)	(14,276,258)
Other operating expenses		(2,160,323)	(10,540,774)	(4,034,898)
Finance cost	(d)	(130,517)	(144,785)	(109,247)
Share of results of associates	(k)	7,956,602	7,820,656	3,772,620
Profit before tax		29,751,885	24,499,972	23,314,740
Tax expense	(e)	(6,487,240)	(7,262,794)	(6,730,368)
Profit for the financial year	(b)	23,264,645	17,237,178	16,584,372
Attributable to:				
Equity holders of the Company		19,317,017	13,445,571	16,618,162
Minority interest		3,947,628	3,791,607	(33,790)
		23,264,645	17,237,178	16,584,372

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

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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)**

**(ii) Historical Financial Statements (continued)**

**Consolidated Balance Sheets**

The following consolidated balance sheets are based on the audited financial statements of Delcom Group for the financial years ended 31 December 2004 to 31 December 2006:

	Note	2004 (Restated) RM	2005 (Restated) RM	2006 RM
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	(h)	13,354,651	13,129,046	15,690,000
Investment properties	(i)	1,155,188	1,131,613	1,108,038
Dry docking expenditure	(j)	6,922,060	1,993,297	-
Associates	(k)	20,345,581	5,558,041	9,330,660
Other investments	(l)	67,135	67,135	3,105
Deferred tax assets	(m)	41,885	-	-
		<u>41,886,500</u>	<u>21,879,132</u>	<u>26,131,803</u>
<b>CURRENT ASSETS</b>				
Inventories	(n)	466,012	564,807	2,094,025
Amounts due from ultimate holding company	(o)	-	13,832,519	19,951,653
Amounts due from associates	(p)	9,906,913	666,829	18,007
Amounts due from related companies		-	-	3,752,811
Trade receivables	(q)	191,134,788	125,129,697	74,048,228
Other receivables, deposits and prepayments	(q)	15,138,063	7,127,741	4,007,856
Tax recoverable		1,493,945	486,570	1,120,159
Deposits with licensed banks	(r)	18,619,391	31,369,794	31,697,270
Cash and bank balances	(r)	15,651,396	11,925,070	4,454,259
		<u>252,410,508</u>	<u>191,103,027</u>	<u>141,144,268</u>
<b>LESS: CURRENT LIABILITIES</b>				
Amounts due to associates	(p)	164	2,503	-
Amounts due to related parties	(s)	9,118,349	2,323,113	-
Trade payables	(t)	75,392,148	112,165,151	73,229,135
Other payables and accruals	(t)	110,353,249	21,618,385	6,515,157
Taxation		421,163	449,119	748,002
Borrowings	(u)	517,403	549,122	1,059,216
Dividends payable		-	7,200,000	-
		<u>195,802,476</u>	<u>144,307,393</u>	<u>81,551,510</u>
<b>NET CURRENT ASSETS</b>		<u>56,608,032</u>	<u>46,795,634</u>	<u>59,592,758</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



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F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

(ii) Historical Financial Statements (continued)

Consolidated Balance Sheets (continued)

	Note	2004 (Restated) RM	2005 (Restated) RM	2006 RM
<b>LESS: NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	(m)	2,047,066	1,361,372	878,424
Term loans (secured)	(v)	1,919,636	1,370,675	3,031,524
		<u>3,966,702</u>	<u>2,732,047</u>	<u>3,909,948</u>
		<u>94,527,830</u>	<u>65,942,719</u>	<u>81,814,613</u>
<b>CAPITAL AND RESERVES</b>				
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>				
Share capital	(w)	10,000,000	10,000,000	10,000,000
Retained earnings		60,297,650	52,090,221	70,129,913
Currency translation differences		(459,305)	(526,675)	(526,675)
Capital reserve	(y)	1,434,695	1,421,530	-
Shareholders' equity		<u>71,273,040</u>	<u>62,985,076</u>	<u>79,603,238</u>
<b>MINORITY INTEREST</b>		<u>23,254,790</u>	<u>2,957,643</u>	<u>2,211,375</u>
<b>TOTAL EQUITY</b>		<u>94,527,830</u>	<u>65,942,719</u>	<u>81,814,613</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



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## F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

## (ii) Historical Financial Statements (continued)

## Consolidated Statements of Changes in Equity

The following consolidated statements of changes in shareholders' equity are based on the audited financial statements of Delcom Group for the financial years ended 31 December 2004 to 31 December 2006:

	Note	Number of shares	Issued and fully paid ordinary shares of RM1 each		Currency translation differences RM	Capital reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
			Nominal value RM	RM						
At 1 January 2004		10,000,000	10,000,000		(459,305)	1,442,580	46,230,473	57,213,748	15,169,269	72,383,017
- as previously reported	(ad)	-	-	-	-	-	(4,249,840)	(4,249,840)	4,249,840	-
- prior year adjustment		10,000,000	10,000,000		(459,305)	1,442,580	41,980,633	52,963,908	19,419,109	72,383,017
- as restated		-	-	-	-	-	19,317,017	19,317,017	3,947,628	23,264,645
Profit for the financial year		-	-	-	-	(7,885)	-	(7,885)	-	(7,885)
Realisation of reserve on consolidation		-	-	-	-	-	(1,000,000)	(1,000,000)	(111,947)	(1,111,947)
Dividends	(f)	-	-	-	-	-	60,297,650	71,273,040	23,254,790	94,527,830
- 31 December 2003		10,000,000	10,000,000		(459,305)	1,434,695	60,297,650	71,273,040	23,254,790	94,527,830
At 31 December 2004		10,000,000	10,000,000		(459,305)	1,434,695	60,297,650	71,273,040	23,254,790	94,527,830

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## 10. ACCOUNTANTS' REPORT (Cont'd)



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## F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

## (ii) Historical Financial Statements (continued)

## Consolidated Statements of Changes in Equity (continued)

	Attributable to equity holders of the Company							
	Number of shares	Nominal value of RM1 each	Currency translation differences RM	Capital reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
At 1 January 2005	10,000,000	10,000,000	(459,305)	1,434,695	60,297,650	71,273,040	23,254,790	94,527,830
Profit for the financial year	-	-	-	-	13,445,571	13,445,571	3,791,607	17,237,178
Realisation of reserve on consolidation	-	-	-	(13,165)	-	(13,165)	-	(13,165)
Disposal of subsidiaries	-	-	-	-	-	-	(17,891,158)	(17,891,158)
Currency translation differences	-	-	(67,370)	-	-	(67,370)	(44,913)	(112,283)
Dividends	-	-	-	-	(2,000,000)	(2,000,000)	-	(2,000,000)
- 31 December 2004	-	-	-	-	(19,653,000)	(19,653,000)	(6,152,683)	(25,805,683)
- 31 December 2005	-	-	-	-	52,090,221	62,985,076	2,957,643	65,942,719
At 31 December 2005	10,000,000	10,000,000	(526,675)	1,421,530	52,090,221	62,985,076	2,957,643	65,942,719

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## 10. ACCOUNTANTS' REPORT (Cont'd)



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## F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

## (ii) Historical Financial Statements (continued)

## Consolidated Statements of Changes in Equity (continued)

	Note	Issued and fully paid ordinary shares		Attributable to equity holders of the Company					
		Number of shares	Nominal value RM	Currency translation differences RM	Capital reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
At 1 January 2006		10,000,000	10,000,000	(526,675)	1,421,530	52,090,221	62,985,076	2,957,643	65,942,719
- as previously reported	(ad)	-	-	-	(1,421,530)	1,421,530	-	-	-
- adoption of FRS 3									
- as restated		10,000,000	10,000,000	(526,675)	-	53,511,751	62,985,076	2,957,643	65,942,719
Profit for the financial year		-	-	-	-	16,618,162	16,618,162	(33,790)	16,584,372
Disposal of subsidiary	(g)	-	-	-	-	-	-	(712,478)	(712,478)
At 31 December 2006		10,000,000	10,000,000	(526,675)	-	70,129,913	79,603,238	2,211,375	81,814,613

## 10. ACCOUNTANTS' REPORT (Cont'd)



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F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

(ii) Historical Financial Statements (continued)

Consolidated Cash Flow Statements

The following consolidated cash flow statements are based on the audited financial statements of Delcom Group for the financial years ended 31 December 2004 to 31 December 2006:

	Note	2004 (Restated) RM	2005 (Restated) RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit for the financial year		23,264,645	17,237,178	16,584,372
Adjustments for:				
Allowance for doubtful debts		485,273	182,910	1,055,756
Amortisation of dry docking expenditure		3,259,988	2,537,048	1,157,177
Bad debts written off		41,030	85,215	210,663
Depreciation on property, plant and equipment		2,728,084	3,173,304	3,182,147
Depreciation on investment properties		23,576	23,575	23,575
Dividends from other investments		(750)	-	-
Dry docking expenditure written off		-	4,845,002	-
Gain on disposal of property, plant and equipment		(149,801)	(643,650)	(91,493)
Impairment loss on other investment		117,615	-	64,030
Property, plant and equipment written off		-	4,440	2,833
Interest income		(449,522)	(658,315)	(943,922)
Finance cost		130,517	144,785	109,247
(Gain)/Loss on disposal of subsidiaries		(8,068)	5,147,585	1,626,331
Share of results of associates	(k)	(7,956,602)	(7,820,656)	(3,772,620)
Tax expense		6,487,240	7,262,794	6,730,368
Unrealised foreign exchange loss/(gain)		186,882	(70,372)	(355,755)
		28,160,107	31,450,843	25,582,709
Changes in working capital:				
Inventories		283,138	(98,795)	(1,592,677)
Receivables, deposits and prepayments		(88,459,303)	(90,732,230)	36,131,342
Payables		69,469,579	121,433,901	(42,696,505)
Intercompany balances		(6,329,227)	-	-
		9,453,521	62,053,719	17,424,869
Interest received		449,522	658,315	943,922
Tax paid		(6,065,399)	(6,869,843)	(7,173,102)
Interest paid		(130,517)	(144,785)	(109,247)
Net cash generated from operating activities		3,707,127	55,697,406	11,086,442



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

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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)**

**(ii) Historical Financial Statements (continued)**

**Consolidated Cash Flow Statements (continued)**

	Note	2004 (Restated) RM	2005 (Restated) RM	2006 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Amount due from associates		4,316,289	9,242,587	646,319
Additional investment associate		(384,000)	(132,727)	-
Disposal of subsidiaries	(g)	(120,377)	(29,891,851)	(2,073,463)
Purchase of property, plant and equipment		(7,063,756)	(3,234,894)	(5,945,003)
Proceeds from disposal of property, plant and equipment		2,399,911	919,768	258,235
Dividends received from other investments		750	-	-
Dry docking expenditure incurred		-	(2,453,287)	-
<b>Net cash used in investing activities</b>		<b>(851,183)</b>	<b>(25,550,404)</b>	<b>(7,113,912)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances to ultimate holding company		-	-	(6,086,808)
Bank borrowings:				
- proceeds		2,800,000	-	2,717,772
- repayments		(365,004)	(515,272)	(548,439)
Dividends paid to:				
- shareholders		(1,000,000)	(14,453,000)	(7,200,000)
- minority interest		(111,946)	(6,152,683)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>1,323,050</b>	<b>(21,120,955)</b>	<b>(11,117,475)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR</b>		<b>4,178,994</b>	<b>9,026,047</b>	<b>(7,144,945)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>30,089,750</b>	<b>34,268,744</b>	<b>43,294,791</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	(r)	<b>34,268,744</b>	<b>43,294,791</b>	<b>36,149,846</b>

**(iii) Summary of significant accounting policies and financial risk management objectives and policies**

The significant accounting policies and financial risk management objectives and policies of Delcom Group are consistent with that of Deleum Group as set out in Section E (iii) and Section E (iv) respectively.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)**

**(iv) Notes to the Historical Financial Statements**

**(a) Revenue**

	<u>2004</u> (Restated) RM	<u>2005</u> (Restated) RM	<u>2006</u> RM
Sale of specialised equipment	182,926,172	228,243,757	329,754,062
Technical and engineering support services	401,871,962	471,750,555	118,555,094
Marketing fee	4,354,505	7,161,264	3,737,845
Dividend income	750	-	-
	<u>589,153,389</u>	<u>707,155,576</u>	<u>452,047,001</u>

**(b) Profit for the financial year**

The following items have been charged/(credited) in arriving at profit for the financial year:

	<u>2004</u> (Restated) RM	<u>2005</u> (Restated) RM	<u>2006</u> RM
Allowance for doubtful debts			
- trade receivables	253,820	75,495	1,055,756
- other receivables	231,453	107,415	-
Amortisation of dry docking expenditure	3,259,988	2,537,048	1,157,177
Auditors' remuneration			
- current year	112,312	121,253	95,700
- over provision in previous year	(1,136)	(2,859)	-
Bad debts recovered	-	(395,892)	(65,214)
Bad debts written off	41,030	85,215	210,663
Depreciation on investment properties	23,576	23,575	23,575
Dry docking expenditure written off	-	4,845,002	-
(Gain)/loss on foreign exchange			
- realised	(234,550)	(261,087)	279,926
- unrealised	186,882	(70,372)	(355,755)
Gross dividends from other investments	(750)	-	-
Property, plant and equipment			
- depreciation	2,728,084	3,173,304	3,182,147
- gain on disposal	(149,801)	(643,650)	(91,493)
- written off	-	4,440	2,833
Impairment loss on other investment	117,615	-	64,030
Interest income	(449,522)	(658,315)	(943,922)

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)**

**(iv) Notes to the Historical Financial Statements (continued)**

**(b) Profit for the financial year (continued)**

	<u>2004</u> (Restated) RM	<u>2005</u> (Restated) RM	<u>2006</u> RM
Rental expense:			
- business premises	474,644	572,199	351,445
- lease of equipment and motor vehicles	232,707	9,607,560	183,684
- rigs	16,793,910	12,320,988	-
Rental income	(199,032)	(244,736)	(180,748)
Staff cost (excluding defined contribution plan)	23,161,236	21,027,370	11,927,084
Defined contribution plan	2,379,473	3,146,635	1,274,169
Loss/(gain) on disposal of subsidiaries			
- included in other operating expenses	(8,068)	5,147,585	1,626,331
Loss/(gain) on disposal of associates			
- included in share of results of associates	-	-	4,590
Share of net assets in an associate written off			
- included in share of results of associates	58,264	-	-
	<u>58,264</u>	<u>-</u>	<u>-</u>

**(c) Directors' remuneration**

The Directors of DSSB in office between the financial years ended 31 December 2004 and 31 December 2006 are as follows:

Dato' Izham bin Mahmud  
Datuk Vivekananthan a/l M.V. Nathan  
Chandran Aloysius Rajadurai  
Hj. Abd Razak bin Abu Hurairah  
Datin Che Bashah @ Zaiton binti Mustafa

The aggregate amount of emoluments received by Directors of DSSB were as follows:

	<u>2004</u> RM	<u>2005</u> RM	<u>2006</u> RM
Fees	30,000	30,000	30,000
Salaries and bonuses	1,717,680	1,519,430	886,760
Defined contribution plan	229,617	205,881	101,351
Estimated monetary value of benefits in-kind	118,473	111,788	116,712
	<u>2,095,770</u>	<u>1,867,099</u>	<u>1,134,823</u>

Emoluments received by Directors in the form of salaries and bonuses and defined contribution plan have been included in staff cost and defined contribution plan as disclosed in Note (b).

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)**

**(iv) Notes to the Historical Financial Statements (continued)**

**(d) Finance cost**

	<u>2004</u> RM	<u>2005</u> RM	<u>2006</u> RM
Profit sharing margin on Islamic term loan	125,354	139,792	106,625
Interest expense on bank overdraft	5,163	4,993	2,622
	<u>130,517</u>	<u>144,785</u>	<u>109,247</u>

**(e) Tax expense**

	<u>2004</u> (Restated) RM	<u>2005</u> (Restated) RM	<u>2006</u> RM
Current tax:			
- Malaysian tax	5,754,236	7,667,281	6,866,302
- Foreign tax	-	580,838	-
	<u>5,754,236</u>	<u>8,248,119</u>	<u>6,866,302</u>
Under/(Over) provision in prior years:			
- Malaysian tax	474,605	(342,945)	(27,906)
Deferred tax (Note (m)):			
- Origination and reversal of temporary differences	258,399	(642,380)	(108,028)
	<u>6,487,240</u>	<u>7,262,794</u>	<u>6,730,368</u>

The explanation of the relationship between tax expense and profit before tax is as follows:

	<u>2004</u> (Restated) %	<u>2005</u> (Restated) %	<u>2006</u> %
Numerical reconciliation between the effective tax rate and the Malaysian tax rate			
Malaysian tax rate	28	28	28
Tax effects of:			
- expenses not deductible for tax purposes	2	8	7
- share of results of associates	(8)	(3)	(6)
- utilisation of previously unrecognised deferred tax assets	(1)	(2)	-
- under/(over) provision in prior years	1	(1)	-
Effective tax rate	<u>22</u>	<u>30</u>	<u>29</u>

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

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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)**

**(iv) Notes to the Historical Financial Statements (continued)**

**(e) Tax expense (continued)**

Tax savings from the utilisation of brought forward tax losses and capital allowances is approximately:

	<u>2004</u> RM	<u>2005</u> RM	<u>2006</u> RM
Tax savings	278,000	245,000	-

**(f) Dividends**

Dividends paid or declared by Delcom Group during the financial years ended 31 December 2004 to 31 December 2006 were as follows:

	<u>Gross dividend per share</u> sen	<u>2004</u> Amount of dividend net of tax RM
<u>In respect of the financial year ended 31 December 2003</u>		
Tax exempt final dividend on 10,000,000 ordinary shares paid on 1 August 2004	10.00	1,000,000
	<u>10.00</u>	<u>1,000,000</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



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F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

(iv) Notes to the Historical Financial Statements (continued)

(f) Dividends (continued)

	Gross dividend per share sen	2005 Amount of dividend net of tax RM
<u>In respect of the financial year ended 31 December 2004</u>		
Tax exempt first interim dividend on 10,000,000 ordinary shares paid on 18 July 2005	20.00	2,000,000
		<u>2,000,000</u>
<u>In respect of the financial year ended 31 December 2005</u>		
Tax exempt first interim dividend on 10,000,000 ordinary shares paid on 20 September 2005	38.95	3,895,000
Second interim dividend of 200 sen declared as follows on 23 November 2005		
- Tax exempt interim dividend on 10,000,000 ordinary shares paid on 27 December 2005	48.50	4,850,000
- Interim dividend, less income tax of 28% on 10,000,000 ordinary shares paid on 27 December 2005	51.50	3,708,000
- Interim dividend, less income tax of 28% on 10,000,000 ordinary shares paid on 18 July 2006	100.00	7,200,000
		<u>19,653,000</u>
		<u>21,653,000</u>

On 5 March 2007, DSSB declared in respect of financial year ended 31 December 2006, an interim gross dividend of 100.00 sen per share, less income tax of 28% on 10,000,000 ordinary shares, amounting to RM7,200,000. This dividend has been paid on 26 March 2007.

## 10. ACCOUNTANTS' REPORT (Cont'd)



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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)**

**(iv) Notes to the Historical Financial Statements (continued)**

**(g) Disposal of subsidiaries**

2004

Disposals of DJVI Sdn. Bhd., Delcom Manpower Services Ltd. and Delmac Pipeline Services Sdn. Bhd.

A wholly-owned subsidiary of DSSB, DJVI Sdn. Bhd., and an indirect wholly-owned subsidiary of DSSB, Delcom Manpower Services Ltd., were struck off during the financial year ended 31 December 2004. Also a wholly-owned subsidiary of DSSB, Delmac Pipeline Services Sdn. Bhd. was wound up during the same financial year.

There is no effect on Delcom Group's results for the financial year as these companies were dormant. The effect of the strike off on the financial position of Delcom Group was as follows:

	<u>RM</u>
Receivables	60,471
Cash at bank	120,379
Payables	(181,031)
Reserve on consolidation	(7,885)
	<hr/>
	(8,066)
Gain on subsidiaries struck off	8,068
	<hr/>
Proceeds on subsidiaries struck off	2
Less: Cash at bank	(120,379)
	<hr/>
Cash out flow from subsidiaries struck off	(120,377)
	<hr/> <hr/>

## 10. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
Deleum Berhad  
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F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

(iv) Notes to the Historical Financial Statements (continued)

(g) Disposal of subsidiaries (continued)

2005

Disposals of WesternGeco (M) Sdn. Bhd., Delcom Trading Sdn. Bhd., United Communication Industry Sdn. Bhd., Sonsub Services (M) Sdn. Bhd., Delcom SVS Sdn. Bhd., Econergy Sdn. Bhd., O&G Integrated Services Sdn. Bhd., Defcom Services Sdn. Bhd. and Multi Logistic Services Sdn. Bhd.

DSSB disposed its total shareholding in the above subsidiaries in November 2005 for a cash consideration of RM182,518. The effect of the disposals on the financial statements of Delcom Group in the previous financial year is as follows:

	At date of <u>disposals</u> RM
Property, plant and equipment	6,637
Receivables	161,898,638
Cash at bank	28,123,635
Payables	(179,646,648)
Deferred tax liabilities	(1,429)
Minority interests	(3,385,716)
	<hr/>
Net assets disposed	6,995,117
Realisation of reserve on consolidation	(13,165)
Proceeds from disposals	(182,518)
	<hr/>
Loss on disposals	6,799,434
	<hr/> <hr/>
The cash flow on disposals is determined as follows:	
Cash proceeds received from disposals	182,518
Cash and cash equivalents of subsidiaries disposed off	(28,123,635)
	<hr/>
Cash flow on disposals	(27,941,117)
	<hr/> <hr/>



## 10. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
 Deleum Berhad  
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**F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)**

**(iv) Notes to the Historical Financial Statements (continued)**

**(g) Disposal of subsidiaries (continued)**

2005 (continued)

Disposal of Delcom Services Holdings Limited Group of Companies

In December 2005, DSSB disposed its total shareholding in Delcom Services Holdings Limited for a cash consideration of RM13,832,519. Delcom Services Holdings Limited is an investment holding company. The effect of the disposal on the financial statements of Delcom Group is as follows:

	At date of <u>disposal</u> RM
Investment in associate	22,576,308
Receivables	2,703,420
Cash at bank	1,950,734
Payables	(544,351)
Minority interest	(14,505,441)
	<hr/>
Net assets disposed	12,180,670
Proceeds from disposal (included in amounts due from ultimate holding company)	(13,832,519)
	<hr/>
Gain on disposal	1,651,849
	<hr/> <hr/>
The cash flow on disposal is determined as follows:	
Cash and cash equivalents of subsidiary disposed off	(1,950,734)
	<hr/> <hr/>

## 10. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
Deleum Berhad  
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11 April 2007

F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

(iv) Notes to the Historical Financial Statements (continued)

(g) Disposal of subsidiaries (continued)

2006

Disposal of Foradel Sdn. Bhd.

DSSB disposed its total shareholding in the above subsidiary in August 2006 for a cash consideration of RM300,000. The effect of the disposal on the financial statements of Delcom Group in the financial year is as follows:

	At date of <u>disposal</u> RM
Dry docking expenditure (Note (j))	836,120
Receivables	12,133,854
Cash at bank	2,373,463
Payables	(12,329,708)
Deferred tax liabilities (Note (m))	(374,920)
Minority interests	(712,478)
	<hr/>
Net assets disposed	1,926,331
Proceeds from disposal	(300,000)
	<hr/>
Loss on disposal	1,626,331
	<hr/> <hr/>

The cash flow on disposal is determined as follows:

Cash proceeds received from disposal	300,000
Cash and cash equivalents of subsidiary disposed off	(2,373,463)
	<hr/>
Cash flow on disposal	(2,073,463)
	<hr/> <hr/>

## 10. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
Deleum Berhad  
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F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

(iv) Notes to the Historical Financial Statements (continued)

(h) Property, plant and equipment

	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture and fittings and renovations RM	Plant, machinery, other equipment and motor vehicles RM	Total RM
<u>Year ended</u>					
<u>31 December 2004</u>					
<u>Net book value</u>					
At 1 January 2004 (Restated)	973,131	598,518	1,389,756	8,173,810	11,135,215
Additions	1,208,364	2,779,168	429,411	1,468,049	5,884,992
Depreciation charge for the financial year	(38,865)	(194,657)	(586,048)	(1,908,514)	(2,728,084)
Disposals	(458,364)	(186,429)	(19,673)	(273,006)	(937,472)
At 31 December 2004 (Restated)	<u>1,684,266</u>	<u>2,996,600</u>	<u>1,213,446</u>	<u>7,460,339</u>	<u>13,354,651</u>
<u>At 31 December 2004 (Restated)</u>					
Cost	1,943,285	3,551,818	6,700,235	28,368,903	40,564,241
Accumulated depreciation	(259,019)	(555,218)	(5,486,789)	(20,908,564)	(27,209,590)
Net book value	<u>1,684,266</u>	<u>2,996,600</u>	<u>1,213,446</u>	<u>7,460,339</u>	<u>13,354,651</u>
<u>At 1 January 2004 (Restated)</u>					
Cost	1,426,952	831,820	6,290,500	27,742,865	36,292,137
Accumulated depreciation	(453,820)	(233,303)	(4,900,744)	(19,569,055)	(25,156,922)
Net book value	<u>973,132</u>	<u>598,517</u>	<u>1,389,756</u>	<u>8,173,810</u>	<u>11,135,215</u>

## 10. ACCOUNTANTS' REPORT (Cont'd)



The Board of Directors  
Deleum Berhad  
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F HISTORICAL FINANCIAL PERFORMANCE AND FINANCIAL STATEMENTS – DELCOM GROUP (CONTINUED)

(iv) Notes to the Historical Financial Statements (continued)

(h) Property, plant and equipment (continued)

	Long term leasehold land RM	Long term leasehold buildings RM	Office equipment, furniture & fittings & renovations RM	Plant, machinery, other equipment and motor vehicles RM	Total RM
<u>Year ended</u>					
<u>31 December 2005</u>					
<u>Net book value</u>					
At 1 January 2005 (Restated)	1,684,266	2,996,600	1,213,446	7,460,339	13,354,651
Additions	-	-	1,440,731	1,794,163	3,234,894
Written off	-	-	(4,440)	-	(4,440)
Disposals	-	-	(213,937)	(62,181)	(276,118)
Disposal of subsidiaries	-	-	(6,637)	-	(6,637)
Depreciation charge	(38,866)	(195,106)	(862,156)	(2,077,176)	(3,173,304)
At 31 December 2005 (Restated)	<u>1,645,400</u>	<u>2,801,494</u>	<u>1,567,007</u>	<u>7,115,145</u>	<u>13,129,046</u>
<u>At 31 December 2005 (Restated)</u>					
Cost	1,943,285	3,329,518	7,633,162	28,174,194	41,080,159
Accumulated depreciation	(297,885)	(528,024)	(6,066,155)	(21,059,049)	(27,951,113)
Net book value	<u>1,645,400</u>	<u>2,801,494</u>	<u>1,567,007</u>	<u>7,115,145</u>	<u>13,129,046</u>
<u>At 1 January 2005 (Restated)</u>					
Cost	1,943,285	3,551,818	6,700,235	28,368,903	40,564,241
Accumulated depreciation	(259,019)	(555,218)	(5,486,789)	(20,908,564)	(27,209,590)
Net book value	<u>1,684,266</u>	<u>2,996,600</u>	<u>1,213,446</u>	<u>7,460,339</u>	<u>13,354,651</u>