

## 10. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



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Chartered Accountants

6 June 2008

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Dear Sirs/Madam

### **UZMA BERHAD ("UB" OR "THE COMPANY") ACCOUNTANTS' REPORT**

#### **1. PURPOSE OF REPORT**

This report has been prepared by Horwath, an approved company auditor, for inclusion in the Prospectus of UB to be dated 30 June 2008 in connection with the listing of UB on the Second Board of Bursa Malaysia Securities Berhad ("Bursa Securities"). The details of the listing scheme are disclosed in Section 2 of this report.

#### **2. DETAILS OF THE LISTING SCHEME**

##### **2.1 THE COMPANY**

UB was incorporated as a public company limited by shares on 17 April 2007 under the Malaysian Companies Act, 1965. UB is principally engaged in the business of investment holding.

##### **2.2 LISTING SCHEME**

In conjunction with and as an integral part of the listing of UB on the Second Board of Bursa Securities, the Company undertakes the following transactions:-

###### **(1) Acquisitions**

- (a) Acquisition of the entire issued and paid-up share capital of Uzma Engineering Sdn Bhd ("Uzma Malaysia") for a purchase consideration of RM31,000,000, satisfied by an issuance of 61,999,996 new ordinary shares of RM0.50 each ("Share") in UB at an issue price of approximately RM0.50 per Share ("Acquisition of Uzma Malaysia"). The purchase consideration was arrived at on a willing buyer-willing seller basis and took into consideration the valuation conducted by Messrs Ernst & Young on the businesses of Uzma Malaysia.**



## 2.2 LISTING SCHEME (CONT'D)

### (1) Acquisitions (Cont'd)

(b) Acquisition of the following companies from Uzma Malaysia ("Acquisition of Uzma Australia and Uzma Thailand):-

- (i) the entire issued and paid-up share capital of Uzma Engineering Pty Ltd ("Uzma Australia") for a cash consideration of RM1. The purchase consideration was arrived at on a willing buyer-willing seller basis and based on the net tangible liabilities position of Uzma Australia as at 31 December 2006 of AUD30,706; and
- (ii) 48.98% of the issued and paid-up share capital of Uzma Consulting Limited ("Uzma Thailand") for a cash consideration of RM459,144. The purchase consideration was arrived at on a willing buyer-willing seller basis and based on the net tangible assets of Uzma Thailand as at 31 December 2006 of THB 9,374,118.

The acquisition of Uzma Malaysia, Uzma Australia and Uzma Thailand are collectively referred to as the "Acquisitions".

The Acquisitions were completed on 20 May 2008. Accordingly, UB, Uzma Malaysia, Uzma Australia and Uzma Thailand are hereinafter referred to as "the UB Group" or the Group.

### (2) Public Issue

The public issue of 18,000,000 new Share ("Public Issue Shares") at an issue price of RM1.90 per Share ("Public Issue") are to be allocated and allotted in the following manner:-

- (a) 6,000,000 Public Issue Shares, representing 7.50% of the enlarged issued and paid-up share capital, to be allocated via balloting, will be made available for application by the Malaysian Public, of which at least 30% will be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions;
- (b) 3,000,000 Public Issue Shares, representing approximately 3.75% of the enlarged issued and paid-up share capital, by way of private placement to selected investors; and
- (c) 9,000,000 Public Issue Shares, representing 11.25% of the enlarged issued and paid-up share capital, will be made available for application by eligible Directors and employees, and persons who have contributed to the success of the UB Group.



**2.2 LISTING SCHEME (CONT'D)**

**(3) Offer for Sale**

The offer for sale of 10,000,000 Shares, representing 12.50% of the enlarged issued and paid-up share capital, at an offer price of RM1.90 per Share payable in full on application and will be allocated and allotted by way of private placement to selected investors ("Offer For Sale").

(The Public Issue and the Offer For Sale are collectively referred to as the "IPO".)

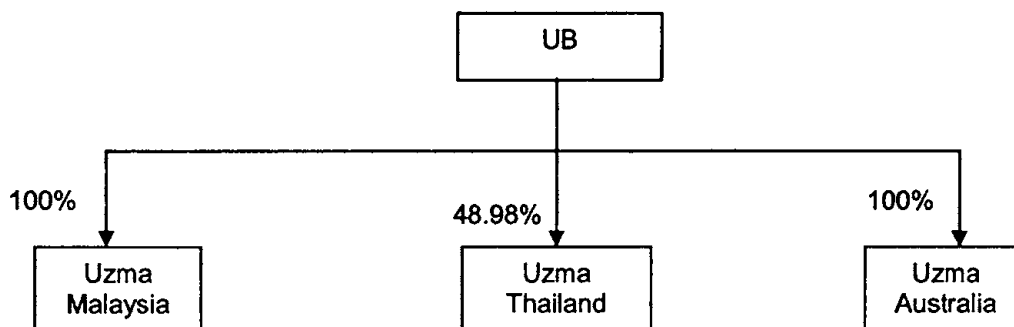
**(4) Listing and Quotation on the Second Board of Bursa Malaysia**

The listing of and quotation for the enlarged issued and paid-up share capital comprising 80,000,000 Shares on the Second Board of Bursa Securities.



### 3. GROUP STRUCTURE

At the date of this report, the group structure of the UB Group is as follows:-



Details of the subsidiaries are as follows:-

Name of Company	Date of Incorporation	Country of Incorporation	Issued Paid-up Capital	Effective Equity Interest 2007	Principal Activities
Uzma Engineering Sdn. Bhd. ("Uzma Malaysia")	19 May 2000	Malaysia	RM1,300,000	100%	Provision of Geoscience and Reservoir Engineering, Drilling, Projects and Operations, and Other Services.
Uzma Consulting Limited. ("Uzma Thailand") #	26 September 2003	Thailand	THB2,000,000	48.98%*	Provision of Geoscience and Reservoir Engineering, Drilling, Projects and Operations, and Oil and Gas Engineer and Personal Placement Services.
Uzma Engineering Pty. Ltd. ("Uzma Australia") #	3 March 2006	Australia	AUD100,000	100%	Provision of Geoscience and Reservoir Engineering Services and Management Systems.

Notes:-

- # - Not audited by Horwath
- \* - Uzma Thailand is considered a subsidiary although the Company does not own more than 50% of its equity shares because the Company has the power to appoint and remove the majority of the Board of Directors and therefore control the Board.



#### 4. RELEVANT FINANCIAL PERIOD AND AUDITORS

The relevant financial period for the purpose of this report ("Relevant Financial Period") and the auditors of the respective companies for the Relevant Financial Period is as follows:-

Company	Relevant Financial Period	Auditors	Auditors' Report
UB	Financial period from 14 April 2007 (date of incorporation) to 31 December 2007	Messrs. Horwath	Appendix I
Uzma Malaysia and its subsidiaries ("the UM Group")	Financial year ended ("FY") 31 December 2005	Messrs. Azuddin & Co	Appendix II
	FY 31 December 2006	Messrs. Horwath	Appendix III
	FY 31 December 2007	Messrs. Horwath	Appendix IV

This report covers the financial information derived from the audited financial statements of UB and the UM Group.

The financial statements of UB and the UM Group for the Relevant Financial Period under review were not subject to any audit qualifications.



## 5. ACCOUNTING STANDARDS AND POLICIES

### 5.1 BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965.

During the current financial year, the Group have adopted all the following new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB"):-

(a) FRSs issued and effective for financial periods beginning on or after 1 October 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

(b) FRSs issued and effective for financial periods beginning on or after 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 119 <sup>2004</sup>	Amendment to FRS 119 <sup>2004</sup> Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The adoption of FRS 124 only impacts the form and content of disclosures presented in the financial statements.

FRS 6, FRS 117 and Amendment to FRS 119<sup>2004</sup> are not relevant to the Group's operations.

Framework for the Preparation and Presentation of Financial Statements has been issued and is effective immediately. This Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users. It is not an MASB approved accounting standard and hence, does not define standards for any particular measurement or disclosure issue. The Group have applied this Framework for the financial year ended 31 December 2007 onwards.

The Group have not adopted FRS 139 - Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 as the effective date is deferred to a date to be announced by the MASB. FRS 139 establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on its financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 is not disclosed.





## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 5.1 BASIS OF PREPARATION (CONT'D)

The following FRSs have been issued and are effective for financial periods beginning on or after 1 July 2007 and will be effective for the Group's financial statements for the financial year ending 31 December 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The above FRSs align the MASB's FRSs with the equivalent International Accounting Standards ("IASs"), both in terms of form and content. The adoption of these standards will only impact the form and content of disclosures presented in the financial statements. The Group will apply these FRSs from the financial year ending 31 December 2008 onwards.

FRS 134 - Interim Financial Reporting has been issued and is effective for the financial periods beginning on or after 1 July 2007. This amendment aligns the MASB's FRS with the equivalent IAS, both in terms of form and content. The adoption of this standard will only impact the form and content of disclosures presented in the quarterly financial statements. The Group will apply this standard from the financial year ending 31 December 2008 onwards.

Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates *Net Investment in a Foreign Operation* has been issued and is effective for financial periods beginning on or after 1 July 2007. This amendment results in exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation to be recognised in equity irrespective of the currency in which the monetary item is denominated and whether the monetary item results from a transaction with the Company or any of its subsidiaries. Previously, exchange differences arising from such transactions between the Company and its subsidiaries would be accounted for in the income statement or in equity depending on the currency of the monetary item. The Group will apply this amendment from the financial year ending 31 December 2008 onwards.

IC Interpretation 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation addresses the effects of events that changes the measurement of an existing decommissioning, restoration or similar liability, namely a change in the estimated outflow of resources embodying economic benefits required to settle the obligation, a change in the current market-based discount rate as defined in paragraph 48 of FRS 137<sup>2004</sup> and an increase that reflects the passage of time. This interpretation is not relevant to the Group's operations.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.1 BASIS OF PREPARATION (CONT'D)**

IC Interpretation 2 - Members' Shares in Co-operative Entities and Similar Instruments has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 7 - Applying the Restatement Approach under FRS 129<sup>2004</sup> Financial Reporting in Hyperinflationary Economies has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation is not relevant to the Group's operations.

IC Interpretation 8 - Scope of FRS 2 has been issued and is effective for financial periods beginning on or after 1 July 2007. This interpretation applies to transactions in which goods or services are received, including transactions in which the entity cannot identify specifically some or all of the goods or services received. Where the fair value of the share-based payment is in excess of the identifiable goods or services received, it is presumed that additional goods or services have been or will be received. The whole fair value of the share-based payment will be charged to the income statement. This interpretation is not relevant to the Group's operations.

**5.2 CONSISTENCY OF APPLICATION OF ACCOUNTING POLICIES**

This report is prepared on a basis consistent with the accounting policies adopted by the Group as disclosed in paragraph 5.3 below. There were no changes in the significant accounting policies adopted by the Group during the Relevant Financial Period other than the adoption of all the new and revised FRS issued by the Malaysian Accounting Standards Board which are relevant to its operations, as disclosed in paragraph 5.1 above.





## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 5.3 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Critical Accounting Estimates And Judgements

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

##### (i) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the plant and equipment are based on commercial factors which could change significantly as a result of technological developments and the expected level of usage.

The Group anticipate that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

##### (ii) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognise tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination may be different from the initial estimate.

##### (iii) Impairment of Assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash-generating unit to which the asset is allocated, the Group are required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.



## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 5.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (a) Critical Accounting Estimates And Judgements (Cont'd)

##### (iv) *Project Accounting*

Project accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

##### (i) *Contract Revenue*

Project accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

##### (ii) *Contract Costs*

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

##### (v) *Allowance for Doubtful Debts of Receivables*

UB and the UM Group make allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts of receivables. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

#### (b) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.



## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 5.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (b) Financial Instruments (Cont'd)

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments recognised in the balance sheet are disclosed in the individual policy statement associated with each item.

#### (c) Functional and Foreign Currency

##### (i) *Functional and Presentation Currency*

The functional currency of the Company and each of the Group's entity are measured using the currency of the primary economic environment in which the Company or that entity operates.

The consolidated financial statements are presented in Ringgit Malaysia ("RM") which is the parent's functional and presentation currency.

##### (ii) *Transactions and Balances*

Transactions in foreign currency are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the balance sheet date are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are taken to the income statement.

##### (iii) *Foreign Operations*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for income statement are translated at the average exchange rates for the year; and
- all resulting exchange differences are recognised as a separate component of equity, as a foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statements as part of the gain or loss on sale.





## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 5.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2007.

A subsidiary is defined as a company in which the parent company has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

All subsidiaries are consolidated using the purchase method. Under the purchase method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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

Minority interests in the consolidated balance sheet consist of the minorities' share of fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition and the minorities' share of movements in the acquiree's equity.

Minority interests are presented in the consolidated balance sheet of the Group within equity, separately from the Company's equity holders, and are separately disclosed in the consolidated income statement of the Group.

#### (e) Goodwill on Consolidation

Goodwill on consolidation represents the excess of the fair value of the purchase consideration over the Group's share of the fair values of the identifiable net assets of the subsidiaries at the date of acquisition.

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually. The impairment value of goodwill is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in a subsequent period.



## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 5.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (g) Equipment (Cont'd)

Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Office equipment	10% - 20%
Furniture, fittings and renovation	20%
Computers and EDP	20%
Motor vehicles	20%

The depreciation method, useful life and residual values are reviewed, and adjusted if appropriate, at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

#### (h) Impairment of Assets

The carrying values of assets, other than those to which FRS 136 - Impairment of Assets does not apply, are reviewed at each balance sheet date for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' net selling price and their value-in-use, which is measured by reference to discounted future cash flow.

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

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at its revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to the revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.





## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 5.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (i) Assets under Hire Purchase and Lease

Leases of equipment where substantially all the benefits and risks of ownership are transferred to the Company are classified as finance leases.

Equipment acquired under finance lease and hire purchase are capitalised in the financial statements.

Each lease or hire purchase payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements.

Finance charges are allocated to the income statement over the period of the respective lease and hire purchase agreements.

Equipment acquired under finance leases and hire purchase are depreciated over the useful lives of the assets. If there is no reasonable certainty that the ownership will be transferred to the Company, the assets are depreciated over the shorter of the lease terms or their useful lives.

#### (j) Amounts Owing By/To Contract Customers

The amounts owing by/to contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Cost includes direct materials, labour and applicable overheads.

#### (k) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

#### (l) Payables

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



## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 5.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (m) Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

#### (n) Income Taxes

Income taxes for the year comprise current and deferred tax.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

**5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)****5.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(n) Income Taxes (Cont'd)**

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

**(o) Interest-bearing Borrowings**

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are charged to the income statement as expenses in the period in which they are incurred.

**(p) Equity Instruments**

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

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

**(q) Cash and Cash Equivalents**

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



## 5. ACCOUNTING STANDARDS AND POLICIES (CONT'D)

### 5.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### (r) Employee Benefits

##### (i) Short-term Benefits

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

##### (ii) Defined Contribution Plans

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group have no further liability in respect of the defined contribution plans.

#### (s) Revenue Recognition

##### (i) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance.

##### (ii) Services

Revenue is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

##### (iii) Contract Income

Income on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case the income on contracts will only be recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.





## 6. FINANCIAL INFORMATION

UB Group only existed subsequent to FY 2007, upon the completion of the Acquisitions on 20 May 2008, hence there are no consolidated financial statements of the UB Group for the Relevant Financial Period. In addition, the financial information of Uzma Australia and Uzma Thailand are not shown separately as they are consolidated in the UM Group for the Relevant Financial Period.

The financial information of UB and the UM Group as presented in Section 6.1 and Section 6.2 respectively are based on audited financial statements, modified as appropriate, for the purpose of this report.

The scope of work involved in the preparation of this report does not constitute an audit in accordance with approved standards on auditing in Malaysia.

All information are extracted from the audited financial statements except those in *italics* which are prepared based on calculation, representation and/or explanation provided by the management unless otherwise indicated.

*The financial statements of the foreign subsidiaries are translated from Thai Baht and Australian Dollar to RM based on the following exchange rates:-*

	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<i>Income statements</i>			
<i>Based on average rates for the period</i>			
<i>Thai Baht</i>	0.0968	0.0955	0.1020
<i>Australian Dollar</i>	N/A	2.7871	2.8900
<i>Balance sheets</i>			
<i>Based on closing rates at the balance sheet date</i>			
<i>Thai Baht</i>	0.0925	0.0991	0.0982
<i>Australian Dollar</i>	N/A	2.7871	2.9152

Note:-

N/A - Not applicable



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



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 UB

## 6.1.1 INCOME STATEMENT

	Section	FP 2007 RM'000
Revenue		-
Cost of sales		-
Gross profit ("GP")		-
Other income		-
Selling and administrative expenses		(13)
Other expenses		-
Finance costs		-
Loss before taxation ("LBT")		(13)
Depreciation		-
Interest expense		-
Interest income		-
Earnings before interest, depreciation and taxation		(13)
Depreciation		-
Interest expense		-
Interest income		-
LBT	6.1.5	(13)
Income tax expense	6.1.6	-
Loss after taxation ("LAT")		(13)
Attributable to:		
Equity holders		(13)
<i>GP margin</i>		N/A
<i>LBT margin</i>		N/A
<i>LAT margin</i>		N/A
<i>Effective tax rate</i>		N/A
<i>Interest coverage (times)</i>		N/A
<i>Weighted average number of ordinary shares in issue of RM0.50 each</i>		4
<i>Gross earnings per share ("EPS") * (RM)</i>		(3,250)
<i>Net EPS * (RM)</i>		(3,250)
<i>Gross dividend rate</i>		N/A

## Notes:-

N/A - Not applicable.

\* - The Gross and Net EPS were computed by dividing the LBT and LAT respectively by the weighted average number of ordinary shares in issue during the period. The Gross and Net EPS computed were not annualised.

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



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.1 UB (CONT'D)

## 6.1.2 BALANCE STATEMENT

	Section	FP 2007 RM'000
<b>ASSET</b>		
<b>CURRENT ASSETS</b>		
Other receivables		653
Cash in hand		#
<b>TOTAL ASSET</b>		<u>653</u>
<b>EQUITY AND LIABILITY</b>		
<b>EQUITY</b>		
Share capital	6.1.7	#
Accumulated loss		<u>(13)</u>
<b>TOTAL EQUITY</b>		<u>(13)</u>
<b>CURRENT LIABILITY</b>		
Other payables and accruals		<u>666</u>
<b>TOTAL EQUITY AND LIABILITY</b>		<u>653</u>
<i>Number of ordinary shares of RM0.50 each in issue</i>		4
<i>Net tangible liability ("NTL") (RM'000)</i>		(13)
<i>NTL per ordinary share (RM)</i>		-325.0%
<i>Trade receivables turnover period (months)</i>		N/A
<i>Trade payables turnover period (months)</i>		N/A
<i>Gearing ratio (times)</i>		<u>N/A</u>

## Notes:-

N/A - Not applicable.

# - RM2

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 UB (CONT'D)****6.1.3 CASH FLOW STATEMENT**

	FP 2007 RM'000
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>	
Loss for the financial period	(13)
Increase in other receivables	(653)
Increase in other payables and accruals	666
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>	<b>-</b>
<b>NET CASH FROM FINANCING ACTIVITY</b>	
Proceeds from issuance of shares	2
<b>NET INCREASE IN CASH IN HAND</b>	<b>2</b>
<b>CASH IN HAND AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>-</b>
<b>CASH IN HAND AT THE END OF THE FINANCIAL PERIOD</b>	<b>2</b>

**6.1.4 STATEMENT OF CHANGES IN EQUITY**

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
At 17.4.2007 (date of incorporation)	#	-	#
Loss for the financial period	-	(13)	(13)
Balance at 31.12.2007	-	(13)	(13)

Note:-

# - RM2

**6.1.5 LOSS FOR THE FINANCIAL PERIOD**

Loss for the financial period is arrived at after charging:

	FP 2007 RM'000
Audit fee	2

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.1 UB (CONT'D)****6.1.6 INCOME TAX EXPENSE**

A reconciliation of income tax expense applicable to the loss for the financial period at the statutory tax rate to income tax expense at the effective tax rate of the Company is as follows:-

	FP 2007 RM'000
Loss for the financial period	(13)
Tax at the statutory rate of 27%	(4)
Tax effect of:- Non-deductible expenses	4
	-

**6.1.7 SHARE CAPITAL**

	PAR VALUE RM	NUMBER OF SHARES	RM
ORDINARY SHARES AUTHORISED At 17.4.2007 (date of incorporation)/At 31.12.2007	1.00	100,000	100,000
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.50 each	0.50	200,000	100,000
At 31.12.2007	0.50	200,000	100,000
ISSUED AND FULLY PAID-UP At 17.4.2007 (date of incorporation)/At 31.12.2007	1.00	2	2
Sub-division of the par value of ordinary shares of RM1.00 each into RM0.50 each	0.50	4	2
At 31.12.2007	0.50	4	2

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



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 UM GROUP

## 6.2.1 INCOME STATEMENTS

	Section	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Revenue	6.2.5	79,761	120,717	128,151
Cost of sales		(58,582)	(90,744)	(100,289)
GP		21,179	29,973	27,862
Other income		12	84	265
		21,191	30,057	28,127
Selling and administrative expenses		(3,656)	(11,647)	(13,416)
Other expenses		(10,850)	(6,627)	(934)
Finance costs		(180)	(543)	(546)
Profit before taxation ("PBT")		6,505	11,240	13,231
Depreciation		362	625	337
Interest expense		29	301	520
Interest income		(12)	(70)	(74)
Earnings before interest, depreciation and taxation		6,884	12,096	14,014
Depreciation		(362)	(625)	(337)
Interest expense		(29)	(301)	(520)
Interest income		12	70	74
PBT	6.2.6	6,505	11,240	13,231
Income tax expense	6.2.7	(1,814)	(3,497)	(4,827)
Profit after taxation ("PAT")		4,691	7,743	8,404
Attributable to:				
Equity holders of the parent		4,261	7,836	8,251
Minority interests ("MI")		430	(93)	153
		4,691	7,743	8,404
<i>GP margin</i>		26.6%	24.8%	21.7%
<i>PBT margin</i>		8.2%	9.3%	10.3%
<i>PAT margin</i>		5.9%	6.4%	6.6%
<i>Effective tax rate</i>		27.9%	31.1%	36.5%
<i>Interest coverage (times)</i>		225.3	38.3	26.4
<i>Weighted average number of ordinary shares in issue of RM1.00 each ('000)</i>		1,300	1,300	1,300
<i>Gross EPS * (RM)</i>		4.7	8.7	10.1
<i>Net EPS * (RM)</i>		3.3	6.0	6.3
<i>Gross dividend rate</i>		N/A	216.0%	N/A

## Note:-

- \* - The Gross EPS and Net EPS is computed based on the profit before taxation and profit after taxation less minority interests, divided by the weighted average number of ordinary shares in issue.



**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP****6.2.1 INCOME STATEMENTS (CONT'D)**

The income statements of the UM Group for FY 2005 and FY 2006 included the results of IRAP Technologies Sdn. Bhd. ("IRAP") and its subsidiary ("the IRAP Group"), which was disposed of by Uzma Malaysia during the FY 2006. The results of the IRAP Group for FY 2005 and FY 2006 are as follows:-

	FY 2005 RM'000	FY 2006 RM'000
Revenue	36,586	32,530
GP	12,436	8,428
PBT	1,279	(925)
PAT	877	(925)

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



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 UM GROUP (CONT'D)

## 6.2.2 BALANCE SHEETS

	Section	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Equipment	6.2.8	1,865	1,429	1,581
Goodwill on consolidation	6.2.9	1,943	-	-
Other assets		9	11	23
		<u>3,817</u>	<u>1,440</u>	<u>1,604</u>
<b>CURRENT ASSETS</b>				
Amount owing by contract customers	6.2.10	2,070	42	6,382
Trade receivables	6.2.11	23,356	25,533	35,523
Other receivables, deposits and prepayments	6.2.12	903	4,505	6,102
Amount owing by directors	6.2.13	1,898	-	-
Amount owing by related parties	6.2.14	1,461	1,774	697
Tax refundable		237	-	-
Fixed deposits with licensed banks	6.2.15	1,158	1,621	3,984
Cash and bank balances	6.2.16	1,306	599	911
		<u>32,389</u>	<u>34,074</u>	<u>53,599</u>
<b>TOTAL ASSETS</b>		<u>36,206</u>	<u>35,514</u>	<u>55,203</u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	6.2.17	1,300	1,300	1,300
Retained profits	6.2.18	8,180	13,208	21,459
Foreign exchange translation reserve		-	24	(17)
<b>SHAREHOLDERS' EQUITY</b>		<u>9,480</u>	<u>14,532</u>	<u>22,742</u>
<b>MINORITY INTERESTS</b>		<u>3,447</u>	<u>462</u>	<u>520</u>
<b>TOTAL EQUITY</b>		<u>12,927</u>	<u>14,994</u>	<u>23,262</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	6.2.19	14	75	75
Long-term payables	6.2.20	1,530	-	-
Hire purchase and lease payables	6.2.21	42	15	133
		<u>1,586</u>	<u>90</u>	<u>208</u>
<b>CURRENT LIABILITIES</b>				
Amount owing to contract customers	6.2.10	-	-	1,900
Trade payables	6.2.22	977	964	3,246
Other payables and accruals	6.2.23	19,337	13,924	15,314
Amount owing to a related party	6.2.14	397	698	-
Provision for taxation		319	962	2,547
Hire purchase and lease payables	6.2.21	26	408	26
Bank overdraft	6.2.24	637	1,480	5,761
Promissory note	6.2.25	-	1,994	2,939
		<u>21,693</u>	<u>20,430</u>	<u>31,733</u>
<b>TOTAL LIABILITIES</b>		<u>23,279</u>	<u>20,520</u>	<u>31,941</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>36,206</u>	<u>35,514</u>	<u>55,203</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.2 BALANCE SHEETS (CONT'D)**

	FY 2005	FY 2006	FY 2007
<i>Number of ordinary shares of RM1.00 each in issue ('000)</i>	1,300	1,300	1,300
<i>Net tangible assets ("NTA") (RM'000)</i>	7,537	14,532	22,742
<i>NTA per ordinary share (RM)</i>	5.8	11.2	17.5
<i>Trade receivables turnover period (months)</i>	3.5	2.5	3.3
<i>Trade payables turnover period (months)</i>	0.2	0.1	0.4
<i>Gearing ratio (times)</i>	0.2	0.3	0.4

The consolidated balance sheets of the UM Group for the FY 2005 included the consolidated balance sheet of the IRAP Group, which was disposed of by Uzma Malaysia during FY 2006. The summarised balance sheets of the IRAP Group as at 31 December 2005 are as follows:-

	FY 2005 RM'000
<b>Assets</b>	
Non-current asset	920
Current assets	20,873
<b>Total assets</b>	<b>21,793</b>
<b>Equity and liabilities</b>	
Equity	6,109
<b>Liabilities</b>	
Current liabilities	15,674
Non-current liability	10
<b>Total liabilities</b>	<b>15,684</b>
<b>Total equity and liabilities</b>	<b>21,793</b>

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



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 UM GROUP (CONT'D)

## 6.2.3 CASH FLOW STATEMENTS

Section	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>			
Profit before taxation	6,505	11,240	13,231
Adjustments for:-			
Allowance for diminution in value of other investment	1	-	-
Allowance for doubtful debts	-	35	-
Depreciation of equipment	362	625	337
Interest expense	29	301	520
Loss on disposal of equipment	40	-	20
Loss on foreign exchange - unrealised	-	510	289
Interest income	(12)	(70)	(74)
Operating profit before working capital changes	6,925	12,641	14,323
Decrease/(Increase) in amount owing by contract customers	2,746	(2,015)	(4,440)
Increase in trade and other receivables	(2,570)	(20,485)	(11,854)
(Decrease)/Increase in trade and other payables	(2,161)	10,248	3,697
<b>CASH FROM OPERATIONS</b>	<b>4,940</b>	<b>389</b>	<b>1,726</b>
Income tax paid	(1,965)	(3,250)	(3,242)
Interest paid	(29)	(301)	(520)
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>	<b>2,946</b>	<b>(3,162)</b>	<b>(2,036)</b>
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>			
Increase in other assets	(10)	(2)	(12)
Advances to related parties	(644)	(313)	1,077
Disposal of subsidiaries	-	3,140	-
Proceeds from disposal of equipment	150	-	50
Purchase of equipment	(1,140)	(474)	(375)
(Advances to)/Repayment from directors	(957)	1,898	-
Interest received	12	70	74
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>	<b>(2,589)</b>	<b>4,319</b>	<b>814</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>			
Advances from/(Repayment to) related parties	-	301	(698)
Dividend paid to equity holders	-	(2,808)	-
Dividend paid to minority by subsidiary	-	-	(100)
Drawdown of promissory note	-	1,994	945
Proceeds from issuance of shares to minority	-	101	-
Repayment of hire purchase and lease obligations	(138)	(279)	(449)
Repayment of long-term payables	-	(1,530)	-
<b>NET CASH FOR FINANCING ACTIVITIES</b>	<b>(138)</b>	<b>(2,221)</b>	<b>(302)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>219</b>	<b>(1,064)</b>	<b>(1,524)</b>
Effects of foreign currency translation	-	(23)	(82)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>1,608</b>	<b>1,827</b>	<b>740</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>1,827</b>	<b>740</b>	<b>(866)</b>

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.4 STATEMENTS OF CHANGES IN EQUITY**

UM Group	Section	Share Capital RM'000	Retained Profits RM'000	Foreign Exchange Translation Reserve RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Balance at 1.1.2005		1,300	3,919	-	5,219	3,017	8,236
Profit attributable to equity holders		-	4,261	-	4,261	430	4,691
Balance at 31.12.2005/1.1.2006		1,300	8,180	-	9,480	3,447	12,927
Currency translation differences of foreign subsidiaries		-	-	24	24	-	24
Arising from acquisition of a subsidiary		-	-	-	-	101	101
Arising from disposal of subsidiaries	6.2.26	-	-	-	-	(2,993)	(2,993)
Profit attributable to equity holders		-	7,836	-	7,836	(93)	7,743
Dividends	6.2.28	-	(2,808)	-	(2,808)	-	(2,808)
Balance at 31.12.2006/1.1.2007		1,300	13,208	24	14,532	462	14,994
Currency translation differences of foreign subsidiaries		-	-	(41)	(41)	5	(36)
Profit attributable to equity holders		-	8,251	-	8,251	153	8,404
Dividends		-	-	-	-	(100)	(100)
Balance at 31.12.2007		1,300	21,459	(17)	22,742	520	23,262



**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.5 REVENUE**

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Sale of goods	8,923	5,386	2,330
Services rendered	50,918	96,959	107,001
Contract revenue	19,920	18,372	18,820
	<u>79,761</u>	<u>120,717</u>	<u>128,151</u>

**6.2.6 PBT**

PBT is arrived at after charging/(crediting):-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Allowance for dimunition in value of other investment	1	-	-
Allowance for doubtful debts	-	35	-
Audit fee	34	78	35
Car rental	43	-	-
Depreciation of plant and equipment	362	625	337
Directors' fee	567	675	351
Directors' non-fee emoluments	-	-	673
Interest expense:			
- advances	23	246	64
- bank overdrafts	3	26	222
- hire purchase and lease	3	29	30
- promissory notes	-	-	204
Loss on foreign exchange			
- realised	23	307	462
- unrealised	-	510	289
Loss on disposal of plant and equipment	40	-	20
Rental of equipment	-	-	130
Rental of premises	418	526	380
Staff costs	9,025	13,418	7,158
Interest income	(12)	(70)	(74)
	<u>(12)</u>	<u>(70)</u>	<u>(74)</u>

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



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 UM GROUP (CONT'D)

## 6.2.7 INCOME TAX EXPENSE

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Current tax expense:			
- for the financial year	1,793	3,417	4,009
- underprovision in prior financial years	-	9	818
	1,793	3,426	4,827
Deferred tax expense (Section 6.2.19):			
- for the financial year	22	-	-
- (over)/underprovision in the previous financial year	(1)	71	-
	21	71	-
	1,814	3,497	4,827

A reconciliation of the income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the UM Group is as follows:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Profit before taxation	6,505	11,240	13,231
Tax at the statutory tax rate of 27% (2006 and 2005 - 28%)	1,822	3,147	3,572
Tax effects:-			
Non-taxable gains	-	(165)	-
Non-deductible expenses	101	455	456
(Over)/underprovision in the prior financial years:			
- current tax	-	9	818
- deferred tax	(1)	71	-
Different in tax rates in other countries	-	20	16
Differential in tax rates	(40)	(40)	(35)
Others	(68)	-	-
Income tax expense for the financial year	1,814	3,497	4,827

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



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 UM GROUP (CONT'D)

## 6.2.8 EQUIPMENT

	Office Equipment RM'000	Furniture, Fittings And Renovation RM'000	Computer And EDP RM'000	Motor Vehicles RM'000	Total RM'000
Net book value at 1.1.2005	265	412	333	188	1,198
Additions	254	232	633	100	1,219
Disposals	-	-	(2)	(188)	(190)
Depreciation charge	(114)	(76)	(166)	(6)	(362)
Net book value at 31.12.2005/1.1.2006	405	568	798	94	1,865
Currency translation difference	-	-	1	-	1
Disposal of subsidiaries	(287)	(295)	(338)	-	(920)
Additions	72	76	960	-	1,108
Depreciation charge	(123)	(125)	(357)	(20)	(625)
Net book value at 31.12.2006/1.1.2007	67	224	1,064	74	1,429
Currency translation difference	-	-	(1)	-	(1)
Additions	117	25	176	242	560
Disposal	-	-	-	(70)	(70)
Depreciation charge	(26)	(72)	(198)	(41)	(337)
Net book value at 31.12.2007	158	177	1,041	205	1,581
At 31.12.2007					
At cost	229	370	1,519	247	2,365
Accumulated depreciation	(71)	(193)	(478)	(42)	(784)
Net book value	158	177	1,041	205	1,581
At 31.12.2006					
At cost	112	345	1,344	100	1,901
Accumulated depreciation	(45)	(121)	(280)	(26)	(472)
Net book value	67	224	1,064	74	1,429
At 31.12.2005					
At cost	846	677	1,085	100	2,708
Accumulated depreciation	(441)	(109)	(287)	(6)	(843)
Net book value	405	568	798	94	1,865

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



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 UM GROUP (CONT'D)

## 6.2.8 EQUIPMENT (CONT'D)

Included in the net book values of equipment at the balance sheet date were the following assets acquired under hire purchase terms:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Computers and EDP	-	581	-
Motor vehicles	89	71	202
	<u>89</u>	<u>652</u>	<u>202</u>

## 6.2.9 GOODWILL ON CONSOLIDATION

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
At 1 January	1,943	1,943	-
Disposal of subsidiaries (Section 6.2.26)	-	(1,943)	-
At 31 December	<u>1,943</u>	<u>-</u>	<u>-</u>

## 6.2.10 AMOUNT OWING BY/(TO) CONTRACT CUSTOMERS

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Contract costs incurred to date	3,267	1,188	9,313
Attributable profits	1,204	557	8,190
	<u>4,471</u>	<u>1,745</u>	<u>17,503</u>
Progress billings	(2,401)	(1,703)	(13,021)
Net amount owing by contract customers	<u>2,070</u>	<u>42</u>	<u>4,482</u>
The net amount owing by contract customers comprise the followings:-			
Amount owing by contract customers	2,070	42	6,382
Amount owing to contract customers	-	-	(1,900)
Net amount owing by contract customers	<u>2,070</u>	<u>42</u>	<u>4,482</u>

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



## 6. AUDITED FINANCIAL STATEMENTS (CONT'D)

## 6.2 UM GROUP (CONT'D)

## 6.2.11 TRADE RECEIVABLES

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Trade receivables	23,597	25,568	35,523
Less: Allowance for doubtful debts	(241)	(35)	-
	<u>23,356</u>	<u>25,533</u>	<u>35,523</u>
Trade receivables comprise accrued billings	<u>5,742</u>	<u>7,474</u>	<u>7,453</u>
Allowance for doubtful debts:-			
At 1 January	241	241	35
Additions	-	35	-
Write-off	-	(44)	(35)
Arising from disposal of subsidiaries	-	(197)	-
At 31 December	<u>241</u>	<u>35</u>	<u>-</u>

The Group's normal credit terms range from 30 to 45 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of the trade receivables is as follows:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Australian Dollar	-	-	154
Euro	-	-	133
Sterling Pound	98	-	92
Thai Baht	114	1,426	2,155
United States Dollar	<u>3,961</u>	<u>7,022</u>	<u>14,558</u>

The trade receivables ageing analysis for the FY 2007 is set out below:-

	0 to 30 Days RM'000	31 to 60 Days RM'000	61 to 90 Days RM'000	> 90 Days RM'000	Total RM'000
Balance as at 31.12.2007	<u>22,656</u>	<u>5,372</u>	<u>3,547</u>	<u>3,948</u>	<u>35,523</u>



**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

Included in other receivables, deposits and prepayments are the following:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Balance of the consideration for the disposal of subsidiaries	-	3,529	2,679
Deposit paid for the acquisition of 2 pieces of freehold land and buildings	-	-	1,036

The foreign currency exposure profile of the other receivables, deposits and prepayments is as follows:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Australian Dollar	-	3	-
Thai Baht	48	276	249

**6.2.13 AMOUNT OWING BY DIRECTORS**

The amount owing in FY 2005 was non-trade in nature, unsecured, interest-free and not subject to fixed terms of repayment.

**6.2.14 AMOUNT OWING RELATED PARTIES**

The amount owing is non-trade in nature, unsecured, interest-free and not subject to fixed terms of repayment.

The foreign currency exposure profile of the amount owing by the related parties is as follows:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Thai Baht	-	34	71

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.15 FIXED DEPOSITS WITH LICENSED BANKS**

Fixed deposits pledged to licensed banks for banking facilities granted to the UM Group is as follows:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Fixed deposits	-	3,756	3,974

The effective interest rates and the maturity of the period of the fixed deposits is as follows:-

	FY 2005	FY 2006	FY 2007
Effective interest rates	3.1%-3.9%	3.7%-3.9%	3.1%-3.8%
Maturity periods	12 months	12 months	12 months

The foreign currency exposure profile of the fixed deposits with licensed banks is as follows:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Thai Baht	-	99	218

**6.2.16 CASH AND BANK BALANCES**

The foreign currency exposure profile of the cash and bank balances is as follows:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Australian Dollar	-	14	28
Euro	-	-	21
Thai Baht	40	564	135
United States Dollar	390	20	597

**6.2.17 SHARE CAPITAL**

	FY 2005 Number of shares ('000)	FY 2006 Number of shares ('000)	FY 2007 Number of shares ('000)	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
<b>ORDINARY SHARES OF RM1.00 Each:-</b>						
Authorised	5,000	5,000	5,000	5,000	5,000	5,000
Issued And Fully Paid-Up	1,300	1,300	1,300	1,300	1,300	1,300

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.18 RETAINED PROFITS**

Subject to agreement with the tax authorities, at 31 December 2007, Uzma Malaysia has sufficient tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends of approximately RM14,868,000 out of its retained profits without incurring any additional tax liability. The balance of the retained profits exceeding this amount, if distributed as dividends, will incur additional tax payments.

**6.2.19 DEFERRED TAX LIABILITIES**

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
At 1 January	(7)	14	75
Recognised in income statements (Section 6.2.7)	21	71	-
Arising from disposal of subsidiaries (Section 6.2.26)	-	(10)	-
At 31 December	14	75	75

Deferred tax liabilities relate to accelerated capital allowances on qualifying cost of equipment.

**6.2.20 LONG-TERM PAYABLES**

This represents a loan from a corporate shareholder of a former subsidiary, Roxar ASA, a company incorporated in Norway, which is unsecured, interest-free and not subject to fixed term of repayment.

**6.2.21 HIRE PURCHASE AND LEASE PAYABLES**

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Minimum hire purchase and lease payments:-			
- not later than one year	29	436	34
- later than one year and not later than five years	45	15	149
	74	451	183
Gross hire purchase and lease payables			
Future finance charges	(6)	(28)	(24)
Present value of hire purchase and lease payables	68	423	159

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.21 HIRE PURCHASE AND LEASE PAYABLES (CONT'D)**

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
The net hire purchase and lease payables are repayable as follows:			
- not later than one year	26	408	26
- later than one year and not later than five years	42	15	133
	<u>68</u>	<u>423</u>	<u>159</u>

The UM Group has hire purchase contracts for certain equipment as disclosed in Section 6.2.8. There are no restrictions imposed on the UM Group by the hire purchase arrangements and the UM Group has not entered into any arrangements for contingent rent payments.

The effective interest rates of the hire purchase and lease payables at the balance sheet date ranged from 7.16% to 8.00% (2006 - 7.16% to 8.00%, 2005 -7.16%) per annum.

**6.2.22 TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 7 to 30 days.

The foreign currency exposure profile of the trade payables is as follows:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Australian Dollar	-	3	-
Euro	-	-	119
Thai Baht	-	-	218
United States Dollar	876	961	2,634

The trade payables ageing analysis for the FY 2007 is set out below:-

	0 to 30 Days RM'000	31 to 60 Days RM'000	61 to 90 Days RM'000	> 90 Days RM'000	Total RM'000
<i>Balance as at 31.12.2007</i>	<u>1,136</u>	<u>28</u>	<u>53</u>	<u>2,029</u>	<u>3,246</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.23 OTHER PAYABLES AND ACCRUALS**

The foreign currency exposure profile of the other payables and accruals is as follows:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Australian Dollar	-	-	23
Thai Baht	2	429	314

**6.2.24 BANK OVERDRAFT**

The bank overdraft bears an effective interest rate of 8.75% (2006 and 2005 - 8.00%) per annum and is secured by way of:-

- (i) a pledge of certain fixed deposits of Uzma Malaysia; and
- (ii) a joint and several guarantee by the directors of Uzma Malaysia.

**6.2.25 PROMISSORY NOTE**

The promissory note bears an effective interest rate of 7.50% (2006 - 7.50% and 2005 - N/A) per annum and is secured in the same manner as the bank overdraft as disclosed in Section 6.2.24.

**6.2.26 DISPOSAL OF SUBSIDIARIES**

On 30 December 2006, Uzma Malaysia disposed of its 51% equity interest in IRAP comprising 2,295,000 ordinary shares of RM1.00 each for a total consideration of RM1,530,000.

On 24 January 2007, the Company entered into a Supplementary Agreement in addition to the Principal Agreement signed on 30 December 2006 pertaining to the disposal of IRAP. Under the Supplementary Agreement, the sale proceeds arising from the disposal of the Company's 51% equity interest in IRAP were increased from RM1,530,000 to RM5,059,090.

The effects on the financial results in FY 2006 arising from the disposal of the subsidiaries were as follows:-

	FY 2006 RM'000
Revenue	32,530
Decrease in net profit of the UM Group	(472)

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**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.26 DISPOSAL OF SUBSIDIARIES (CONT'D)**

The details of net assets disposed and cash flow arising from the disposal of the subsidiaries in the previous financial year were as follows:-

	FY 2006 RM'000
Equipment (Section 6.2.8)	920
Amount owing by contract customers	4,043
Trade receivables	11,274
Other receivables, deposits and prepayments	2,933
Tax recoverable	704
Cash and bank balances	1,919
Other payables and accruals	(15,674)
Deferred tax liabilities (Section 6.2.19)	(10)
	<u>6,109</u>
Minority interests	(2,993)
	<u>3,116</u>
Fair value of the net assets disposed	3,116
Goodwill on acquisition (Section 6.2.9)	1,943
	<u>5,059</u>
Cash consideration	5,059
Cash and cash equivalents of disposed subsidiaries	(1,919)
	<u>3,140</u>
Net cash inflow on disposal of subsidiaries	<u>3,140</u>

**6.2.27 PURCHASE OF EQUIPMENT**

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Cost of equipment purchased	1,219	1,108	560
Amount financed through hire purchase and lease	(79)	(634)	(185)
	<u>1,140</u>	<u>474</u>	<u>375</u>
Cash disbursed for purchase of equipment			

**6.2.28 DIVIDEND PAID**

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Paid interim dividend of RM3.00 per ordinary share less 28% tax	-	(2,808)	-
	<u>-</u>	<u>(2,808)</u>	<u>-</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.29 CASH AND CASH EQUIVALENTS**

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Fixed deposits with licensed bank	1,158	1,621	3,984
Cash and bank balances	1,306	599	911
Bank overdrafts	(637)	(1,480)	(5,761)
	<u>1,827</u>	<u>740</u>	<u>(866)</u>

**6.2.30 RELATED PARTY DISCLOSES****(a) Identities of related parties**

- (i) the Uzma Malaysia has related party relationship with its subsidiaries
- (ii) the directors who are key management personnel; and
- (iii) entity controlled by key management personnel/directors/substantial shareholders.

**(b) In addition to information disclosed elsewhere in this Report, the UM Group and Uzma Malaysia carried out the following transactions with its related parties during the financial year:-**

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
(i) Subsidiaries			
- sales	-	1,613	4,533
- management fee and commission	547	870	-
(ii) Key management personnel			
- short-term employee benefits	567	675	1,024
(iii) Entity controlled by key management personnel/directors/substantial shareholders			
- purchases	-	1,620	385
	<u>-</u>	<u>1,620</u>	<u>385</u>

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.31 CAPITAL COMMITMENTS**

Authorised capital expenditure not provided for in the financial statements:-

	FY 2005 RM'000	FY 2006 RM'000	FY 2007 RM'000
Contracted:			
- acquisition of property and equipment	-	129	5,514
Not contracted:			
- acquisition of equipment	-	-	2,539

**6.2.32 SIGNIFICANT EVENTS DURING FY 2007**

On 25 April 2007, the Company entered into two separate Sale and Purchase Agreements with certain third parties to acquire two pieces of freehold land and buildings at a consideration of RM2,800,000 and RM2,750,000 respectively. A deposit of RM1,036,480 was paid to these parties.

**6.2.33 SIGNIFICANT EVENTS SUBSEQUENT TO THE FY 2007**

- (a) On 7 May 2008, the Company paid the sum of AUD75,000 for the remaining unpaid share capital of Uzma Australia of AUD75 each.
- (b) On 20 May 2008, the entire and issued paid-up share capital of the Company was acquired by Uzma Berhad and consequently the Company became a wholly-owned subsidiary of Uzma Berhad.
- (c) During the financial year, the directors propose a net final dividend of RM8,500,000 for the financial year ended 31 December 2007 which was subsequently revoked by the shareholders on 22 May 2008.

**10. ACCOUNTANTS' REPORT (Cont'd)****6. AUDITED FINANCIAL STATEMENTS (CONT'D)****6.2 UM GROUP (CONT'D)****6.2.34 FOREIGN EXCHANGE RATES**

The principal closing rates used (expressed on the basis of one unit of foreign currency to RM equivalent) for the translation of foreign currency balances at the balance sheet date are as follows:-

	FY 2005	FY 2006	FY 2007
Australian Dollar	-	2.79	2.92
Euro	-	-	4.88
Sterling Pound	6.71	-	6.61
Thai Baht	0.10	0.10	0.10
United States Dollar	3.74	3.53	3.31

**6.2.35 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities of the Group and of Uzma Malaysia:-

**(a) Amounts Owning By/To Directors/Related Parties/Subsidiaries**

It is not practicable to estimate the fair values of the amounts owing by/to directors/the related parties/subsidiaries due principally to the lack of fixed repayment terms. However, the UM Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would be eventually be received or settled.

**(b) Hire Purchase and Lease Payables**

The carrying amounts approximated the fair values of these instruments. The fair values of the hire purchase and lease payables are determined by discounting the relevant cash flows using the current interest rates for similar types of instruments at the balance sheet date.

**(c) Bank Balances and Other Short-Term Receivables/Payables**

The carrying amounts approximated their fair values due to the relatively short-term maturity of these instruments.

**10. ACCOUNTANTS' REPORT (Cont'd)****7. RESTATEMENT TO THE AUDITED FINANCIAL STATEMENTS**

Certain comparative figures of the UM Group have been reclassified to ensure consistency of presentation of information for comparison purposes. The details of the reclassifications made are set out as follows:-

	AS RESTATED RM'000	AS PREVIOUSLY REPORTED RM'000
FY 2005		
BALANCE SHEETS (EXTRACT):-		
Other receivables, deposits and prepayments	903	4,232
Amount due from related company	-	30
Amount owing by directors	1,898	-
Amount owing by related parties	1,461	-
Other payables and accruals	19,337	19,734
Amount owing to a related party	397	-
	<hr/>	<hr/>
CASH FLOW STATEMENTS (EXTRACT):-		
Net cash from operating activities	2,946	1,379
Net cash for investing activities	(2,589)	(989)
Net cash for financing activities	(138)	(148)
Loss on foreign exchange	-	(23)
	<hr/>	<hr/>

**8. SUBSEQUENT EVENTS**

There were no significant subsequent events between the date of the last financial statements used in the preparation of this report and the date of this report which may affect materially the contents of this report.

**9. AUDITED FINANCIAL STATEMENTS**

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2007 for UB and the UM Group.

Yours faithfully

**Horwath**  
Firm No : AF 1018  
Chartered Accountants

**Lee Kok Wai**  
Approval No : 2760/06/08 (J)  
Partner





**Horwath** AF No 1018  
Kuala Lumpur Office  
Chartered Accountants

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## REPORT OF THE AUDITORS TO THE MEMBERS OF UZMA BERHAD

(Incorporated in Malaysia)  
Company No : 769866 - V

We have audited the financial statements set out on pages 8 to 20. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:-
  - (i) the state of affairs of the Company at 31 December 2007 and its results and cash flows for the financial period ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

**Horwath**  
Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur  
23 MAY 2008

**Lee Kok Wai**  
Approval No: 2760/06/08 (J)  
Partner

## Report of the auditors to the members of Uzma Engineering Sdn. Bhd.

(Company No.: 514669-P)  
(Incorporated in Malaysia)

We have audited the financial statements of Uzma Engineering Sdn. Bhd. set out on pages 9 to 28. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
    - i) the state of affairs of the Company at 31 December 2005 and of its results of operations and cash flows for the year ended on that date; and
    - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;
- and,
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

10. ACCOUNTANTS' REPORT (Cont'd)

**Report of the auditors to the members of  
Uzma Engineering Sdn. Bhd.**

(Company No.: 514669-P)  
(Incorporated in Malaysia)

We have considered the financial statements and the auditor's reports of the subsidiaries for which we have not acted as auditors, as indicated in Note 9 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in the form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for that purpose.

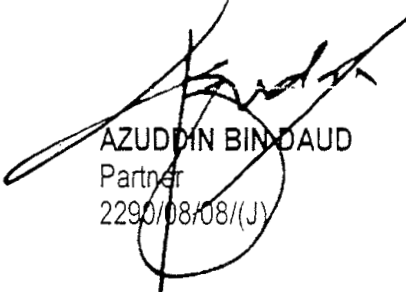
The auditor's reports on the financial statements of the subsidiary companies was not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174 (3) of the Act.

*azuddin&co.*

AZUDDIN & CO.  
AF 1452  
Chartered Accountants

Kuala Lumpur,

Date: 13 JUN 2006

  
AZUDDIN BIN DAUD  
Partner  
2290/08/08/(J)



**REPORT OF THE AUDITORS TO THE MEMBERS OF  
UZMA ENGINEERING SDN. BHD.**

(Incorporated in Malaysia)  
Company No : 514669 - P

We have audited the financial statements set out on pages 9 to 46. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report. The financial statements of the Company for the preceding year were audited by another firm of auditors whose report dated 13 June 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:-
  - (i) the state of affairs of the Group and of the Company at 31 December 2006 and their results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries for which we have not acted as auditors, as indicated in Note 6 to the financial statements.



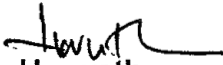
**REPORT OF THE AUDITORS TO THE MEMBERS OF  
UZMA ENGINEERING SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)  
Company No : 514669 - P

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

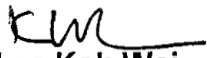
The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

The financial statements of the Company for the preceding financial period were audited by another firm of auditors and these are presented merely for comparative purposes.

  
**Horwath**  
Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur

12 JUN 2007

  
**Lee Kok Wai**  
Approval No: 2760/06/08 (J)  
Partner





**Horwath** AF No 1018  
**Kuala Lumpur Office**  
 Chartered Accountants

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## REPORT OF THE AUDITORS TO THE MEMBERS OF UZMA ENGINEERING SDN. BHD.

(Incorporated in Malaysia)  
 Company No : 514669 - P

We have audited the financial statements set out on pages 9 to 49. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit included examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit also included an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of:-
  - (i) the state of affairs of the Group and of the Company at 31 December 2007 and their results and cash flows for the financial year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries for which we have not acted as auditors, as indicated in Note 6 to the financial statements.



**REPORT OF THE AUDITORS TO THE MEMBERS OF  
UZMA ENGINEERING SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)  
Company No : 514669 - P

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

A handwritten signature in black ink, appearing to be "JN".

**Horwath**  
Firm No: AF 1018  
Chartered Accountants

Kuala Lumpur

23 MAY 2008

A handwritten signature in black ink, appearing to be "KW".

**Lee Kok Wai**  
Approval No: 2760/06/08 (J)  
Partner