

Macmarine Services Pte Ltd

(Incorporated in the Republic of Singapore)
(Registration Number: 198905482N)

Financial Statements
for the financial year ended 31 December 2009

KK Tham & Associates
Certified Public Accountants
Singapore

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Corporate Data

Directors	Choy Youn Wah Zahari @ Zahari Bin Mohd Taib Zaib Bin Zahari Aung Naing
Company secretary	Tan Say Jan
Auditors	KK Tham & Associates 118 Aljunied Avenue 2 #04-102 Singapore 380118
Registered office	69J Tuas South Avenue 1 Seatown Industrial Centre Singapore 637508
Place of incorporation	Singapore
Date of incorporation	14 December 1989

Macmarine Services Pte Ltd

Directors' Report

for the financial year ended 31 December 2009

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2009.

Directors

The directors of the Company in office at the date of this report are:

Choy Youn Wah
Zahari @ Zahari Bin Mohd Taib
Zaid Bin Zahari {Appointed on 10/11/2009}
Aung Naing {Appointed on 10/11/2009}

Arrangements to Acquire Shares or Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

Directors' interest in Shares and Debentures

According to the register of directors' shareholdings kept by the Company for the purpose of Section 164 of the Companies Act, none of the directors holding office at the end of the financial year had any interest in the shares and debentures of the Company, except as follows:

Name of directors	Number of ordinary shares held	
	At 31.12.08	At 31.12.09
Choy Youn Wah	100,000	90,000
Zahari @ Zahari Bin Mohd Taib	100,000	90,000
Zaid Bin Zahari {appointed on 10/11/2009}	-	10,000
Aung Naing {appointed on 10/11/2009}	-	10,000

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related company with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Macmarine Services Pte Ltd

Directors' Report

for the financial year ended 31 December 2009 - Continued

Share options

There is presently no option scheme on unissued shares of the Company.

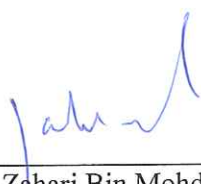
Auditors

The auditors, KK Tham & Associates have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors



Choy Youn Wah
Director



Zahari @ Zahari Bin Mohd Taib
Director

Singapore

30 OCT 2010

Macmarine Services Pte Ltd

Statement By Directors

for the financial year ended 31 December 2009

We, being the directors of Macmarine Services Pte Ltd, do hereby state that, in the opinion of the directors,

- (a) the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flow, together with the notes thereon as set out on pages 7 to 32, are properly drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2009 and of the results of the business, changes in equity and cash flows of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors



Choy Youn Wah
Director



Zahari @ Zahari Bin Mohd Taib
Director

Singapore

30 OCT 2010

Independent Auditors' Report to the members of

Macmarine Services Pte Ltd

for the financial year ended 31 December 2009

Report on the Financial Statements

We have audited the accompanying financial statements of Macmarine Services Pte Ltd, which comprise the balance sheet as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 32.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report to the members of

Macmarine Services Pte Ltd

for the financial year ended 31 December 2009 - Continued

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2009 and the results, changes in equity and cash flows of the Company for the year ended on that date; and the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



KK Tham & Associates
Public Accountants and
Certified Public Accountants
Singapore

30 OCT 2010

Macmarine Services Pte Ltd

Balance Sheet

as at 31 December 2009

	Note	2009 S\$	2008 S\$
ASSETS			
Non-Current Assets			
Property, plant & equipment	3	<u>7</u>	<u>6,966</u>
Current Assets			
Trade & other receivables	4	616,860	586,550
Other asset	5	237,800	-
Fixed deposits	6	64,644	63,686
Cash & cash equivalents	7	<u>194,435</u>	<u>8,147</u>
		<u>1,113,739</u>	<u>658,383</u>
Total Assets		<u><u>1,113,746</u></u>	<u><u>665,349</u></u>
EQUITY AND LIABILITIES			
Non-Current Liabilities			
Loans & borrowings	8	224,436	6,573
Deferred tax	9	<u>904</u>	<u>904</u>
		<u>225,340</u>	<u>7,477</u>
Current Liabilities			
Trade & other payables	10	222,191	243,047
Loans & borrowings	8	191,959	69,784
Provision for taxation		<u>24,287</u>	<u>15,782</u>
		<u>438,437</u>	<u>328,613</u>
Capital And Reserves			
Share capital	11	200,000	200,000
Accumulated profit		<u>249,969</u>	<u>129,259</u>
		<u>449,969</u>	<u>329,259</u>
Total Equity And Liabilities		<u><u>1,113,746</u></u>	<u><u>665,349</u></u>

The accompanying notes form an integral part of and should be read in conjunction with these audited financial statements.

Macmarine Services Pte Ltd

Statement Of Comprehensive Income

for the financial year ended 31 December 2009

	Note	2009 S\$	2008 S\$
Revenue from sales		2,413,434	2,247,863
Miscellaneous income	12	<u>25,733</u>	<u>4,736</u>
		<u>2,439,167</u>	<u>2,252,599</u>
Expenses			
Bad debts written off		(25,998)	(94,615)
Cost of sales		(1,365,287)	(1,347,078)
Depreciation of property, plant & equipment	3	(6,959)	(8,110)
Finance costs	13	(13,141)	(10,263)
Operating lease rental		(78,131)	(72,384)
Professional fees		(50,193)	(15,576)
Staff costs	14	(603,538)	(467,652)
Other expenses	15	<u>(117,855)</u>	<u>(122,767)</u>
Total expenses		<u>(2,261,102)</u>	<u>(2,138,445)</u>
Profit before taxation		178,065	114,154
Taxation	16	<u>(17,355)</u>	<u>(10,981)</u>
Net profit for the year		160,710	103,173
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>160,710</u>	<u>103,173</u>

The accompanying notes form an integral part of and should be read in conjunction with these audited financial statements.

Macmarine Services Pte Ltd

Statement Of Changes In Equity

for the financial year ended 31 December 2009

		Share capital S\$	Accumulated profit S\$	Total S\$
Balance at 1 January 2008		200,000	26,086	226,086
Total comprehensive income for the financial year		-	103,173	103,173
Balance at 31 December 2008		200,000	129,259	329,259
Dividends paid during the year	17	-	(40,000)	(40,000)
Total comprehensive income for the financial year		-	160,710	160,710
Balance at 31 December 2009		200,000	249,969	449,969

The accompanying notes form an integral part of and should be read in conjunction with these audited financial statements.

Macmarine Services Pte Ltd

Statement Of Cash Flow

for the financial year ended 31 December 2009

	Note	2009 S\$	2008 S\$
Cash Flows From Operating Activities			
Profit before taxation		178,065	114,154
Adjustments for			
Depreciation		6,959	8,110
Interest expenses		13,141	10,263
Interest income		(960)	(833)
Operating cash flow before working capital changes		197,205	131,694
Changes in operating working capital:			
Trade & other receivables		(30,310)	219
Other asset		(237,800)	-
Trade & other payables		(20,856)	(40,547)
<i>Cash (outflow)/inflow from operations</i>		(91,761)	91,366
Interest paid		(13,141)	(10,263)
Tax paid		(8,850)	-
<i>Net cash (used in)/generated from operating activities</i>		(113,752)	81,103
Cash Flows From Investing Activities			
Fixed deposits		(958)	(333)
Interest income		960	833
<i>Net cash generated from investing activities</i>		2	500
Cash Flows From Financing Activities			
Dividends paid		(40,000)	-
Loans & borrowings		322,680	(57,526)
<i>Net cash generated from/(used in) financing activities</i>		282,680	(57,526)
<i>Net increase in cash and cash equivalents</i>		168,930	24,077
<i>Cash and cash equivalents at beginning of financial year</i>		(18,923)	(43,000)
<i>Cash and cash equivalents at end of financial year</i>	7	150,007	(18,923)

The accompanying notes form an integral part of and should be read in conjunction with these audited financial statements

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. CORPORATE INFORMATION

The financial statements of Macmarine Services Pte Ltd for the financial year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 30 OCT 2010

Macmarine Services Pte Ltd is a limited liability company incorporated and domiciled in Singapore.

The registered office and principal place of business is located at 69J Tuas South Avenue 1 Seatown Industrial Centre Singapore 637508.

The principal activities of the Company are those of repairs and engineering services.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements, presented in Singapore dollars, have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS") including related interpretations to FRS ("INT FRS").

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

(b) Significant Accounting Estimates and Judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(b) Significant Accounting Estimates and Judgements - continued

(i) Depreciation of property, plant & equipment

The cost of property, plant & equipment are depreciated on a straight-line basis over the expected useful lives. Management estimates the useful lives of these assets to be within 1 to 5 years. These are common life expectancies in the industry. The carrying amount of the Company's property, plant & equipment as at 31 December 2009 was S\$7 {2008: S\$6,966}. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.

(ii) Impairment of trade and other receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically reviews its loan and receivables and analyse historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment loss. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date. The carrying amounts of the Company's trade and other receivables at the balance sheet date are disclosed in Note 4 to the financial statements.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Company adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 107 Financial Instruments: Disclosures

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the income statement which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Company has elected to present this statement as one single statement.

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The liquidity risk disclosures and fair value measurements disclosures are presented in Note 18 and Note 19 to the financial statements respectively.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be reliably measured. Other subsequent expenditure is recognised as repair and maintenance expense in the income statement during the financial year in which it is incurred.

When an item of property, plant and equipment is disposed, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

Depreciation is calculated on the straight line basis to write off the costs of property, plant and equipment over their estimated useful lives as follows:

Workshop equipment	-	5 years
Furniture & fittings	-	5 years
Office equipment	-	5 years
Motor vehicles	-	5 years
Machinery	-	5 years
Computers	-	1 year
Renovation	-	5 years

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge is made for depreciation in respect of these assets.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) Impairment of Non-Financial Assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for cash-generating unit to which the asset belongs.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of an asset is reduced to its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement.

(f) Financial Assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets are acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

De-recognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) Financial Assets – continued

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

As at 31 December 2009, the Company carries financial assets as loans and receivables on its balance sheet. The Company has no investment to be classified as financial assets at fair value through profit or loss, held-to-maturity and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date that are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” and “cash and cash equivalents” on the balance sheet.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income statement.

Receivables are provided against when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset’s carrying amount and the present value of estimated future cash flows.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the income statement.

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in the income statement when the changes arise.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) Financial Assets – continued

Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account that is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in the prior periods.

(g) Cash and cash equivalents

Cash and bank balances comprise cash on hand and bank deposits which are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value.

(h) Trade and Other Payables

Trade and other payables are recognised when the Company becomes a party to the contractual provision of the instruments. These are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the income statement account when the liabilities are derecognised as well as through the amortisation process. Liabilities of short duration are not discounted.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(i) Interest Bearing Loans and Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received less direction attributable transaction costs, if any. These are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of any transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest rate method.

(j) Borrowing Costs

Borrowing costs are recognised as an expense in the financial year in which they were incurred.

(k) Leases

Finance lease

Finance lease, which effectively transfer to the Company substantially all the risks and rewards of ownership of the lease item, are capitalised at the inception of the lease at the lower of the fair values of the leased amount and at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged directly to the income statement.

Leased assets are depreciated in accordance with the policy for depreciation of property, plant and equipment set out in note 2(d).

Operating lease

Where the Company has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(l) Functional And Foreign Currency

Functional currency

The management has determined the currency of the primary economic environment in which the Company operates (“the functional currency”) to be Singapore dollars. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuation in Singapore dollars.

Foreign currency transactions and balances

Transactions in foreign currencies measured in the respective functional currencies of the Company are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction rates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement.

(m) Income Tax

Tax expense is determined on the basis of tax effect accounting, using the liability method. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except that a deferred tax asset is not carried forward unless it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event where it is probable that the obligation will result in an outflow of economic benefits that can be reasonably estimated.

(o) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest on time deposits and bank current account is recognised on a time proportion basis using the effective interest method.

(p) Jobs Credit Scheme

Cash grants received the government in relation to Jobs Credit Scheme is recognised as income upon receipt.

(q) Employee Benefits

Defined contribution pension scheme

As required by law, the Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at the balance sheet date at current pay rates in respect of employees' services up to that date.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(r) Related Party Transactions

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual.

Related parties

There are transactions and arrangements between the Company and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The current related party balances are unsecured without fixed repayment terms and interest unless stated otherwise.

Key management compensation

	2009 S\$	2008 S\$
Salaries and other short term employee benefits	<u>240,060</u>	<u>206,160</u>

Included in the above amounts are the following items:

	2009 S\$	2008 S\$
Directors' CPF	15,660	15,660
Director's remuneration	<u>224,400</u>	<u>190,500</u>
	<u>240,060</u>	<u>206,160</u>

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amount is for two directors of the Company.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

3. PROPERTY, PLANT AND EQUIPMENT

Cost	Workshop equipment S\$	Furniture & fittings S\$	Office equipment S\$	Motor vehicles S\$
At 1.1.2008	6,802	7,807	19,769	191,441
Additions	-	-	-	-
Disposals	-	-	-	-
At 31.12.2008	6,802	7,807	19,769	191,441
At 1.1.2009	6,802	7,807	19,769	191,441
Additions	-	-	-	-
Disposals	-	-	-	-
At 31.12.2009	6,802	7,807	19,769	191,441
Depreciation				
At 1.1.2008	6,801	7,435	18,506	178,253
Depreciation for the year	-	135	650	7,200
Disposals	-	-	-	-
At 31.12.2008	6,801	7,570	19,156	185,453
At 1.1.2009	6,801	7,570	19,156	185,453
Depreciation for the year	-	236	612	5,987
Disposals	-	-	-	-
At 31.12.2009	6,801	7,806	19,768	191,440
Net book value				
At 31.12.2009	1	1	1	1
At 31.12.2008	1	237	613	5,988

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

3. PROPERTY, PLANT AND EQUIPMENT - continued

Cost	Machinery S\$	Computers S\$	Renovation S\$	Total S\$
At 1.1.2008	15,050	6,245	625	247,739
Additions	-	-	-	-
Disposals	-	-	-	-
At 31.12.2008	15,050	6,245	625	247,739
At 1.1.2009	15,050	6,245	625	247,739
Additions	-	-	-	-
Disposals	-	-	-	-
At 31.12.2009	15,050	6,245	625	247,739
Depreciation				
At 1.1.2008	15,049	6,244	375	232,663
Depreciation for the year	-	-	125	8,110
Disposals	-	-	-	-
At 31.12.2008	15,049	6,244	500	240,773
At 1.1.2009	15,049	6,244	500	240,773
Depreciation for the year	-	-	124	6,959
Disposals	-	-	-	-
At 31.12.2009	15,049	6,244	624	247,732
Net book value				
At 31.12.2009	1	1	1	7
At 31.12.2008	1	1	125	6,966

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

4. TRADE & OTHER RECEIVABLES

	2009 S\$	2008 S\$
Trade receivables	<u>570,899</u>	<u>572,094</u>
Other receivables	43,661	6,756
Deposits	<u>2,300</u>	<u>7,700</u>
	<u>45,961</u>	<u>14,456</u>
Total trade and other receivables	<u>616,860</u>	<u>586,550</u>

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 - 90 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The ageing of trade receivables at reporting date is:

	2009 S\$	2008 S\$
Not past due	1,497	3,424
31 - 60 days	190,573	184,366
61 - 90 days	133,932	137,809
Over 91 days	<u>244,897</u>	<u>246,495</u>
	<u>570,899</u>	<u>572,094</u>

The carrying amount of trade receivables impaired by credit losses is reduced through the use of an allowance account unless on the date the impairment loss is recognised, the Company ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade receivable is ascertained to be uncollectible, it is written off against the allowance account.

Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, and the default or delinquency in payments (more than 120 days ageing of receivable balances) are considered indicators that the trade receivable is impaired. Individual trade receivable is written off when management deems the amount not to be collectible.

Trade receivables that are impaired at the balance sheet date amounted to S\$25,998 {2008: S\$94,615}.

As at balance sheet date, the trade receivables are denominated in Singapore dollars.

The amount due from other receivables and directors are unsecured, non-interest bearing and is repayable on demand.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

5. OTHER ASSET

	2009 S\$	2008 S\$
Deposit paid for purchase of property {Note 20}	<u>237,800</u>	<u>-</u>

6. FIXED DEPOSITS

Fixed deposits have an average maturity period of 1 month {2008: 1 month} from the end of the financial year at an interest rate of 0.015% {2008: 0.018%}.

7. CASH & CASH EQUIVALENTS/BANK OVERDRAFT

For the purpose of cash flow statement, cash and cash equivalents comprise the following:

	2009 S\$	2008 S\$
Cash at bank	194,435	8,147
Bank overdraft {Note 8}	<u>(44,428)</u>	<u>(27,070)</u>
	<u>150,007</u>	<u>(18,923)</u>

Cash and cash equivalents are denominated in Singapore dollars.

8. LOANS & BORROWINGS

	2009 S\$	2008 S\$
<u>Current</u>		
Bank overdraft	44,428	27,070
Hire purchase payable	5,434	9,860
Term loan	<u>142,097</u>	<u>32,854</u>
	<u>191,959</u>	<u>69,784</u>
<u>Non-current</u>		
Hire purchase payable	1,141	6,573
Term loan	<u>223,295</u>	<u>-</u>
	<u>224,436</u>	<u>6,573</u>
Total loans and borrowings	<u>416,395</u>	<u>76,357</u>

The bank overdraft is secured by a pledge of fixed deposit and joint and several guarantee by two directors.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

8. LOANS & BORROWINGS - continued

Obligations under finance lease

The Company has acquired motor vehicles under finance lease for a lease term of 7 years. The average discount rate implicit in the lease is 0.0213% to 0.0634% {2008: 0.0213% to 0.0634%} per annum. Future minimum lease payments under finance lease together with the present value of net minimum lease payments are as follows:

	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	2009 S\$	2009 S\$	2008 S\$	2008 S\$
Not later than one year	6,697	5,434	12,156	9,860
Later than one year but not later than five years	1,403	1,141	8,100	6,573
Total minimum lease payments	8,100	6,575	20,256	16,433
Less: Amounts representing finance charges	(1,525)	-	(3,823)	-
Present value of minimum lease payments	6,575	6,575	16,433	16,433

The carrying amounts of the lease liabilities approximate their fair values.

Term loan

	2009 S\$	2008 S\$
Term loan A	165,392	32,854
Term loan B	200,000	-
	365,392	32,854
Less: Amount due for settlement within 12 months (shown under current liabilities)	(142,097)	(32,854)
Amount due for settlement after 12 months	223,295	-

Term loan A is secured by personal guarantee of two directors, and bears interest at LEFS fixed rate of 5% per annum on a monthly rest basis. The loan is repayable over 48 monthly instalments.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

8. LOANS & BORROWINGS - continued

Term loan - continued

Term loan B is secured by personal guarantee of two directors, and bears interest at LEFS fixed rate of 5% per annum on a monthly rest basis. The loan is repayable over 24 monthly instalments.

Management is of the opinion that the fair values of the Company's long term bank loans, by discounting their future cash flows at market rates, approximate their carrying values as shown in the financial statements.

9. DEFERRED TAXATION

Deferred taxation at the balance sheet date arise primarily from the excess of tax over book depreciation of property, plant & equipment:

	2009 S\$	2008 S\$
Balance at beginning and end	<u>904</u>	<u>904</u>

10. TRADE & OTHER PAYABLES

	2009 S\$	2008 S\$
Trade payables	193,696	136,948
Sundry payables	-	24,264
Accruals	<u>28,495</u>	<u>81,835</u>
	<u>222,191</u>	<u>243,047</u>

Trade payables are denominated in Singapore dollars.

11. SHARE CAPITAL

	2009 S\$	2008 S\$
Issued and fully paid with no par value: 200,000 ordinary shares	<u>200,000</u>	<u>200,000</u>

The Company has one class of ordinary shares. The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restriction.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

12. MISCELLANEOUS INCOME

	2009 S\$	2008 S\$
Interest income	960	833
Jobs credit	23,173	-
Others	1,600	3,903
	<u>25,733</u>	<u>4,736</u>

13. FINANCE COSTS

	2009 S\$	2008 S\$
Hire purchase	2,295	2,295
Bank overdraft	2,141	1,487
Term loan	8,705	6,481
	<u>13,141</u>	<u>10,263</u>

14. STAFF COSTS

	2009 S\$	2008 S\$
Staff costs (including directors' remuneration)		
CPF contribution	66,779	71,321
Salary, bonus and other costs	536,759	396,331
	<u>603,538</u>	<u>467,652</u>

15. OTHER EXPENSES

	2009 S\$	2008 S\$
Entertainment & refreshment	5,183	2,233
Insurance	19,484	16,199
Telephone expenses	11,906	12,057
Transportation	2,655	16,013
Upkeep of motor vehicles	40,539	45,878
Water & electricity	9,773	10,138
Others	28,315	20,249
	<u>117,855</u>	<u>122,767</u>

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

16. TAXATION

The tax charge in the financial statements is made up as follows:

	2009 S\$	2008 S\$
Income tax - current year	<u>17,355</u>	<u>10,981</u>

The taxation charge for the Company is higher than that arrived at by applying the standard rate of tax to the profit for the year due to certain expenses which are not allowable for tax purposes.

A numerical explanation of the relationship between accounting profit or loss and tax income or expense is as follows:

	2009 S\$	2008 S\$
Profit before taxation	<u>178,065</u>	<u>114,154</u>
Taxation at statutory tax rate of 17% {2008: 18%}	30,271	20,548
<i>Adjustment</i>		
Expenses not deductible for tax purposes	9,220	3,251
Income not subject to tax	(3,939)	-
Partial exemption	(18,205)	(11,880)
Others	<u>8</u>	<u>(938)</u>
Tax charge as per income statement	<u>17,355</u>	<u>10,981</u>

17. DIVIDENDS

During the year, the Company declared and paid a final tax-exempt dividend of 20 cents per ordinary share, totalling S\$40,000, in respect of the financial year ended 31 December 2008.

The directors recommend a final tax-exempt dividend of 20 cents per ordinary share to be paid to shareholders totalling S\$40,000. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

18. FINANCIAL RISK MANAGEMENT AND POLICIES

The Company's financial instruments are exposed to mainly liquidity, credit, interest and capital risk. The Company reviews and agrees policies for managing the financial risks regularly on an ongoing basis to minimise the potential material adverse financial impact of those exposures.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 - Continued

18. FINANCIAL RISK MANAGEMENT AND POLICIES - continued

Liquidity risk

The Company's exposure to liquidity risk arises in the general funding of the Company's business activities. The Company's objective is to maintain a balance between continuity of funding and flexibility through diverse sources of committed and uncommitted credit facilities from various banks.

The tables below summarise the maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2009		Total
	1 year or less	2 to 5 years	
	S\$	S\$	S\$
Trade payables	193,696	-	193,696
Sundry payables	-	-	-
Accruals	28,495	-	28,495
Bank overdraft	44,428	-	44,428
Hire purchase payable	5,434	1,141	6,575
Term loan	142,097	223,295	365,392
	<u>414,150</u>	<u>224,436</u>	<u>638,586</u>

	2008		Total
	1 year or less	2 to 5 years	
	S\$	S\$	S\$
Trade payables	136,948	-	136,948
Sundry payables	24,264	-	24,264
Accruals	81,835	-	81,835
Bank overdraft	27,070	-	27,070
Hire purchase payable	9,860	6,573	16,433
Term loan	32,854	-	32,854
	<u>312,831</u>	<u>6,573</u>	<u>319,404</u>

Credit risk

Credit risk refers to the risk that debtors will default on their obligation to repay the amounts owing to the Company, resulting in a loss to the Company. It is the Company's policy to provide credit terms to creditworthy and reputable customers. These receivables are continually monitored to ensure that issues arising from non-collectability are minimised. Therefore, the Company does not expect material credit losses on its debts with customers.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 – Continued

18. FINANCIAL RISK MANAGEMENT AND POLICIES - continued

Interest risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's overdraft and banking facilities and term loan taken up from reputable financial institutions. Surplus funds are placed with bank.

Interest rate sensitivity

The Company's borrowings at variable rates, upon which effective hedges have not been entered into, are denominated mainly in Singapore dollars (SGD). If the SGD interest rates increased/decreased by 0.5% {2008: 0.5%} with all other variables including tax rate being held constant, the net profit would be lower/higher by S\$2,049 {2008: S\$300} as a result of higher/lower interest expense on these borrowings.

Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Company's current strategy remains unchanged from 2008.

Management monitors capital based on the Company's net cash/(gearing). The Company's net cash/(gearing) is calculated as net cash/(borrowings) divided by total capital. Net cash/(borrowings) are calculated as cash and bank balances (Note 7) less total term loans (Note 8). Total capital refers to capital employed under equity.

	2009 S\$	2008 S\$
Net borrowings	(215,385)	(51,777)
Total capital	449,969	329,259
Net gearing ratio	(0.48)x	(0.16)x

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2009 – Continued

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Bank balances, other liquid funds and short-term receivables

The carrying amount approximates fair value due to the relatively short-term maturity of these instruments.

Short-term borrowings and other current liabilities

The carrying amount approximates fair value because of the short period to maturity of these instruments.

20. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

After the financial year, the Company purchased a property at a sum of S\$1,189,000.

21. NEW ACCOUNTING STANDARDS AND FRS INTERPRETATIONS

Certain FRS and INT FRS have been revised and issued but not yet effective. The Company has assessed that these FRS and INT FRS are not relevant to the Company and do not anticipate any material impact on the accounting policies and the financial statements.