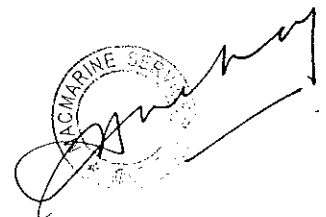


Macmarine Services Pte Ltd

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

Financial Statements
for the financial year ended 31 December 2010

KK Tham & Associates
Certified Public Accountants
Singapore

A circular stamp with the text "MACMARINE SERVICES" around the perimeter. Overlaid on the stamp is a handwritten signature in black ink.

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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 2010

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2010.

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
Aung Naing

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 31.12.09	At 31.12.10
Choy Youn Wah	90,000	90,000
Zahari @ Zahari Bin Mohd Taib	90,000	90,000
Zaid Bin Zahari	10,000	10,000
Aung Naing	10,000	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 2010 - Continued


Share options

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

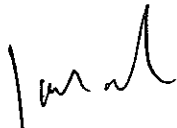
Auditors

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

Macmarine Services Pte Ltd

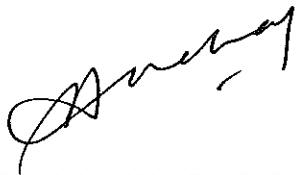
Statement By Directors

for the financial year ended 31 December 2010

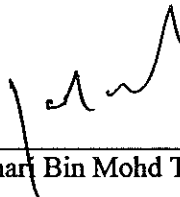
We, being the directors of Macmarine Services Pte Ltd, do hereby state that, in the opinion of the directors,

- (a) the balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows, together with the notes thereon, 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 2010 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

Independent Auditors' Report to the members of

Macmarine Services Pte Ltd

for the financial year ended 31 December 2010

Report on the financial statements

We have audited the financial statements of Macmarine Services Pte Ltd, which comprise the balance sheet as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards, and for 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.

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 about 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 judgement, 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 of financial statements that give a true and fair view 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 2010 - 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 to give a true and fair view of the state of affairs of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, 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

28 NOV 2011

Macmarine Services Pte Ltd

Balance Sheet

as at 31 December 2010

	Note	2010 S\$	2009 S\$
ASSETS			
Non-Current Assets			
Property, plant & equipment	3	<u>1,214,252</u>	<u>7</u>
Current Assets			
Trade & other receivables	4	478,523	854,660
Fixed deposits	5	65,422	64,644
Cash & cash equivalents	6	<u>122,954</u>	<u>194,435</u>
		<u>666,899</u>	<u>1,113,739</u>
Total Assets		<u>1,881,151</u>	<u>1,113,746</u>
EQUITY AND LIABILITIES			
Non-Current Liabilities			
Deferred taxation	7	557	904
Loans & borrowings	8	<u>861,952</u>	<u>224,436</u>
		<u>862,509</u>	<u>225,340</u>
Current Liabilities			
Trade & other payables	9	471,188	222,191
Loans & borrowings	8	188,742	191,959
Provision for taxation		<u>10,981</u>	<u>24,287</u>
		<u>670,911</u>	<u>438,437</u>
Capital And Reserves			
Share capital	10	200,000	200,000
Accumulated profit		<u>147,731</u>	<u>249,969</u>
		<u>347,731</u>	<u>449,969</u>
Total Equity And Liabilities		<u>1,881,151</u>	<u>1,113,746</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 2010

	Note	2010 S\$	2009 S\$
Revenue from sales		2,331,369	2,413,434
Miscellaneous income	11	<u>2,179</u>	<u>25,733</u>
		<u>2,333,548</u>	<u>2,439,167</u>
Costs and expenses			
Bad debts written off		(56,448)	(25,998)
Cost of sales		(1,319,038)	(1,365,287)
Depreciation of property, plant & equipment	3	(36,036)	(6,959)
Finance costs	12	(40,414)	(13,141)
Staff costs	13	(738,175)	(603,538)
Other expenses		<u>(206,022)</u>	<u>(246,179)</u>
Total costs and expenses		<u>(2,396,133)</u>	<u>(2,261,102)</u>
(Loss)/Profit before taxation		(62,585)	178,065
Taxation	14	<u>347</u>	<u>(17,355)</u>
(Loss)/Profit after taxation		(62,238)	160,710
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the financial year		<u>(62,238)</u>	<u>160,710</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 2010

	Note	Share capital S\$	Accumulated profit S\$	Total S\$
Balance at 1 January 2009		200,000	129,259	329,259
Dividends paid during the year	15	-	(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
Dividends paid during the year	15	-	(40,000)	(40,000)
Total comprehensive income for the financial year		-	(62,238)	(62,238)
Balance at 31 December 2010		200,000	147,731	347,731

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 Flows

for the financial year ended 31 December 2010

	Note	2010 S\$	2009 S\$
Cash Flows From Operating Activities			
(Loss)/Profit before taxation		(62,585)	178,065
Adjustments for			
Depreciation		36,036	6,959
Interest expenses		40,414	13,141
Interest income		(778)	(960)
Operating cash flow before working capital changes		13,087	197,205
Changes in operating working capital:			
Trade & other receivables		376,137	(268,110)
Trade & other payables		248,997	(20,856)
<i>Cash inflow/(outflow) from operations</i>		638,221	(91,761)
Tax paid		(13,306)	(8,850)
<i>Net cash generated from/(used in) operating activities</i>		624,915	(100,611)
Cash Flows From Investing Activities			
Purchase of property, plant & equipment		(1,250,281)	-
Fixed deposits		(778)	(958)
Interest income		778	960
<i>Net cash (used in)/generated from investing activities</i>		(1,250,281)	2
Cash Flows From Financing Activities			
Interest paid		(40,414)	(13,141)
Dividends paid		(40,000)	(40,000)
Loans & borrowings		678,727	322,680
<i>Net cash generated from financing activities</i>		598,313	269,539
<i>Net (decrease)/increase in cash and cash equivalents</i>		(27,053)	168,930
<i>Cash and cash equivalents at beginning of financial year</i>		150,007	(18,923)
<i>Cash and cash equivalents at end of financial year</i>	6	122,954	150,007

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 2010

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 2010 were authorised for issue in accordance with a resolution of the directors on

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 2010 - 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 50 years. These are common life expectancies in the industry. The carrying amount of the Company's property, plant & equipment as at 31 December 2010 was S\$1,214,252 (2009: S\$7). 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 2010 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) 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
Property	-	50 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 2010 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(d) 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.

(e) 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 2010 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) 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 2010, 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 2010 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) 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.

(f) 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.

(g) 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 2010 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(h) 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.

(i) Borrowing Costs

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

(j) 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(c).

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.

Notes To The Financial Statements

for the financial year ended 31 December 2010 - Continued

2. **SIGNIFICANT ACCOUNTING POLICIES - Continued**

(k) **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.

(l) **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 2010 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(m) 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.

(n) Revenue Recognition

Revenue is recognised to the extent that 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.

(o) 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 2010 - Continued

2. SIGNIFICANT ACCOUNTING POLICIES - Continued

(p) 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

	2010 S\$	2009 S\$
Salaries and other short term employee benefits	<u>241,260</u>	<u>240,060</u>

Included in the above amounts are the following items:

	2010 S\$	2009 S\$
Directors' CPF	15,660	15,660
Directors' remuneration	<u>225,600</u>	<u>224,400</u>
	<u>241,260</u>	<u>240,060</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 2010 - Continued

3. PROPERTY, PLANT & EQUIPMENT

Cost	Workshop equipment S\$	Furniture & fittings S\$	Office equipment S\$	Motor vehicles S\$
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
At 1.1.2010	6,802	7,807	19,769	191,441
Additions	25,210	2,531	-	-
Disposals	-	-	-	-
At 31.12.2010	32,012	10,338	19,769	191,441
Depreciation				
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
At 1.1.2010	6,801	7,806	19,768	191,440
Depreciation for the year	5,042	506	-	-
Disposals	-	-	-	-
At 31.12.2010	11,843	8,312	19,768	191,440
Net book value				
At 31.12.2010	20,169	2,026	1	1
At 31.12.2009	1	1	1	1

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2010 - Continued

3. PROPERTY, PLANT & EQUIPMENT - continued

Cost	Machinery S\$	Computers S\$	Renovation S\$
At 1.1.2009	15,050	6,245	625
Additions	-	-	-
Disposals	-	-	-
At 31.12.2009	15,050	6,245	625
At 1.1.2010	15,050	6,245	625
Additions	-	-	33,540
Disposals	-	-	-
At 31.12.2010	15,050	6,245	34,165
Depreciation			
At 1.1.2009	15,049	6,244	500
Depreciation for the year	-	-	124
Disposals	-	-	-
At 31.12.2009	15,049	6,244	624
At 1.1.2010	15,049	6,244	624
Depreciation for the year	-	-	6,708
Disposals	-	-	-
At 31.12.2010	15,049	6,244	7,332
Net book value			
At 31.12.2010	1	1	26,833
At 31.12.2009	1	1	1

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2010 - Continued

3. PROPERTY, PLANT & EQUIPMENT - continued

Cost	Property S\$	Total S\$
At 1.1.2009	-	247,739
Additions	-	-
Disposals	-	-
	<hr/>	<hr/>
At 31.12.2009	-	247,739
	<hr/>	<hr/>
At 1.1.2010	-	247,739
Additions	1,189,000	1,250,281
Disposals	-	-
	<hr/>	<hr/>
At 31.12.2010	1,189,000	1,498,020
	<hr/>	<hr/>
Depreciation		
At 1.1.2009	-	240,773
Depreciation for the year	-	6,959
Disposals	-	-
	<hr/>	<hr/>
At 31.12.2009	-	247,732
	<hr/>	<hr/>
At 1.1.2010	-	247,732
Depreciation for the year	23,780	36,036
Disposals	-	-
	<hr/>	<hr/>
At 31.12.2010	23,780	283,768
	<hr/>	<hr/>
Net book value		
At 31.12.2010	1,165,220	1,214,252
	<hr/>	<hr/>
At 31.12.2009	1	7
	<hr/>	<hr/>

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2010 - Continued

4. TRADE & OTHER RECEIVABLES

	2010 S\$	2009 S\$
Trade receivables	521,428	596,897
Less: Impairment	<u>(56,448)</u>	<u>(25,998)</u>
	<u>464,980</u>	<u>570,899</u>
Other receivables	3,350	43,661
Deposits	<u>5,940</u>	<u>240,100</u>
	<u>9,290</u>	<u>283,761</u>
Total trade & other receivables	474,270	854,660
Prepayment	<u>4,253</u>	<u>-</u>
	<u>478,523</u>	<u>854,660</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 & other receivables at reporting date is:

	2010 S\$	2009 S\$
Not past due	33,209	285,258
31 - 60 days	110,095	190,573
61 - 90 days	158,184	133,932
Over 91 days	<u>172,782</u>	<u>244,897</u>
	<u>474,270</u>	<u>854,660</u>

The carrying amount of trade & other 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\$56,448 {2009: S\$25,998}.

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2010 - Continued

4. TRADE & OTHER RECEIVABLES - continued

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

There is no concentration of credit risk with respect to trade receivables as the Company has a large number of customers.

5. FIXED DEPOSITS

Fixed deposits have an average maturity period of 1 month {2009: 1 month} from the end of the financial year at an interest rate of 0.0375% {2009: 0.015%}.

6. CASH & CASH EQUIVALENTS/BANK OVERDRAFT

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

	2010 S\$	2009 S\$
Cash at bank	122,954	194,435
Bank overdraft {Note 8}	-	(44,428)
	<u>122,954</u>	<u>150,007</u>

Cash and cash equivalents are denominated in Singapore dollars.

7. DEFERRED TAXATION

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

	2010 S\$	2009 S\$
Balance at beginning and end	<u>557</u>	<u>904</u>

8. LOANS & BORROWINGS

	2010 S\$	2009 S\$
<u>Current</u>		
Bank overdraft	-	44,428
Hire purchase payable	1,141	5,434
Term loan	<u>187,601</u>	<u>142,097</u>
	<u>188,742</u>	<u>191,959</u>
<u>Non-current</u>		
Hire purchase payable	-	1,141
Term loan	<u>861,952</u>	<u>223,295</u>
	<u>861,952</u>	<u>224,436</u>
Total loans and borrowings	<u>1,050,694</u>	<u>416,395</u>

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2010 - Continued

8. LOANS & BORROWINGS - continued

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

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% {2009: 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
	2010 S\$	2010 S\$	2009 S\$	2009 S\$
Not later than one year	1,403	1,141	6,697	5,434
Later than one year but not later than five years	-	-	1,403	1,141
Total minimum lease payments	1,403	1,141	8,100	6,575
Less: Amounts representing finance charges	(262)	-	(1,525)	-
Present value of minimum lease payments	1,141	1,141	6,575	6,575

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

Term loan

	2010 S\$	2009 S\$
Term loan A	117,300	165,392
Term loan B	102,494	200,000
Term loan C	829,759	-
	1,049,553	365,392
Less: Amount due for settlement within 12 months (shown under current liabilities)	(187,601)	(142,097)
Amount due for settlement after 12 months	861,952	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 2010 - 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.

Term loan C is secured by personal guarantee of all directors, and bears interest at EFR rate of 5% per annum, whereby the first and second year is 2.12% below EFR whilst the subsequent years is 0.25% above EFR. The loan is repayable over 20 years.

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. TRADE & OTHER PAYABLES

	2010 S\$	2009 S\$
Trade payables	319,810	193,696
Sundry payables	98,935	-
Accruals	30,343	28,495
Amount owing to directors	22,100	-
	<u>471,188</u>	<u>222,191</u>

Trade payables are denominated in Singapore dollars.

The amount owing to sundry payables is unsecured, non-interest bearing and is repayable on demand.

10. SHARE CAPITAL

	2010 S\$	2009 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.

11. MISCELLANEOUS INCOME

	2010 S\$	2009 S\$
Interest income	778	960
Jobs credit	-	23,173
Others	1,401	1,600
	<u>2,179</u>	<u>25,733</u>

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2010 - Continued

12. FINANCE COSTS

	2010 S\$	2009 S\$
Hire purchase	1,263	2,295
Bank overdraft	3,853	2,141
Term loan	35,298	8,705
	<u>40,414</u>	<u>13,141</u>

13. STAFF COSTS

	2010 S\$	2009 S\$
Staff costs (including directors' remuneration)		
CPF contribution	87,068	66,779
Salary, bonus and other costs	651,107	536,759
	<u>738,175</u>	<u>603,538</u>

14. TAXATION

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

	2010 S\$	2009 S\$
Income tax		
- current year	-	17,355
Deferred tax (Note 7)	347	-
	<u>347</u>	<u>17,355</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:

	2010 S\$	2009 S\$
(Loss)/Profit before taxation	<u>(62,950)</u>	<u>178,065</u>
Taxation at statutory tax rate of 17%	(10,701)	30,271
<i>Adjustment</i>		
Expenses not deductible for tax purposes	3,273	9,220
Income not subject to tax	-	(3,939)
Partial exemption	-	(18,205)
Others	7,775	8
Tax charge as per income statement	<u>347</u>	<u>17,355</u>

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2010 - Continued

15. DIVIDENDS

	2010 S\$	2009 S\$
In respect of financial year ended 31 December 2010:		
- Final one-tier tax exempt dividend of 20 cents per share	40,000	-
In respect of financial year ended 31 December 2009:		
- Final one-tier tax exempt dividend of 20 cents per share	-	40,000
	40,000	40,000

16. 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.

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.

		2010		
		1 year or less	2 to 5 years	Total
		S\$	S\$	S\$
Hire purchase payables	(Note 8)	1,141	-	1,141
Term loan	(Note 8)	187,601	861,952	1,049,553
Trade & other payables	(Note 9)	440,845	-	440,845
Accruals	(Note 9)	30,343	-	30,343
		659,930	861,952	1,521,882
		2009		
		1 year or less	2 to 5 years	Total
		S\$	S\$	S\$
Bank overdraft	(Note 6)	44,428	-	44,428
Hire purchase payables	(Note 8)	5,434	1,141	6,575
Term loan	(Note 8)	142,097	223,295	365,392
Trade & other payables	(Note 9)	193,696	-	193,696
Accruals	(Note 9)	28,495	-	28,495
		414,150	224,436	638,586

Macmarine Services Pte Ltd

Notes To The Financial Statements

for the financial year ended 31 December 2010 – Continued

16. FINANCIAL RISK MANAGEMENT AND POLICIES - continued

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.

Interest risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's 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% {2009: 0.5%} with all other variables including tax rate being held constant, the net profit would be lower/higher by S\$5,248 {2009: S\$2,049} 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 2009.