

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

7. Summarised Financial Statements of TAS Offshore (Cont'd)**7.5 Notes to the Financial Statements of TAS Offshore****7.5.1 Significant Accounting Policies**

The accounting policies adopted by TAS Offshore are consistent with the accounting policies disclosed in Note 9.1.

7.5.2 Other Receivables

Other receivables as at 31 May 2008 and 31 March 2009 of RM238,615 and RM889,895 respectively comprised cumulative payments made in respect of the Public Issue and Listing exercise. These payments represent costs which are directly attributable to equity transactions and which will be accounted for in equity as a deduction against share premium account arising from the Public Issue.

7.5.3 Other Payables and Accruals

Included under other payables and accruals as at 31 May 2008 and 31 March 2009 is an amount of RM238,615 and RM901,365 respectively owing to TAS.

7.5.4 Significant/Subsequent Events

As set out in Note 3.2(a), on 26 November 2008, the TAS Offshore entered into a Conditional Share Sale Agreement ("CSSA") with the shareholders of TAS to acquire the entire equity interest in TAS, a company in which Directors of TAS Offshore have substantial financial interest, comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM51,500,000 to be satisfied by the issuance of 103,000,000 new ordinary shares of RM0.50 each in TAS Offshore at par. The acquisition has been completed on 3 April 2009 and TAS became the subsidiary of TAS Offshore.

The assets and liabilities arising from the acquisition are as follows :-

	Fair value RM	TAS's carrying value RM
Property, plant and equipment	12,772,175	8,303,916
Prepaid land lease payments	10,096,097	3,849,871
Inventories	20,283,839	20,283,839
Amount due from contract customers	42,869,898	42,869,898
Trade and other receivables	27,731,663	27,731,663
Tax recoverable	250	250
Cash and bank balances	7,055,148	7,055,148
Amount due to contract customers	(11,101,927)	(11,101,927)
Trade and other payables	(27,859,054)	(27,859,054)
Hire purchase payable	(235,829)	(235,829)
Bank borrowings	(23,754,655)	(23,754,655)
Taxation	(2,240,988)	(2,240,988)
Deferred tax liabilities	(2,869,943)	(191,322)
Fair value of net assets acquired	52,746,674	44,710,810
Purchase consideration settled by the issue of shares	51,500,000	
Excess of fair value of net assets over cost of acquisition to be recognised to income	(1,246,674)	

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

8. Summarised Financial Statements of TAS**8.1 Summarised Balance Sheets of TAS**

The following balance sheets are based on the audited financial statements of TAS for the FYE 31 May 2006 to 31 May 2008 and for the FPE 31 March 2009 :-

	Note	As at			
		31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	9.2	4,847,797	5,113,970	6,312,358	8,303,916
Prepaid land lease payments	9.3	3,356,813	3,180,421	3,219,604	3,849,871
Investment	9.4	-	7,680,000	-	-
		<u>8,204,610</u>	<u>15,974,391</u>	<u>9,531,962</u>	<u>12,153,787</u>
Current Assets					
Inventories	9.5	1,471,730	4,737,913	10,760,598	20,283,839
Amount due from contract customers	9.6	18,127,098	15,983,550	41,083,622	42,869,898
Trade and other receivables	9.7	6,988,910	8,307,913	12,371,920	27,731,663
Amount due from a director	9.8	10,026	517,789	-	-
Tax recoverable		-	117,149	21,001	250
Deposits, cash and bank balances	9.9	3,460,946	16,581,042	22,703,290	21,255,148
		<u>30,058,710</u>	<u>46,245,356</u>	<u>86,940,431</u>	<u>112,140,798</u>
Total Assets		<u><u>38,263,320</u></u>	<u><u>62,219,747</u></u>	<u><u>96,472,393</u></u>	<u><u>124,294,585</u></u>
EQUITY AND LIABILITIES					
Equity					
Share capital	9.10	1,000,000	1,000,000	1,000,000	1,000,000
Retained profits	9.11	11,373,482	26,102,588	42,143,466	57,910,810
Total Equity		<u>12,373,482</u>	<u>27,102,588</u>	<u>43,143,466</u>	<u>58,910,810</u>
Non-Current Liabilities					
Hire purchase payable	9.12	326,504	129,962	203,487	68,861
Term loans (Secured)	9.13	2,486,318	1,284,881	1,193,152	1,001,099
Deferred tax liabilities	9.14	160,313	157,848	174,131	191,322
		<u>2,973,135</u>	<u>1,572,691</u>	<u>1,570,770</u>	<u>1,261,282</u>
Current Liabilities					
Amount due to contract customers	9.6	3,494,374	114,598	3,688,628	11,101,927
Trade and other payables	9.15	16,993,570	31,073,593	44,896,560	27,859,054
Amount due to a director	9.8	29,941	843	-	-
Hire purchase payable	9.12	234,368	179,773	216,985	166,968
Term loans (Secured)	9.13	1,170,932	1,135,792	306,848	281,252
Bank overdraft (Secured)	9.16	826,915	773,974	1,216,304	2,164,304
Other bank borrowings (Secured) :					
- Bankers' acceptances	9.17	-	-	-	645,000
- Revolving credit	9.17	-	-	-	19,663,000
Taxation		166,603	265,895	1,432,832	2,240,988
		<u>22,916,703</u>	<u>33,544,468</u>	<u>51,758,157</u>	<u>64,122,493</u>
Total Liabilities		<u>25,889,838</u>	<u>35,117,159</u>	<u>53,328,927</u>	<u>65,383,775</u>
Total Equity and Liabilities		<u><u>38,263,320</u></u>	<u><u>62,219,747</u></u>	<u><u>96,472,393</u></u>	<u><u>124,294,585</u></u>

13. ACCOUNTANTS' REPORT (CONT'D)
**TAS Offshore Berhad
Accountants' Report (Cont'd)**
**TAS Offshore Berhad
Accountants' Report (Cont'd)**
8. Summarised Financial Statements of TAS (Cont'd)**8.2 Summarised Income Statements of TAS**

The following income statements are based on the audited financial statements of TAS for the FYE 31 May 2006 to 31 May 2008 and for the FPE 31 March 2009 :-

	Note	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2008 ⁽¹⁾ RM	FPE 31 March 2009 RM
Revenue	9.18	68,808,096	74,238,693	121,346,216	82,275,524	110,055,540
Cost of sales	9.18	(58,827,215)	(58,020,563)	(101,378,762)	(67,867,402)	(87,938,164)
Gross profit		9,980,881	16,218,130	19,967,454	14,408,122	22,117,376
Other operating income		103,198	1,193,463	1,536,032	1,241,173	1,920,317
Administrative expenses		(1,909,066)	(2,029,807)	(3,546,594)	(2,626,695)	(3,421,330)
Operating profit		8,175,013	15,381,786	17,956,892	13,022,600	20,616,363
Finance costs	9.19	(36,172)	(39,682)	(47,358)	(42,018)	(57,067)
Profit before taxation	9.20	8,138,841	15,342,104	17,909,534	12,980,582	20,559,296
Taxation	9.21	(295,903)	(612,998)	(1,868,656)	(1,132,822)	(4,791,952)
Profit for the year/period		7,842,938	14,729,106	16,040,878	11,847,760	15,767,344

(1) The income statement for the period from 1 June 2007 to 31 March 2008 is unaudited and is included for comparison purposes only.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

8. Summarised Financial Statements of TAS (Cont'd)**8.3 Summarised Statements of Changes in Equity of TAS**

The following statements of changes in equity are based on the audited financial statements of TAS for the FYE 31 May 2006 to 31 May 2008 and for the FPE 31 March 2009 :-

	Share Capital RM	Retained Profits RM	Total RM
Balance at 1 June 2005	1,000,000	3,530,544	4,530,544
Total recognised income and expense for the financial year - Profit for the year	-	7,842,938	7,842,938
Balance at 31 May 2006	1,000,000	11,373,482	12,373,482
Total recognised income and expense for the financial year - Profit for the year	-	14,729,106	14,729,106
Balance at 31 May 2007	1,000,000	26,102,588	27,102,588
Total recognised income and expense for the financial year - Profit for the year	-	16,040,878	16,040,878
Balance at 31 May 2008	1,000,000	42,143,466	43,143,466
Total recognised income and expense for the financial period - Profit for the period	-	15,767,344	15,767,344
Balance at 31 March 2009	1,000,000	57,910,810	58,910,810

13. ACCOUNTANTS' REPORT (CONT'D)
TAS Offshore Berhad
Accountants' Report (Cont'd)
8. Summarised Financial Statements of TAS (Cont'd)**8.4 Summarised Cash Flow Statements of TAS**

The following cash flow statements are based on the audited financial statements of TAS for the FYE 31 May 2006 to 31 May 2008 and for the FPE 31 March 2009 :-

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2009 RM
Cash flows from operating activities				
Profit before taxation	8,138,841	15,342,104	17,909,534	20,559,296
Adjustments for :-				
Depreciation of property, plant and equipment	832,432	905,522	1,219,083	969,334
Amortisation of prepaid land lease payments	176,392	176,392	180,046	44,761
Dividend income from unit trust	-	-	(193,716)	-
Gain on disposal of investment	-	-	(144,917)	-
Gain on disposal of property, plant and equipment	-	-	(22,000)	-
Unrealised (gain)/loss on foreign exchange	(11,012)	142,015	242,984	167,197
Interest income	(32,447)	(116,600)	(204,941)	(52,227)
Interest expense	313,938	264,379	193,496	445,563
Operating profit before working capital changes	9,418,144	16,713,812	19,179,569	22,133,924
Decrease/(Increase) in inventories	148,662	(3,266,183)	(6,022,685)	(9,523,241)
(Increase)/Decrease in amount due from contract customers	(6,605,652)	2,143,548	(25,100,072)	(1,786,276)
(Decrease)/Increase in amount due to contract customers	(3,454,899)	(3,379,776)	3,574,030	7,413,299
Increase in trade and other receivables	(348,125)	(1,299,770)	(3,968,632)	(15,347,732)
Increase/(Decrease) in trade and other payables	3,415,143	14,144,967	13,532,845	(17,032,274)
Cash generated from/(utilised in) operations	2,573,273	25,056,598	1,195,055	(14,142,300)
Income tax paid	(186,406)	(633,320)	(685,435)	(3,966,606)
Income tax refunded	-	-	96,147	20,752
Interest paid	(19,623)	(9,406)	(24,487)	(43,500)
Net cash from/(used in) operating activities	2,367,244	24,413,872	581,280	(18,131,654)
Cash flows from investing activities				
Additional prepaid land lease payments	-	-	(219,229)	(675,028)
Dividend received	-	-	193,716	-
Interest received	32,447	116,600	204,941	52,227
Investment in unit trust	-	(7,680,000)	-	-
Purchase of property, plant and equipment	(1,304,707)	(1,171,695)	(2,087,471)	(2,960,892)
Proceeds from disposal of investment	-	-	7,824,917	-
Proceeds from disposal of property, plant and equipment	-	-	92,000	-
Net cash (used in)/from investing activities	(1,272,260)	(8,735,095)	6,008,874	(3,583,693)

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

8. Summarised Financial Statements of TAS (Cont'd)**8.4 Summarised Cash Flow Statements of TAS (Cont'd)**

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2009 RM
Cash flows from financing activities				
(Increase)/Decrease in amount due from a director	(10,025)	(507,763)	517,789	-
Decrease in amount due to a director	(222,343)	(29,098)	(843)	-
Repayment of hire purchase liabilities	(127,157)	(251,137)	(289,263)	(184,643)
Hire purchase interests paid	(16,549)	(30,276)	(22,871)	(13,567)
Net repayment of term loans	(853,504)	(1,236,577)	(920,673)	(217,649)
Loan interest paid	(277,766)	(224,697)	(146,138)	(43,460)
Increase in other bank borrowings	-	-	-	20,308,000
Interest paid on other bank borrowings	-	-	-	(345,036)
Net cash (used in)/from financing activities	(1,507,344)	(2,279,548)	(861,999)	19,503,645
Net (decrease)/increase in cash and cash equivalents	(412,360)	13,399,229	5,728,155	(2,211,702)
Cash and cash equivalent at beginning of year/period	3,043,522	2,634,031	15,807,068	21,486,986
Foreign exchange difference on opening balance	2,869	(226,192)	(48,237)	(184,440)
Cash and cash equivalent at end of year/period	2,634,031	15,807,068	21,486,986	19,090,844

Components of Cash and Cash Equivalents at End of Year/Period

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Deposits with licensed financial institutions	2,285,000	16,197,267	12,880,000	-
Cash and bank balances	1,175,946	383,775	9,823,290	21,255,148
Bank overdraft	(826,915)	(773,974)	(1,216,304)	(2,164,304)
	2,634,031	15,807,068	21,486,986	19,090,844

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS**9.1 Significant Accounting Policies****9.1.1 Basis of Preparation**

The financial statements of TAS (herein referred to as "the Company") are prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies. The financial statements comply with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The preparation of financial statements in conformity with the Financial Reporting Standards requires management to exercise their judgement in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period. Although these judgement and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

(a) Significant judgement made in applying the Company's accounting policies

In the process of applying the Company's accounting policies, the management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

The key assumption 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 period are as stated below.

(i) Construction contracts

The Company recognises construction contract revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to-date bear to the estimated total costs for the contract.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of amount due from customers. Total contract revenue also includes an estimation of the amount of variation works that are recoverable from customers. In making the judgement, the Company evaluates based on past experience of the management on similar contract work undertaken by the Company and the expertise of specialists.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.1 Significant Accounting Policies (Cont'd)****9.1.1 Basis of Preparation (Cont'd)****(b) Key sources of estimation uncertainty (Cont'd)****(ii) Depreciation of property, plant and equipment**

The cost of plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 10 years. These are common life expectancies applied in the vessels construction and transportation industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the property, plant and equipment, therefore the future depreciation charges could be revised.

(iii) Impairment of assets

The Company assesses impairment of property, plant and equipment when the events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value after taking into account the costs to sell or expected value in use of the relevant assets.

9.1.2 Adoption of New and Revised Financial Reporting Standards and Issues Committee Interpretations**(a) Financial Reporting Standards and Issues Committee Interpretations That Are Effective**

The Company has adopted the following new and revised Financial Reporting Standards ("FRSs") and the Issues Committee ("IC") Interpretations which have been issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to its operation and which are mandatory for the stated financial periods :-

		Effective for financial period beginning on or after
FRS 107	Cash Flow Statements	1 July 2007
FRS 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 118	Revenue	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.1 Significant Accounting Policies (Cont'd)****9.1.2 Adoption of New and Revised Financial Reporting Standards and Issues Committee Interpretations (Cont'd)****(a) Financial Reporting Standards and Issues Committee Interpretations That Are Effective (Cont'd)**

The other new and revised FRSs and IC Interpretations issued by the MASB that are effective from the beginning of the stated financial periods but which are not applicable to the Company's operations are as follows :-

		Effective for financial period beginning on or after
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134	Interim Financial Reporting	1 July 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates	Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The FRS 107, 111, 112, 118 and 137 were revised to remove local guidance and editorial matters to be identical to the International Financial Reporting Standards. The adoption of these standards did not result in any significant changes to the Company's accounting policies and did not have any significant impact on the amounts reported in the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.1 Significant Accounting Policies (Cont'd)****9.1.2 Adoption of New and Revised Financial Reporting Standards and Issues Committee Interpretations (Cont'd)****(b) FRSs and IC Interpretations That Are Not Yet Effective and Have Not Been Early Adopted**

The Company has not early adopted the following new FRSs and IC Interpretations which have been issued by the MASB but are not yet effective :-

		Effective for financial period beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments : Recognition and Measurement	1 January 2010
Amendments to FRS 2, Share-based Payment	Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

FRS 4 : Insurance Contracts

FRS 4 specifies the financial reporting for insurance contracts by any entity that issues such contracts ("insurers"). In particular, this standard requires disclosure that identifies and explains the amounts in an insurer's financial statements arising from insurance contracts and helps users of those financial statements to understand the amounts, timing and uncertainty of future cash flows from insurance contracts. FRS 4 is not relevant to the Company's operations.

FRS 7 : Financial Instruments - Disclosures

FRS 7 requires disclosures of information relating to the significance of financial instruments on an entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date and how the entity manages those risks. The impact of applying FRS 7 on these financial statements upon its first adoption is not disclosed by virtue of exemption provided under paragraph 44AB of this standard.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)
9.1 Significant Accounting Policies (Cont'd)
9.1.2 Adoption of New and Revised Financial Reporting Standards and Issues Committee Interpretations (Cont'd)
(b) FRSs and IC Interpretations That Are Not Yet Effective and Have Not Been Early Adopted (Cont'd)
FRS 8 : Operating Segments

FRS 8 requires an entity to report financial and descriptive information about its operating segments on the same basis as those used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. The adoption of this standard will only affect the disclosure of operating segments and will not result in any financial impact to the financial statements of the Company.

FRS 123 : Borrowing Costs

FRS 123 which replaces FRS 123₂₀₀₄ removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The adoption of this standard will not have any significant financial impact on the financial statements of the Company.

FRS 139 : Financial Instruments - Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Hedge accounting is permitted only under strict circumstances. The impact of applying FRS 139 on these financial statements upon first adoption of the standard is not disclosed by virtue of the exemption provided under paragraph 103AB of FRS 139.

Amendments to FRS 2, Share-based Payment : Vesting Conditions and Cancellations

The amendments to FRS 2 clarify that vesting conditions are service conditions and performance conditions only and do not include other features of a share-based payment; also the amendments clarify that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity. This amendment is not relevant to the Company's operations.

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments to FRS 1 allow an entity, on transition to the FRS framework, to measure the initial cost of investments in subsidiaries, jointly controlled entities or associates either at cost as determined by FRS 127 or deemed cost. Deemed cost is either the fair value or the carrying amount under the previous accounting practice. These amendments are not relevant to the Company.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.1 Significant Accounting Policies (Cont'd)****9.1.2 Adoption of New and Revised Financial Reporting Standards and Issues Committee Interpretations (Cont'd)****(b) FRSs and IC Interpretations That Are Not Yet Effective and Have Not Been Early Adopted (Cont'd)****Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Cont'd)**

The amendments to FRS 127 remove the requirement to distinguish between the pre and post acquisition dividends from a subsidiary, jointly controlled entity or associate. FRS 127 has also been amended to deal with situations where a parent reorganises its group by establishing a new entity as its parent. Under the new rules, the new parent measures the cost of its investments in the original parent at the carrying amount of its share of equity items shown in the separate financial statements of the original parent at the reorganisation date. These amendments are not relevant to the TAS's operations.

IC Interpretation 9 : Reassessment of Embedded Derivatives

IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract in which case reassessment is required. The adoption of this interpretation will not have any significant financial impact on the financial statements of the Company.

IC Interpretation 10 : Interim Financial Reporting and Impairment

IC Interpretation 10 does not allow an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost to be reversed at a subsequent balance sheet date. The adoption of this interpretation will not result in any financial impact on the financial statements of the Company.

IC Interpretation 11 : FRS 2 - Group and Treasury Share and Transactions

IC Interpretation 11 clarifies how share-based payment transactions involving its own or another entity's instruments in the same group are to be treated and that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity. This interpretation is not relevant to the Company's operations.

IC Interpretation 13 : Customer Loyalty Programmes

IC Interpretation 13 explains how entities that grant loyalty award points to their customers should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. This interpretation is not relevant to the Company's operations.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9.1 Significant Accounting Policies (Cont'd)**9.1.2 Adoption of New and Revised Financial Reporting Standards and Issues Committee Interpretations (Cont'd)****(b) FRSs and IC Interpretations That Are Not Yet Effective and Have Not Been Early Adopted (Cont'd)****IC Interpretation 14 : FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

IC Interpretation 14 addresses how entities should determine the limit placed on the amount of a surplus in a pension plan they can recognise as an asset. Also, it addresses how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19. This interpretation is not relevant to the Company's operations.

9.1.3 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the balance sheet date are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

9.1.4 Property, Plant and Equipment and Depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on a straight line basis to write off the costs of the assets to their residual values over their estimated useful lives, summarised as follows :-

	FPE 31 March 2009 Years	Prior to FPE 31 March 2009 Years
Office furniture, fittings and equipment	5 to 10	5 to 10
Slipway and jetty	10	10
Tugboat, plant and machinery	10	10
Buildings and workers' quarters	10 to 50	10
Motor vehicles	5	5

The residual values and useful lives of assets are reviewed at each financial period and adjusted where appropriate if expectations differ from previous estimates.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.1 Significant Accounting Policies (Cont'd)****9.1.4 Property, Plant and Equipment and Depreciation (Cont'd)**

During the FPE 31 March 2009, the Directors have revised the estimated useful lives of certain administrative buildings and workers' quarters from 10 years to 50 years to better reflect the expected utilisation of such assets by the Company. The change in estimated useful lives of these buildings and workers' quarters has the effect of decreasing the depreciation charge for the FPE 31 March 2009 by RM266,212 and increasing the net carrying amount of property, plant and equipment by the same amount. Such change in estimated useful lives has no impact on the previous years' financial statements.

Property, plant and equipment are reviewed for impairment in accordance with the Company's accounting policy for impairment of assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

9.1.5 Non-Current Investments

Investments held for long term are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

9.1.6 Impairment of Assets

The carrying amounts of non financial assets (other than inventories and construction contract assets) are reviewed for impairment at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. Impairment losses are provided when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit (CGU) is the smallest identifiable asset group that generates cash flows that largely are independent from other assets.

The recoverable amount of an asset or its CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to the income statement in the period in which it arises unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised directly against the revaluation surplus account for that asset to the extent the impairment loss does not exceed the amount held in the revaluation surplus account.

The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised. A reversal of an impairment loss for an asset is recognised in the income statement unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.1 Significant Accounting Policies (Cont'd)****9.1.7 Hire Purchase and Finance Lease Arrangements and Operating Leases**

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership of the leased assets. All other leases are classified as operating leases.

Assets acquired under hire purchase arrangements are recognised and measured in a similar manner as finance leases.

(a) Assets Acquired under Hire Purchase and Finance Lease Arrangement

Assets acquired under hire purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of the fair values and the present values of the minimum hire purchase or lease payments.

The corresponding obligations are taken up as hire purchase or finance lease liabilities. Hire purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are charged to income statement over the period of the hire purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

The depreciation policy of property, plant and equipment acquired under hire purchase and finance lease arrangements are consistent with the Company's depreciation policy as set out in Note 9.1.4 above.

(b) Operating Lease

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the period of the relevant leases.

Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

9.1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

Cost of consumables and input materials comprise the original purchase price plus incidental costs in bringing the inventories to their existing condition and location.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)

9.1 Significant Accounting Policies (Cont'd)

9.1.9 Trade and Other Receivables

Receivables are carried at anticipated realisable value.

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection in the period in which they are identified.

9.1.10 Trade and Other Payables

Trade and other payables are stated at cost.

9.1.11 Provisions

Provisions are recognised when the Company has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

9.1.12 Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

9.1.13 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production and preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Capitalisation of borrowing costs will cease when the assets are ready for their intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

9.1.14 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value reduced by bank overdrafts. The statement of cash flows is prepared using the indirect method.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.1 Significant Accounting Policies (Cont'd)****9.1.15 Employee Benefits****(a) Short-Term Employee Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

(b) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement in the period to which they relate.

9.1.16 Foreign Currencies**(a) Functional and Presentation Currency**

The financial statements are presented in Ringgit Malaysia (RM) which is the currency of primary economic environment in which the Company operates (the functional currency).

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated to Ringgit Malaysia at exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the exchange rates prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rates at the date of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Ringgit Malaysia at the exchange rates at the date that the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in equity. Exchange differences arising from such non-monetary items are recognised directly to equity.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)

9.1 Significant Accounting Policies (Cont'd)

9.1.17 Construction Contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to-date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profit (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

9.1.18 Income Taxes

The tax expense/(income) in the income statement is the aggregate amount of current and deferred tax included in the determination of profit or loss for the financial period.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method on temporary differences at balance sheet date between the carrying amounts of assets and liabilities and the amounts used for taxation purposes.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)

9.1 Significant Accounting Policies (Cont'd)

9.1.19 Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with transactions will flow to the Company and the amount can be measured reliably.

(a) Construction contracts

Revenue from construction contracts is recognised using the percentage of completion method as described in Note 9.1.17.

(b) Revenue from provision of services

Revenue from provision of services is recognised upon rendering of services.

(c) Rental income

Rental income is recognised on an accrual basis over the period of tenancy.

(d) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(e) Sales of completed vessels

Revenue relating to sale of completed vessels is recognised upon transfer of significant risks and rewards of ownership to the buyers.

(f) Dividend income

Dividend income is recognised when the rights to receive payment has been established.

9.1.20 Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income whereas distributions in respect of financial instruments classified as equity are charged to equity.

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

The particular recognition method adopted for each financial instrument recognised in the balance sheet is disclosed in the individual accounting policies associated with each item.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.2 Property, Plant and Equipment**

	Cost RM	Accumulated Depreciation RM	Net Book Value RM
31 May 2006			
Buildings and workers' quarters	2,378,502	639,940	1,738,562
Tugboat, plant and machinery	508,863	129,002	379,861
Motor vehicles	1,268,639	379,928	888,711
Slipway and jetty	2,705,881	1,013,198	1,692,683
Office equipment, furniture and fittings	193,800	45,820	147,980
	<u>7,055,685</u>	<u>2,207,888</u>	<u>4,847,797</u>
31 May 2007			
Buildings and workers' quarters	2,923,291	932,269	1,991,022
Tugboat, plant and machinery	1,330,381	305,658	1,024,723
Motor vehicles	827,834	501,877	325,957
Slipway and jetty	2,729,445	1,286,143	1,443,302
Office equipment, furniture and fittings	416,429	87,463	328,966
	<u>8,227,380</u>	<u>3,113,410</u>	<u>5,113,970</u>
31 May 2008			
Buildings and workers' quarters	3,588,999	1,291,169	2,297,830
Tugboat, plant and machinery	1,998,601	505,518	1,493,083
Motor vehicles	1,571,307	711,139	860,168
Slipway and jetty	2,796,274	1,565,770	1,230,504
Office equipment, furniture and fittings	584,670	153,897	430,773
	<u>10,539,851</u>	<u>4,227,493</u>	<u>6,312,358</u>
31 March 2009			
Buildings and workers' quarters	3,775,200	1,339,556	2,435,644
Tugboat, plant and machinery	4,550,390	884,713	3,665,677
Motor vehicles	1,675,357	951,689	723,668
Slipway and jetty	2,796,274	1,798,793	997,481
Office equipment, furniture and fittings	703,522	222,076	481,446
	<u>13,500,743</u>	<u>5,196,827</u>	<u>8,303,916</u>

(a) Property, plant and equipment include the following assets acquired under hire purchase arrangements :-

	Cost RM	Accumulated depreciation RM	Net book value RM
31 May 2006			
Plant and machinery	302,805	29,817	272,988
Motor vehicles	827,834	336,311	491,523
	<u>1,130,639</u>	<u>366,128</u>	<u>764,511</u>

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.2 Property, Plant and Equipment (Cont'd)**

(a) (Cont'd)

	Cost RM	Accumulated depreciation RM	Net book value RM
31 May 2007			
Plant and machinery	302,805	60,098	242,707
Motor vehicles	827,834	501,877	325,957
	<u>1,130,639</u>	<u>561,975</u>	<u>568,664</u>
31 May 2008			
Plant and machinery	302,805	90,378	212,427
Motor vehicles	832,451	234,720	597,731
	<u>1,135,256</u>	<u>325,098</u>	<u>810,158</u>
31 March 2009			
Plant and machinery	302,805	115,612	187,193
Motor vehicles	832,451	373,462	458,989
	<u>1,135,256</u>	<u>489,074</u>	<u>646,182</u>

(b) The net book value of property, plant and equipment pledged as security in favour of licensed banks for banking facilities are as follows :-

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Buildings	<u>947,932</u>	<u>802,723</u>	<u>1,044,173</u>	<u>1,165,592</u>

(c) The carrying amounts of property, plant and equipment as at 31 May 2006 and 2007 have been restated upon the adoption of FRS 117, Leases.

The adoption of FRS 117 during the financial year ended 31 May 2008 had resulted in a change in accounting policy in relation to the treatment of leasehold land. Under FRS 117, leasehold land held for own use is now treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments and which are amortised on a straight line basis over the remaining lease term. The Company applied FRS 117 in accordance with the transitional provision of the Standard. The change in accounting policy had no impact on the opening retained profits and on the results for the respective financial years presented as there is no change in the rate of amortisation of the leasehold land.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)

9.2 Property, Plant and Equipment (Cont'd)

(c) (Cont'd)

The effects of adopting FRS 117 on the relevant balance sheets as at 31 May 2006 and 2007 are summarised below :-

	As previously reported RM	Effects on adoption of FRS 117 RM	As restated RM
As at 31 May 2006			
Net carrying amounts of :			
- Property, plant and equipment	8,204,610	(3,356,813)	4,847,797
- Prepaid land lease payments	-	3,356,813	3,356,813
	<u> </u>	<u> </u>	<u> </u>
As at 31 May 2007			
Net carrying amounts of :			
- Property, plant and equipment	8,294,391	(3,180,421)	5,113,970
- Prepaid land lease payments	-	3,180,421	3,180,421
	<u> </u>	<u> </u>	<u> </u>

9.3 Prepaid Land Lease Payments

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Cost				
Short term leasehold land	3,112,462	3,112,462	3,331,691	-
Long term leasehold land	705,723	705,723	705,723	4,712,442
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,818,185	3,818,185	4,037,414	4,712,442
Accumulated amortisation				
Short term leasehold land	459,663	635,279	814,549	-
Long term leasehold land	1,709	2,485	3,261	862,571
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	461,372	637,764	817,810	862,571
Net carrying amount				
Short term leasehold land	2,652,799	2,477,183	2,517,142	-
Long term leasehold land	704,014	703,238	702,462	3,849,871
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,356,813	3,180,421	3,219,604	3,849,871

On 11 May 2009, the Company has obtained approval from the relevant authorities to amalgamate and vary the title condition of the above leasehold land to that of a shipyard with new leasehold period of 60 years. Accordingly, the above leasehold land are amortised on a straight line basis over a period of 60 years commencing from the financial period 31 March 2009. Previously, the leasehold land were amortised over a period ranging from 27 to 912 years. The change in amortisation period has been applied prospectively and has the effect of reducing the amortisation charge for the FPE 31 March 2009 by RM105,322. The change has no effect on the previous years' financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.3 Prepaid Land Lease Payments (Cont'd)**

The net book value of prepaid land lease payments pledged as security in favour of licensed banks for banking facilities are as follows :-

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Short term leasehold land	2,652,799	2,477,183	1,174,386	-
Long term leasehold land	704,014	703,238	-	1,455,992
	<u>3,356,813</u>	<u>3,180,421</u>	<u>1,174,386</u>	<u>1,455,992</u>

9.4 Investment

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Unit trust in Malaysia :-				
At cost	-	7,680,000	-	-
Market value	-	7,729,815	-	-

9.5 Inventories

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
At cost :-				
Raw materials and consumable stores	1,471,730	4,737,913	8,083,403	13,218,198
Work in progress - vessel	-	-	2,677,195	5,562,167
Goods-in-transit	-	-	-	1,503,474
	<u>1,471,730</u>	<u>4,737,913</u>	<u>10,760,598</u>	<u>20,283,839</u>
Stock turnover period (days)	12	42	54	89

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.6 Amount Due From/(To) Contract Customers**

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Contract costs incurred to-date	28,026,994	22,974,925	70,627,428	101,422,434
Attributable profit	2,686,964	4,406,417	12,633,730	25,500,331
	<u>30,713,958</u>	<u>27,381,342</u>	<u>83,261,158</u>	<u>126,922,765</u>
Progress billing	(16,081,234)	(11,512,390)	(45,866,164)	(95,154,794)
	<u>14,632,724</u>	<u>15,868,952</u>	<u>37,394,994</u>	<u>31,767,971</u>
Represented by :-				
Amount due from contract customers	18,127,098	15,983,550	41,083,622	42,869,898
Amount due to contract customers	(3,494,374)	(114,598)	(3,688,628)	(11,101,927)
	<u>14,632,724</u>	<u>15,868,952</u>	<u>37,394,994</u>	<u>31,767,971</u>

9.7 Trade and Other Receivables

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Trade receivables	6,096,880	3,723,937	6,030,757	13,502,901
Other receivables	892,030	4,583,976	6,341,163	14,228,762
	<u>6,988,910</u>	<u>8,307,913</u>	<u>12,371,920</u>	<u>27,731,663</u>

Included under other receivables as at 31 March 2009 is an amount of RM901,365 due from TAS Offshore (31 May 2006 and 2007 : Nil, 31 May 2008 : RM238,615). The amount due is unsecured, interest free and is expected to be settled in cash.

The normal trade credit periods of trade receivables range from 7 to 60 days.

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

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Ringgit Malaysia	1,451,162	1,585,436	1,287,350	644,235
Singapore Dollar	4,645,718	2,138,501	4,689,528	6,136,465
United States Dollar	-	-	53,879	6,722,201
	<u>6,096,880</u>	<u>3,723,937</u>	<u>6,030,757</u>	<u>13,502,901</u>
Trade receivables turnover period (days)	<u>39</u>	<u>19</u>	<u>22</u>	<u>36</u>

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.7 Trade and Other Receivables (Cont'd)**

Details of the ageing of trade receivables as at 31 May 2006 to 31 May 2008 and as at 31 March 2009 based on TAS's accounting records are as follows :-

31 May 2006

Credit period	0 to 30 days RM	31 to 60 days RM	61 to 90 days RM	< 6 months RM	6 - 12 months RM	> 12 months RM	Total RM
Trade receivables	4,401,859	1,800	-	831,874	90,760	770,587	6,096,880
% of total trade receivables	72.20	0.03	-	13.64	1.49	12.64	100.00

31 May 2007

Credit period	0 to 30 days RM	31 to 60 days RM	61 to 90 days RM	< 6 months RM	6 - 12 months RM	> 12 months RM	Total RM
Trade receivables	2,180,354	193,367	215,023	146,223	49,723	939,247	3,723,937
% of total trade receivables	58.55	5.19	5.77	3.93	1.34	25.22	100.00

31 May 2008

Credit period	0 to 30 days RM	31 to 60 days RM	61 to 90 days RM	< 6 months RM	6 - 12 months RM	> 12 months RM	Total RM
Trade receivables	4,978,656	203,498	331,557	154,462	215,208	147,376	6,030,757
% of total trade receivables	82.56	3.37	5.50	2.56	3.57	2.44	100.00

31 March 2009

Credit period	0 to 30 days RM	31 to 60 days RM	61 to 90 days RM	< 6 months RM	6 - 12 months RM	> 12 months RM	Total RM
Trade receivables	4,001,411	4,414,341	1,254,000	3,480,791	248,127	104,231	13,502,901
% of total trade receivables	29.63	32.69	9.29	25.78	1.84	0.77	100.00

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.8 Amount Due From/(To) Directors**

The amounts due from/(to) directors are unsecured, interest free and with flexible terms of repayments.

9.9 Deposits, Cash and Bank Balances

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Fixed deposits with a licensed bank	2,285,000	15,197,267	12,880,000	-
Short term deposit with licensed bank - Repo	-	1,000,000	-	-
Cash and bank balances	1,175,946	383,775	9,823,290	21,255,148
	<u>3,460,946</u>	<u>16,581,042</u>	<u>22,703,290</u>	<u>21,255,148</u>

The interest rates during the financial years and period under review and the average maturity period of deposits as at the end of the relevant financial years and period are as follows :-

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Interest rate (%)	2.5 - 4.5	2.3 - 5.1	1.9 - 5.1	-
Average maturity period (Days)	7	7	7	-

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

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Ringgit Malaysia	807,211	4,543,374	1,535,709	94,025
United States Dollar	12,579	1,866,170	15,693,072	12,213,872
Singapore Dollar	2,641,156	10,171,498	5,474,509	8,947,251
	<u>3,460,946</u>	<u>16,581,042</u>	<u>22,703,290</u>	<u>21,255,148</u>

9.10 Share Capital

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Authorised :- 10,000,000 ordinary shares of RM1.00 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid :- 1,000,000 ordinary shares of RM1.00 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)

9.11 Retained Profits

Subject to the agreement of the Inland Revenue Board, TAS has sufficient Section 108 tax credit to distribute up to RM3,849,600 of its retained profits as at 31 March 2009 as non-exempt dividends. In addition, the Company has tax-exempt income of approximately RM36,561,200 which is distributable by way of tax-exempt dividend. Overall, the Company has sufficient Section 108 tax credit and tax-exempt income to frank RM40,410,800 of its distributable retained profits as at 31 March 2009 as dividend without incurring any tax liabilities.

The Finance Act 2007 introduced a single-tier company income tax system with effect from the year of assessment 2008. As such, the Section 108 tax credit above will be available to the Company until such time the credit is fully utilised or upon the expiry of the six years transitional period on 31 December 2013, whichever is earlier.

9.12 Hire Purchase Payable

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Outstanding hire purchase instalments payable :				
- Within 1 year	262,926	193,436	232,252	173,886
- Between 2 to 5 years	346,767	134,853	209,596	69,752
	<u>609,693</u>	<u>328,289</u>	<u>441,848</u>	<u>243,638</u>
Future finance charges on hire purchase	(48,821)	(18,554)	(21,376)	(7,809)
Outstanding hire purchase principal	<u>560,872</u>	<u>309,735</u>	<u>420,472</u>	<u>235,829</u>
Payable within 1 year (included under current liabilities)	234,368	179,773	216,985	166,968
Payable between 2 to 5 years (included under non-current liabilities)	326,504	129,962	203,487	68,861
	<u>560,872</u>	<u>309,735</u>	<u>420,472</u>	<u>235,829</u>

The hire purchase are subject to interests being charged at the following rates :-

	Ranging from
31 May 2006	5.21% to 7.50% p.a
31 May 2007	5.21% to 7.50% p.a
31 May 2008	4.40% to 7.50% p.a
31 March 2009	4.40% to 7.50% p.a

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.13 Term Loans (Secured)**

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
RM2,000,000 term loan repayable by 120 monthly instalments commencing October 2002	1,419,623	1,240,519	-	-
RM500,000 term loan repayable by 84 monthly instalments commencing August 2003	327,913	252,310	-	-
RM500,000 term loan repayable by 36 monthly instalments commencing January 2005	311,332	107,059	-	-
RM2,000,000 term loan repayable by 36 monthly instalments commencing November 2005	1,598,382	820,785	-	-
RM1,500,000 term loan repayable by 60 monthly instalments commencing Jun 2008	-	-	1,500,000	1,282,351
	<u>3,657,250</u>	<u>2,420,673</u>	<u>1,500,000</u>	<u>1,282,351</u>
Less : Repayment due within twelve months (included under current liabilities)	<u>(1,170,932)</u>	<u>(1,135,792)</u>	<u>(306,848)</u>	<u>(281,252)</u>
	<u>2,486,318</u>	<u>1,284,881</u>	<u>1,193,152</u>	<u>1,001,099</u>

The term loans of the Company are secured by a fixed charge over certain parcels of leasehold land and buildings of the Company and are guaranteed jointly and severally by the Directors.

The term loans are subject to interests being charged at the following rates :-

31 May 2006	Ranging from 5.00% to 8.75% p.a
31 May 2007	5.00% to 8.75% p.a
31 May 2008	3.00% to 8.75% p.a
31 March 2009	3.00% to 5.75% p.a

9.14 Deferred Tax Liabilities

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
At beginning of year/period	198,812	160,313	157,848	174,131
Recognised in income statement	(38,499)	3,371	22,869	23,888
Effects of change in tax rates	-	(5,836)	(6,586)	(6,697)
At end of year/period	<u>160,313</u>	<u>157,848</u>	<u>174,131</u>	<u>191,322</u>

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.14 Deferred Tax Liabilities (Cont'd)**

The components of deferred tax assets and deferred tax liabilities as at 31 May 2006 to 31 May 2008 and as at 31 March 2009 are as follows :-

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Deferred tax liabilities				
Property, plant and equipment	160,313	196,192	237,307	233,122
Deferred tax assets				
Other deductible temporary differences	-	(38,344)	(63,176)	(41,800)
	<u>160,313</u>	<u>157,848</u>	<u>174,131</u>	<u>191,322</u>

9.15 Trade and Other Payables

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Trade payables	16,609,313	16,320,546	31,046,991	24,766,442
Other payables	384,257	14,753,047	13,849,569	3,092,612
	<u>16,993,570</u>	<u>31,073,593</u>	<u>44,896,560</u>	<u>27,859,054</u>

The normal trade credit periods of trade payables range from 7 to 90 days.

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

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Ringgit Malaysia	13,209,905	11,319,038	14,750,683	14,623,601
United States Dollar	393,856	326,055	10,907,313	4,197,473
Singapore Dollar	3,005,552	4,671,493	5,117,781	5,806,945
Euro	-	-	271,214	134,854
Australian Dollar	-	3,960	-	3,569
	<u>16,609,313</u>	<u>16,320,546</u>	<u>31,046,991</u>	<u>24,766,442</u>
Trade payables turnover period (days)	<u>130</u>	<u>144</u>	<u>157</u>	<u>109</u>

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.15 Trade and Other Payables (Cont'd)**

Details of the ageing of trade payables as at 31 May 2006 to 31 May 2008 and as at 31 March 2009 based on TAS's accounting records are as follows :-

31 May 2006

Credit period	0-30 days RM	31-60 days RM	61-90 days RM	< 6 months RM	6 - 12 months RM	> 365 days RM	Total RM
Trade payables	6,142,634	3,692,707	1,918,194	2,179,027	2,291,551	385,200	16,609,313
% of total trade payables	36.98	22.23	11.55	13.12	13.80	2.32	100.00

31 May 2007

Credit period	0-30 days RM	31-60 days RM	61-90 days RM	< 6 months RM	6 - 12 months RM	> 365 days RM	Total RM
Trade payables	8,665,097	2,708,960	604,619	1,916,391	1,393,643	1,031,836	16,320,546
% of total trade payables	53.09	16.60	3.71	11.74	8.54	6.32	100.00

31 May 2008

Credit period	0-30 days RM	31-60 days RM	61-90 days RM	< 6 months RM	6 - 12 months RM	> 365 days RM	Total RM
Trade payables	23,660,980	2,146,439	1,631,495	2,135,513	1,472,564	-	31,046,991
% of total trade payables	76.21	6.91	5.26	6.88	4.74	-	100.00

31 March 2009

Credit period	0-30 days RM	31-60 days RM	61-90 days RM	< 6 months RM	6 - 12 months RM	> 365 days RM	Total RM
Trade payables	14,765,856	3,730,664	2,234,632	3,081,911	953,379	-	24,766,442
% of total trade payables	59.62	15.06	9.02	12.45	3.85	-	100.00

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.16 Bank Overdraft (Secured)**

The bank overdraft is secured by a fixed charge over certain parcels of leasehold land and building of the Company.

The bank overdraft is subject to interests being charged at the following rates :-

	Ranging from
31 May 2006	8.75% p.a.
31 May 2007	8.75% p.a.
31 May 2008	7.75% to 8.75% p.a.
31 March 2009	6.50% to 6.75% p.a.

9.17 Other Bank Borrowings (Secured)

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Bankers' acceptances	-	-	-	645,000
Revolving credit	-	-	-	19,663,000
	-	-	-	20,308,000

The bankers' acceptances and revolving credit are secured by a fixed charge over certain parcels of leasehold land and building of the Company and are guaranteed jointly and severally by the Directors.

The bankers' acceptances and revolving credit are subject to interests being charged at the following rates :-

	Ranging from
31 May 2006	N/A
31 May 2007	N/A
31 May 2008	N/A
31 March 2009	4.15% to 5.55% p.a.

9.18 Revenue and Cost of Sales

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2008 ⁽¹⁾ RM	FPE 31 March 2009 RM
Revenue					
Shipbuilding contract income	67,820,788	73,150,418	119,819,453	81,030,070	108,992,954
Vessel repairs and service income	987,308	1,088,275	1,526,763	1,245,454	1,062,586
	<u>68,808,096</u>	<u>74,238,693</u>	<u>121,346,216</u>	<u>82,275,524</u>	<u>110,055,540</u>
Cost of sales					
Cost of construction contracts	57,974,321	57,325,302	100,551,444	67,214,985	87,354,411
Cost of services rendered	852,894	695,261	827,318	652,417	583,753
	<u>58,827,215</u>	<u>58,020,563</u>	<u>101,378,762</u>	<u>67,867,402</u>	<u>87,938,164</u>

⁽¹⁾ Unaudited and are included for comparison purposes only.

13. ACCOUNTANTS' REPORT (CONT'D)
TAS Offshore Berhad
Accountants' Report (Cont'd)
9. Notes to the Financial Statements of TAS (Cont'd)**9.19 Finance Costs**

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2008 ⁽¹⁾ RM	FPE 31 March 2009 RM
Hire purchase interest	16,549	30,276	22,871	19,144	13,567
Term loan interest	277,766	224,697	146,138	127,810	43,460
Bank overdraft interest	19,623	9,406	24,487	22,874	43,500
Other bank borrowings	-	-	-	-	345,036
	313,938	264,379	193,496	169,828	445,563
Less : Included in cost of sales	(277,766)	(224,697)	(146,138)	(127,810)	(388,496)
	<u>36,172</u>	<u>39,682</u>	<u>47,358</u>	<u>42,018</u>	<u>57,067</u>

⁽¹⁾ Unaudited and are included for comparison purposes only.

9.20 Profit Before Taxation

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2008 ⁽¹⁾ RM	FPE 31 March 2009 RM
Profit before taxation is stated after charging :-					
Auditors' remuneration :					
- current year/period	8,000	15,000	25,000	25,000	25,000
- under provided in prior years	-	3,000	-	-	-
- other services	-	2,000	2,000	2,000	-
Depreciation of property, plant and equipment	832,432	905,522	1,219,083	971,992	969,334
Amortisation of prepaid lease payments	176,392	176,392	180,046	146,993	44,761
Executive Directors' other emoluments	853,261	744,701	1,122,174	958,350	1,569,418
Unrealised loss on foreign exchange	-	142,015	242,984	-	167,197
Hiring charges	231,260	171,060	-	-	-
Rental of premises	840	-	-	-	-
Land rental	38,741	72,580	129,730	126,730	111,300
and crediting :-					
Dividend income from unit trust	-	-	193,716	186,725	-
Debt waived	-	-	14,400	14,400	-
Gain on disposal of plant and equipment	-	-	22,000	22,000	-
Gain on disposal of investment	-	-	144,917	135,198	-
Gain on foreign exchange :					
- realised	59,739	1,067,863	949,058	685,259	1,868,090
- unrealised	11,012	-	-	-	-
Interest income	32,447	116,600	204,941	190,591	52,227
Rental income	-	9,000	7,000	7,000	-

⁽¹⁾ Unaudited and are included for comparison purposes only.

13. ACCOUNTANTS' REPORT (CONT'D)
TAS Offshore Berhad
Accountants' Report (Cont'd)
9. Notes to the Financial Statements of TAS (Cont'd)**9.21 Taxation**

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2008 ⁽¹⁾ RM	FPE 31 March 2009 RM
Tax expense for the year/period :-					
Current Malaysian income tax	324,285	625,895	1,852,833	1,060,954	4,774,738
Deferred tax (income)/expense resulting from the origination and reversal of temporary differences	(3,487)	274	2,907	58,952	23,888
Effects of change in tax rates	-	(5,836)	(6,586)	(6,586)	(6,697)
	320,798	620,333	1,849,154	1,113,320	4,791,929
Under/(Over) provided in prior years/periods :-					
- current taxation	10,117	(10,432)	(460)	(460)	23
- deferred taxation	(35,012)	3,097	19,962	19,962	-
	295,903	612,998	1,868,656	1,132,822	4,791,952

The reconciliation of tax expense applicable to profit before taxation at the applicable statutory tax rate to the tax expense at the effective tax rate of the Company is as follows :-

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2008 ⁽¹⁾ RM	FPE 31 March 2009 RM
Profit before taxation	8,138,841	15,342,104	17,909,534	12,980,582	20,559,296
Statutory tax rate	28%	27%	26%	26%	25%
Tax expense at the statutory tax rate	2,278,875	4,142,368	4,656,479	3,374,951	5,139,824
Tax effect in respect of :-					
Effect of different tax rate applicable to small and medium sized company	(40,000)	(35,000)	(30,000)	(30,000)	(25,000)
Expenses not deductible for taxation purposes	94,721	99,864	97,932	37,597	146,666
Tax exempt profit	(2,012,798)	(3,581,063)	(2,868,671)	(2,262,642)	(462,864)
Effects of change in tax rates	-	(5,836)	(6,586)	(6,586)	(6,697)
Effective tax expense	320,798	620,333	1,849,154	1,113,320	4,791,929
Taxation under/(over) provided in prior years/periods :					
- current taxation	10,117	(10,432)	(460)	(460)	23
- deferred taxation	(35,012)	3,097	19,962	19,962	-
Current tax expense	295,903	612,998	1,868,656	1,132,822	4,791,952

⁽¹⁾ Unaudited and are included for comparison purposes only.

The Company was granted a pioneer status under the Promotion of Investments Act, 1986 which exempt 85% of its statutory income from shipbuilding and repairing activities for a period of 5 years from 1 August 2003 to 31 July 2008.

13. ACCOUNTANTS' REPORT (CONT'D)
TAS Offshore Berhad
Accountants' Report (Cont'd)
9. Notes to the Financial Statements of TAS (Cont'd)**9.22 Employee Benefits Expense**

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2008⁽¹⁾ RM	FPE 31 March 2009 RM
(a) Staff cost comprised :-					
Salaries, wages and bonuses	2,959,357	2,793,950	3,683,554	3,179,662	3,575,321
Amount contributed under defined contribution plan - Employees Provident Fund	159,937	197,476	364,406	313,065	371,768
SOCISO contribution	26,128	30,858	36,214	30,224	32,664
	<u>3,145,422</u>	<u>3,022,284</u>	<u>4,084,174</u>	<u>3,522,951</u>	<u>3,979,753</u>

Included in staff cost of the Company are executive directors and senior management remuneration as follows :-

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2008⁽¹⁾ RM	FPE 31 March 2009 RM
Executive directors :					
- Salaries, allowance and commission	443,260	499,985	634,830	486,510	716,150
- Bonuses	486,045	196,535	370,500	370,500	694,500
- Contribution to Employees Provident Fund	43,956	48,181	116,844	101,340	158,768
	<u>973,261</u>	<u>744,701</u>	<u>1,122,174</u>	<u>958,350</u>	<u>1,569,418</u>
- Estimated value of benefits- in-kind	35,050	35,050	35,050	35,050	41,350
	<u>1,008,311</u>	<u>779,751</u>	<u>1,157,224</u>	<u>993,400</u>	<u>1,610,768</u>
Senior management personnel :					
- Salaries, allowance and commission	-	-	94,500	67,500	135,000
- Bonuses	-	-	2,200	2,200	13,000
- Contribution to Employees Provident Fund	-	-	11,604	8,342	17,760
	<u>-</u>	<u>-</u>	<u>108,304</u>	<u>78,042</u>	<u>165,760</u>
Total	<u>1,008,311</u>	<u>779,751</u>	<u>1,265,528</u>	<u>1,071,442</u>	<u>1,776,528</u>
(b) Number of employees	<u>162</u>	<u>179</u>	<u>147</u>	<u>185</u>	<u>205</u>

⁽¹⁾ Unaudited and are included for comparison purposes only.

13. ACCOUNTANTS' REPORT (CONT'D)
TAS Offshore Berhad
Accountants' Report (Cont'd)
9. Notes to the Financial Statements of TAS (Cont'd)**9.23 Segment Reporting**

The Company's operations comprise mainly of shipbuilding and ship repairing activities which collectively are considered as one business segment. Accordingly, segment reporting by business segment has not been disclosed. The revenue from external customers by location of customers is set out below :-

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2008 ⁽¹⁾ RM	FPE 31 March 2009 RM
Malaysia	1,844,154	3,556,407	13,178,197	11,076,363	1,357,342
Singapore	35,345,232	55,255,516	39,450,310	30,058,356	51,778,148
United Arab Emirates	12,527,652	10,002,516	40,468,097	25,110,784	20,979,545
Bahrain	-	-	18,899,241	12,516,575	30,815,191
Indonesia	19,091,058	5,424,254	9,350,371	3,513,446	5,125,314
	<u>68,808,096</u>	<u>74,238,693</u>	<u>121,346,216</u>	<u>82,275,524</u>	<u>110,055,540</u>

⁽¹⁾ Unaudited and are included for comparison purposes only.

All assets are located in Malaysia.

The segment reporting for FYE 31 May 2006 to 2008 and for the FPE 31 March 2008 and 31 March 2009 were prepared for the purpose of inclusion in this report only.

9.24 Capital Commitments

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Authorised but not contracted for :-				
Premium payable on conversion of land title	-	-	600,000	-

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.25 Financial Instruments****(a) Financial Risk Management Objectives and Policies**

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its liquidity, interest rate, foreign exchange and credit risks. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

(i) Foreign Currency Risk

The Company is exposed to foreign currencies risk as a result of its normal trade activities when the currency denomination differs from its functional currency. The currencies giving rise to this risk are primarily United States Dollars (USD) and Singapore Dollars (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the Company are kept to an acceptable level. The Company enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receipts and payments, when it is deemed necessary.

Foreign currency forward contracts outstanding as at balance sheet date were as follows :-

	RM	Average contract rate RM	Settlement period within 1 year RM
As at 31 May 2006			
Trade receivable - SGD2,009,140	4,590,885	2.285	4,591,072
Anticipated sales - SGD3,890,860	8,890,615	2.285	8,890,978
	<u>13,481,500</u>		<u>13,482,050</u>
As at 31 May 2007			
Trade receivable - SGD876,821	1,946,542	2.295	2,012,303
Anticipated sales - SGD623,179	1,383,457	2.295	1,430,197
	<u>3,329,999</u>		<u>3,442,500</u>

As at 31 May 2008 - Nil

As at 31 March 2009 - Nil

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)

9.25 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(ii) Interest Rate Risk

The Company has interest rate risk in respect of its borrowings and deposits.

The Company's bank borrowings are subject to interest based on floating rates while hire purchase financing and interest bearing deposits are based on fixed rates.

The Company's primary interest rate risk relates to interest-bearing liabilities such as bank borrowings and hire purchase payables. Majority of the Company's financial liabilities are short term in nature and for working capital purposes. As such, exposure to interest rate risk is minimal.

(iii) Credit Risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Company. The Company's main exposure to credit risk is in respect of its trade receivables.

The Company has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credits limits and monitoring procedures.

Cash and cash equivalents are only placed with licensed banks.

The Company's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the balance sheet.

(iv) Market Risk

Market risk is the risk that the value of the financial instrument will fluctuate due to changes in market prices.

The Company's main market risk exposure are currency and interest rate fluctuations and which are discussed under the respective risk headings.

The Company holds a small amount of quoted debts and equity investments and therefore the exposure to changes in market prices is considered as insignificant.

(v) Price Risk

The Company's earnings are affected by changes in the prices of its input materials and manufactured products.

(vi) Liquidity and Cash Flow Risks

The Company actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. In view of prudent liquidity management, the Company maintains sufficient level of cash to meet its working capital requirements.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.24 Financial Instruments (Cont'd)****(b) Maturity Profile and Effective Interest Rate**

	Maturity Profile			Total RM	Effective Interest rate %
	Less than 1 year RM	More than 1 year and less than 5 years RM	More than 5 years RM		
31 May 2006					
Financial Assets					
Deposits with financial institutions	2,285,000	-	-	2,285,000	2.50 to 4.50
Financial Liabilities					
Hire purchase payable	234,368	326,504	-	560,872	5.21 to 7.50
Term loans	1,170,932	2,141,178	345,140	3,657,250	5.00 to 8.75
Bank overdraft	826,915	-	-	826,915	8.75
Other bank borrowings	-	-	-	-	N/A
31 May 2007					
Financial Assets					
Deposits with financial institutions	16,197,267	-	-	16,197,267	2.30 to 5.10
Financial Liabilities					
Hire purchase payable	179,773	129,962	-	309,735	5.21 to 7.50
Term loans	1,135,792	1,216,702	68,179	2,420,673	5.00 to 8.75
Bank overdraft	773,974	-	-	773,974	8.75
Other bank borrowings	-	-	-	-	N/A
31 May 2008					
Financial Assets					
Deposits with financial institutions	12,880,000	-	-	12,880,000	1.90 to 5.10
Financial Liabilities					
Hire purchase payable	216,985	203,487	-	420,472	4.40 to 7.50
Term loans	306,848	1,193,152	-	1,500,000	3.00 to 8.75
Bank overdraft	1,216,304	-	-	1,216,304	7.75 to 8.75
Other bank borrowings	-	-	-	-	N/A
31 March 2009					
Financial Assets					
Deposits with financial institutions	-	-	-	-	N/A
Financial Liabilities					
Hire purchase payable	166,968	68,861	-	235,829	4.40 to 7.50
Term loans	281,252	1,001,099	-	1,282,351	3.00 to 5.75
Bank overdraft	2,164,304	-	-	2,164,304	6.50 to 6.75
Other bank borrowings	20,308,000	-	-	20,308,000	4.15 to 5.55

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.25 Financial Instruments (Cont'd)****(c) Fair Values**

The carrying amounts of the hire purchase payables and term loans approximated their fair values.

The fair value of quoted investment approximated its market value which is disclosed in Note 9.4.

The carrying amounts of other current financial assets and liabilities of the Company at the balance sheet date approximated their fair values due to the relatively short term nature of these financial instruments.

9.26 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party or when both parties are under the common control of another party.

(a) Transactions with companies in which certain Directors have substantial interests are as follows :-

	FYE 31 May 2006 RM	FYE 31 May 2007 RM	FYE 31 May 2008 RM	FPE 31 March 2009 RM
Income earned				
Ship building income	1,350,000	-	-	-
Ship repair income	-	62,340	2,033	-
Rental income	-	9,000	7,000	-
Expenditure incurred				
Rental expenses	37,000	48,000	80,000	-
Hiring of equipment	231,260	171,060	-	-
Purchase of marine paints	672,608	529,426	557,024	75,158
Others				
Advances to TAS Offshore, a company in which certain Directors of the Company have substantial financial interests, for the purpose of payments in connection with share issue and listing exercise	-	-	238,615	662,750

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9.26 Related Party Transactions (Cont'd)

(b) The significant outstanding balances of the Company with its related parties included in the financial statements are as follows :-

(i) Amount due from companies in which certain Directors have substantial financial interests included in :-

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Trade receivables	-	71,390	23,000	-
Other receivables	66,295	698,894	238,615	901,365

(ii) Amount due from Directors

	10,026	517,789	-	-
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(iii) Amount due to companies in which certain Directors have substantial financial interests included in :-

	As at			
	31 May 2006 RM	31 May 2007 RM	31 May 2008 RM	31 March 2009 RM
Trade payables	1,413,400	1,803,304	70,950	-

The amounts receivable and payable to the related parties are unsecured, interest free and are expected to be settled in cash.

No expense has been recognised during the financial years and period under review in respect of bad and doubtful debts due from the related parties.

(c) Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company includes the executive/non-executive Directors and the General Manager of the Company and their remuneration for the financial years and period under review are disclosed under Note 9.22(a).

9.27 Significant/Subsequent Events

(a) On 2 April 2009, the Directors of the Company have declared a tax-exempt interim dividend in respect of the FYE 31 May 2009 of RM14.20 per ordinary share of RM1.00 each amounting to RM14,200,000 to the ordinary shareholders whose names appear in the Register of Members at the close of business on 2 April 2009 and which will be payable on 3 July 2009.

13. ACCOUNTANTS' REPORT (CONT'D)

TAS Offshore Berhad
Accountants' Report (Cont'd)

9. Notes to the Financial Statements of TAS (Cont'd)**9.27 Significant/Subsequent Events (Cont'd)**

(b) As set out in Note 3.2(a), on 26 November 2008, the shareholders of the Company entered into a Conditional Share Sale Agreement ("CSSA") with TAS Offshore, a company in which Directors of the Company have substantial financial interests, to dispose of their entire equity interest in the Company comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM51,500,000 to be satisfied by the issuance of 103,000,000 new ordinary shares of RM0.50 each in TAS Offshore at par. The disposal has been completed on 3 April 2009 and consequently, TAS Offshore became the immediate and ultimate holding company of the Company.

9.28 Restatement of Audited Financial Statements

The following figures have been reclassified to conform with the presentation for the FYE 31 May 2008 and FPE 31 March 2009 :-

	As previously reported RM	Reclassification RM	As restated RM
31 May 2006			
Balance sheet			
Amount due from contract customers	14,632,724	3,494,374	18,127,098
Amount due to contract customers	-	(3,494,374)	(3,494,374)
Trade payables	(15,166,197)	(1,443,116)	(16,609,313)
Other payables	(1,827,373)	1,443,116	(384,257)
Cash flow statement			
Cash flows from operating activities :			
- Interest income	-	(32,447)	(32,447)
- Unrealised gain on foreign exchange	(8,143)	(2,869)	(11,012)
Cash flows from investing activities :			
- Interest received	-	32,447	32,447
31 May 2007			
Cash flow statement			
Cash flows from operating activities :			
- Interest income	-	(116,600)	(116,600)
- Unrealised loss on foreign exchange	(84,177)	226,192	142,015
Cash flows from investing activities :			
- Interest received	-	116,600	116,600

10. Subsequent Events

Save for the listing scheme as set out in Notes 3.2(b) and 3.2(c) and subsequent events disclosed under Notes 7.5.4 and 9.27 of this report, there were no other significant events which have occurred subsequent to the last balance sheet date of TAS Offshore and TAS until the date of this report which require adjustments to or disclosure in this report.

13. ACCOUNTANTS' REPORT (CONT'D)
TAS Offshore Berhad
Accountants' Report (Cont'd)
11. Historical Financial Performance

The following financial information are based on the audited financial statements of TAS for the FYE 31 May 2006 to 31 May 2008 and for the FPE 31 March 2009.

		As at			
		31 May 2006	31 May 2007	31 May 2008	31 March 2009
Financial Position					
Paid-up capital	(RM)	1,000,000	1,000,000	1,000,000	1,000,000
Number of ordinary shares in issue	(No.)	1,000,000	1,000,000	1,000,000	1,000,000
Shareholders' funds	(RM)	12,373,482	27,102,588	43,143,466	58,910,810
Total borrowings	(RM)	5,045,037	3,504,382	3,136,776	23,990,484
Net Assets Value ("NAV")	(RM)	12,373,482	27,102,588	43,143,466	58,910,810
Net Tangible Assets ("NTA") ⁽¹⁾	(RM)	9,016,669	23,922,167	39,923,862	55,060,939
NAV per share	(RM)	12.37	27.10	43.14	58.91
NTA per share	(RM)	9.02	23.92	39.92	55.06
Current ratio	(Times)	1.31	1.38	1.68	1.75
Gearing	(Times)	0.41	0.13	0.07	0.41

(1) For the purpose of calculating NTA, the prepaid land lease payments have been excluded as such payments are treated as intangible assets.

		FYE 31 May 2006	FYE 31 May 2007	FYE 31 May 2008	FPE 31 March 2008 ⁽²⁾	FPE 31 March 2009
Financial Results						
Turnover	(RM)	68,808,096	74,238,693	121,346,216	82,275,524	110,055,540
Gross profit	(RM)	9,980,881	16,218,130	19,967,454	14,408,122	22,117,376
Earnings before interest, depreciation, taxation and amortisation ("EBIDTA")	(RM)	9,429,156	16,571,797	19,297,218	14,078,804	21,966,727
Interest income	(RM)	32,447	116,600	204,941	190,591	52,227
Interest expense	(RM)	313,938	264,379	193,496	169,828	445,563
Depreciation and amortisation	(RM)	1,008,824	1,081,914	1,399,129	1,118,985	1,014,095
Profit before tax ("PBT")	(RM)	8,138,841	15,342,104	17,909,534	12,980,582	20,559,296
Profit for the year/period	(RM)	7,842,938	14,729,106	16,040,878	11,847,760	15,767,344
Earnings per share - Basic	(RM)	7.84	14.73	16.04	11.85	15.77
Gross dividend rate	(%)	-	-	-	-	1420%
Effective tax rate	(%)	3.64	4.00	10.43	8.73	23.31
Gross profit margin	(%)	14.51	21.85	16.45	17.51	20.10
PBT profit margin	(%)	11.83	20.67	14.76	15.78	18.68
Interest coverage ratio	(Times)	26.92	59.03	93.56	77.43	47.14
After tax return on shareholders' funds	(%)	63.39	54.35	37.18	30.42	26.76

(2) The financial results for the period from 1 June 2007 to 31 March 2008 are unaudited and are included for comparison purposes only.

13. ACCOUNTANTS' REPORT (CONT'D)



TAS Offshore Berhad
Accountants' Report (Cont'd)

12. Audited Financial Statements

No audited financial statements have been prepared in respect of any period subsequent to 31 March 2009.

Yours faithfully,

A handwritten signature in black ink, appearing to be "J. M.", written over a horizontal line.

FOLKS DFK & CO.
No. : AF 0502
Chartered Accountants

A handwritten signature in black ink, appearing to be "OOI CHEE KUN", written over a horizontal line.

OOI CHEE KUN
No. : 996/03/10 (J/PH)
Partner

13. ACCOUNTANTS' REPORT (CONT'D)

Folks DFK & Co (No. AF 0502)
Chartered Accountants



Independent Auditors' Report to the Members of
TAS Offshore Berhad
(810179 – T)
(Incorporated in Malaysia)

APPENDIX I
(Page 1 of 2)

Report on the Financial Statements

We have audited the financial statements of TAS Offshore Berhad, which comprise the balance sheet as at 31 May 2008, and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 18.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. 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 our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 May 2008 and of its financial performance and cash flows for the period then ended.

- 7 -

13. ACCOUNTANTS' REPORT (CONT'D)

Folks DFK & Co (No. AF 0502)
Chartered Accountants



Independent Auditors' Report to the Members of
TAS Offshore Berhad
(810179 - T)
(Incorporated in Malaysia)

APPENDIX I
(Page 2 of 2)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A stylized, handwritten signature in black ink, appearing to be "Folks", with a long horizontal line extending to the right.

FOLKS DFK & CO.
FIRM NO: AF: 0502
CHARTERED ACCOUNTANTS.

A stylized, handwritten signature in black ink, appearing to be "OOI CHEE KUN", with a long horizontal line extending to the right.

OOI CHEE KUN
NO: 996/03/10 (J/PH)
PARTNER

Kuala Lumpur
Date: 29 AUG 2008

13. ACCOUNTANTS' REPORT (CONT'D)

Folks DFK & Co (No. AF 0502)
Chartered Accountants



APPENDIX II
(Page 1 of 2)

**Independent Auditors' Report to the Members of
TAS Offshore Berhad (810179 – T)
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of TAS Offshore Berhad, which comprise the balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 29.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, 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.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 March 2009 and of its financial performance and cash flows for the period then ended.

- 9 -

13. ACCOUNTANTS' REPORT (CONT'D)



APPENDIX II
(Page 2 of 2)

TAS Offshore Berhad (810179 – T)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

FOLKS DFK & CO.
FIRM NO: AF 0502
CHARTERED ACCOUNTANTS

Kuala Lumpur

Date : 29 May 2009

OOI CHEE KUN
NO: 996/03/10 (J/PH)
PARTNER

13. ACCOUNTANTS' REPORT (CONT'D)

APPENDIX III

PHILIP TONG & Co.

Chartered Accountants

*Auditors' Report to the members of
Tuong Aik Shipyard Sendirian Berhad (575152-H)*

We have audited the financial statements of the Company as set out on pages 7 to 27. The preparation of the financial statements are the responsibility of the Company's Directors.

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

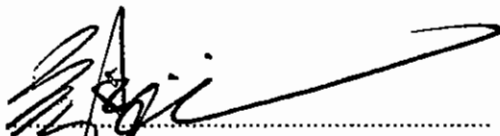
We have conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia so as to give a true and fair view of:
- (i) the state of affairs of the Company as at 31 May, 2006 and of the results and cash flows of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company;

and

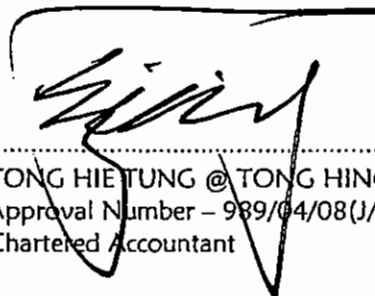
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Act.



PHILIP TONG & CO.,
(AF : 0401),
Chartered Accountants

Sibu, Sarawak.

Date: 4 6 2006



TONG HIETUNG @ TONG HING YUNG
Approval Number - 989/04/08(J/PH)
Chartered Accountant

13. ACCOUNTANTS' REPORT (CONT'D)

APPENDIX IV

PHILIP TONG & Co.

Chartered Accountants

Auditors' Report to the members of

Tuong Aik Shipyard Sendirian Berhad (575152-H)

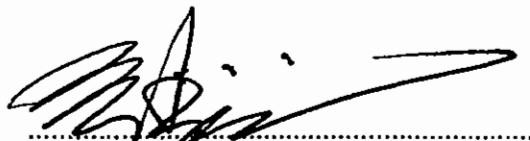
We have audited the financial statements of the Company as set out on pages 7 to 34. The preparation of the financial statements are the responsibility of the Company's Directors.


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

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
 - (i) the state of affairs of the Company as at 31 May, 2007 and of the results and cash flows of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Act.


.....
PHILIP TONG & CO.,
(AF : 0401),
Chartered Accountants


.....
TONG HIE TUNG @ TONG HING YUNG
Approval Number - 989/04/08(J/PH)
Chartered Accountant

Sibu, Sarawak.

Date: 27 AUG 2007

- 6 -

13. ACCOUNTANTS' REPORT (CONT'D)

APPENDIX V

PHILIP TONG & Co.

Chartered Accountants

**Auditors' Report to the members of
Tuong Aik Shipyard Sendirian Berhad (575152-H)
(Incorporated in Malaysia)**


We have audited the financial statements of the Company as set out on pages 7 to 38. The preparation of the financial statements are the responsibility of the Company's Directors.


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

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit, also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB approved accounting standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
 - (i) the state of affairs of the Company as at 31 May, 2008 and of the results and cash flows of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the Act.


PHILIP TONG & CO.,
(AF : 0401),
Chartered Accountants


TONG HIETUNG @ TONG HING YUNG
Approval Number - 989/04/10(J/PH)
Chartered Accountant

Sibu, Sarawak.

Date: 28 JUN 2008

13. ACCOUNTANTS' REPORT (CONT'D)

APPENDIX VI

(Page 1 of 2)

PHILIP TONG & Co.

Chartered Accountants

**Independent Auditors' Report to the members of
Tuong Aik Shipyard Sendirian Berhad (575152-H)**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Tuong Aik Shipyard Sendirian Berhad, which comprise the balance sheet as at 31 March 2009 and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 9 to 44.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. 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 our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 March 2009 and of its financial performance and cash flows for the period then ended.

- 7 -

13. ACCOUNTANTS' REPORT (CONT'D)

APPENDIX VI

(Page 2 of 2)

PHILIP TONG & CO.

Chartered Accountants

Independent Auditors' Report to the members of


Tuong Aik Shipyard Sendirian Berhad (Company No: 575152-H) (Cont'd)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



.....
PHILIP TONG & CO.,
(AF : 0401),
Chartered Accountants.



.....
TONG HIE TUNG @ TONG HING YUNG
Approval Number - 989/04/10(J/PH)
Chartered Accountant

Sibu, Sarawak.
Date: 29 MAY 2009

14. DIRECTORS' REPORT



TAS OFFSHORE BERHAD. 810179-T

27 JUL 2009

Registered Office
Lot 111-112,
Sungai Ma'aw Road
Sg. Bidut,
96000 Sibu
Sarawak

The Shareholders of TAS Offshore Berhad

TAS Offshore Berhad ("TAS Offshore" or "Company")

Dear Sir/Madam

On behalf of the Board of Directors of TAS Offshore, I wish to report that, after making due enquiries in relation to the Company and its subsidiary ("Group") during the period between 31 March 2009, being the date to which the last audited financial statements of TAS Offshore have been made up, and the date thereof, being a date not earlier than 14 days before the date of this Prospectus:-

- (a) In the opinion of the Directors, the business of our Group has been satisfactorily maintained;
- (b) In the opinion of the Directors, no circumstances have arisen since the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) No contingent liabilities have arisen by reason of any guarantees or indemnities given by our Group;
- (e) Since the last audited financial statements of our Group, the Directors are not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest or principal sums in relation to any borrowings; and
- (f) Save as disclosed in this Prospectus, there have been no material changes to the published reserves or any unusual factors affecting the profits of our Group since the last audited financial statements of our Group.

Yours faithfully
For and on behalf of the Board of Directors of
TAS OFFSHORE BERHAD

A handwritten signature in black ink, appearing to be 'Lau Nai Hoh', written over a horizontal line.

DATUK LAU NAI HOH
Managing Director

15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE

Folks DFK & Co (No. AF 0502)
Chartered Accountants



Date : 7 July 2009

The Board of Directors
TAS Offshore Berhad
Lot 111 & 112
Jalan Sg. Ma'aw
Sg. Bidut
96000 Sibul
Sarawak

Dear Sirs,

TAS Offshore Berhad ("TAS Offshore" or "the Company") Proforma Consolidated Financial Information

We report on the accompanying proforma consolidated financial information of TAS Offshore and its subsidiary ("TAS Offshore Group" or "the Group"), which has been prepared by the Directors of TAS Offshore, and which we have stamped for identification purposes.

The proforma consolidated financial information which consists of the proforma consolidated income statements for the three (3) financial years ended 31 May 2006 to 2008 and for the ten (10)-month financial period ended 31 March 2009, the proforma consolidated balance sheets as at 31 March 2009 and the proforma consolidated cash flow statement for the financial period ended 31 March 2009 of TAS Offshore Group, have been prepared for illustrative purposes only, for inclusion in the Prospectus of TAS Offshore ("the Prospectus") to be dated 31 July 2009 in connection with the listing and quotation of the entire issued and paid-up share capital of TAS Offshore on the Main Market of Bursa Malaysia Securities Berhad and are based on certain assumptions and after making certain adjustments to show what :-

- (a) the financial results of TAS Offshore Group for the financial years ended 31 May 2006 to 2008 and for the financial period ended 31 March 2009 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the earliest financial year being presented;
- (b) the financial position of TAS Offshore Group as at 31 March 2009 would have been if the group structure as of the date of the Prospectus had been in place on that date, adjusted for the proceeds of the proposed public issue and proposed utilisation of funds; and
- (c) the cash flows of TAS Offshore Group for the financial period ended 31 March 2009 would have been if the group structure as of the date of the Prospectus had been in place since the beginning of the financial period ended 31 March 2009.

It is the responsibility of the Directors of TAS Offshore to prepare the proforma consolidated financial information in accordance with the requirements of the Securities Commission Prospectus Guidelines in respect of Public Offerings ("the Guidelines"). Our responsibility is to form an opinion on the proforma consolidated financial information as required by the Guidelines and to report our opinion to you based on our work.

Our work, which involved no independent examination of any of the underlying financial statements, consisted primarily of comparing the audited financial information presented to the audited financial statements of TAS Offshore and its subsidiary for the financial years ended 31 May 2006 to 2008 and for the financial period ended 31 March 2009, considering the evidence supporting the adjustments and discussing the proforma consolidated financial information with the Directors of the Company.

15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)



The proforma consolidated financial information, because of its nature, may not give a true picture of the Group's actual financial results, position and cash flows.

In our opinion :-

- (a) the proforma consolidated financial information has been properly prepared on the bases stated in the notes thereto and such bases are consistent with the accounting policies adopted by TAS Offshore and its subsidiary;
- (b) the financial statements used in the preparation of the proforma consolidated financial information have been properly prepared in accordance with Financial Reporting Standards in Malaysia; and
- (c) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing such financial information.

Yours faithfully,

A handwritten signature in black ink, appearing to be "Folks", written over a horizontal line.

FOLKS DFK & CO.
No. : AF 0502
Chartered Accountants

A handwritten signature in black ink, appearing to be "Ooi Chee Kun", written over a horizontal line.

Ooi CHEE KUN
No. : 996/03/10 (J/PH)
Partner

15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)

TAS Offshore Berhad
 Proforma Consolidated Financial Information

1. Introduction

The proforma consolidated financial information, which consists of the proforma consolidated income statements for the three (3) financial years ended ("FYE") 31 May 2006 to 2008 and for the ten (10)-month financial period ended ("FPE") 31 March 2009, the proforma consolidated balance sheets as at 31 March 2009 and the proforma consolidated cash flow statement for the FPE 31 March 2009 of TAS Offshore Group and for which the Directors of TAS Offshore are solely responsible, have been prepared for illustrative purposes only, for the purpose of inclusion in the Prospectus of TAS Offshore to be dated 31 July 2009 in connection with the Restructuring and Listing Scheme as described in Note 2 below and may not, because of its nature, give a true picture of the Group's actual financial results, position and cash flows. Further, such financial information does not purport to predict the future financial position and results of the Group.

2. Restructuring and Listing Scheme

The transactions in conjunction with and as an integral part of the listing and quotation of the entire issued and paid-up share capital of TAS Offshore on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") are as follows :-

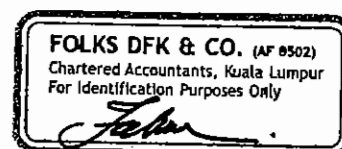
(a) Acquisition of the Entire Issued and Paid-up Share Capital of Tuong Aik Shipyard Sendirian Berhad ("TAS")

On 26 November 2008, TAS Offshore and the vendors of TAS entered into a Conditional Share Sale Agreement ("CSSA") to acquire the entire issued and paid-up share capital of TAS comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM51,500,000 which is to be satisfied by the issuance of 103,000,000 new ordinary shares of RM0.50 each in TAS Offshore ("TAS Offshore Shares") at par to the respective vendors of TAS ("Acquisition of TAS").

The purchase consideration of RM51,500,000 for the Acquisition of TAS was agreed upon on a willing buyer-willing seller basis after taking into consideration the audited net assets value ("NAV") of TAS of RM43,143,466 as at 31 May 2008 and a net fair value adjustment arising from the revaluation of TAS's land and building amounting to RM8,161,924. The valuation was performed on 19 November 2008 by a firm of professional independent registered valuers, namely VPC Alliance (Sarawak) Sdn Bhd.

The Acquisition of TAS was completed on 3 April 2009. The completion of the Acquisition of TAS resulted in the issued and paid-up share capital of TAS Offshore being increased from RM1,000 comprising 2,000 TAS Offshore Shares to RM51,501,000 comprising 103,002,000 TAS Offshore Shares.

The 103,000,000 new TAS Offshore Shares issued pursuant to the Acquisition of TAS rank pari passu in all respects with the existing ordinary shares of TAS Offshore and carry all rights to receive, in full, all dividends and other distributions declared and paid subsequent to the allotment thereof.



15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)

TAS Offshore Berhad
 Proforma Consolidated Financial Information (Cont'd)

2. Restructuring and Listing Scheme (Cont'd)**(b) Initial Public Offering ("IPO")****Public Issue**

Upon completion of the Acquisition of TAS, TAS Offshore shall undertake the Public Issue of 77,000,000 new TAS Offshore Shares ("Public Issue Shares"), representing approximately 42.8% of its enlarged issued and paid-up share capital at an issue price of RM0.90 per TAS Offshore Share ("Public Issue Price"). The Public Issue Shares are to be allocated in the following manner :-

(i) Malaysian Public via Ballotting

9,000,000 Public Issue Shares will be reserved for application by the Malaysian Public.

(ii) Selected Investors via Placement

64,500,000 Public Issue Shares will be made available for application by selected investors via placement of which 43,000,000 Public Issue Shares are to be set aside strictly for Bumiputera investors approved by the Ministry of International Trade and Industry ("MITI").

(iii) Eligible Directors, Employees and Persons

3,500,000 Public Issue Shares will be reserved for application by the eligible Directors, employees and persons who have contributed to the success of the Group.

The Public Issue shall increase the issued and paid-up share capital of TAS Offshore from 103,002,000 TAS Offshore Shares to 180,002,000 TAS Offshore Shares.

All new TAS Offshore Shares to be issued pursuant to the Public Issue shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of TAS Offshore, except that they will not be entitled to any dividends, rights, allotment or other distribution, the entitlement of which is prior to the date of allotment of the said TAS Offshore Shares.

Offer for Sale

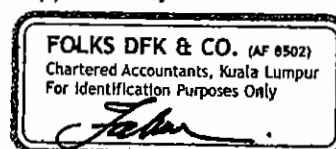
Datuk Lau Nai Hoh ("the Offeror") will offer for sale 11,000,000 TAS Offshore Shares ("Offer Shares"), representing approximately 6.1% of TAS Offshore's enlarged issued and paid-up share capital at an offer price of RM0.90 per TAS Offshore Share to Bumiputera investors approved by MITI via placement ("Offer for Sale").

(The Public Issue and Offer for Sale shall hereinafter collectively be referred to as the "IPO").

(c) Listing and Quotation on the Main Market of Bursa Securities

Upon completion of the Acquisition of TAS, Public Issue and Offer for Sale, TAS Offshore will seek a listing and quotation of its entire enlarged issued and paid-up share capital of RM90,001,000 comprising 180,002,000 ordinary shares of RM0.50 each on the Main Market of Bursa Securities.

The above Restructuring and Listing Scheme has been approved by the Securities Commission on 11 March 2009.



15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)



TAS Offshore Berhad
Proforma Consolidated Financial Information (Cont'd)

3. Proforma Consolidated Income Statements of TAS Offshore Group for the Financial Years Ended 31 May 2006 to 2008 and for the Financial Period Ended 31 March 2009

3.1 Proforma Consolidated Income Statements

	FYE 2006 RM	FYE 2007 RM	FYE 2008 RM	FPE 2008 ⁽⁴⁾ RM	FPE 2009 RM
Revenue	68,808,096	74,238,693	121,346,216	82,275,524	110,055,540
Cost of sales	(58,827,215)	(58,020,563)	(101,378,762)	(67,867,402)	(87,938,164)
Gross profit	9,980,881	16,218,130	19,967,454	14,408,122	22,117,376
Other operating income	103,198	1,193,463	1,536,032	1,241,173	1,920,317
Administrative expenses	(1,909,066)	(2,029,807)	(3,549,594)	(2,626,695)	(3,434,945)
Operating profit	8,175,013	15,381,786	17,953,892	13,022,600	20,602,748
Finance costs	(36,172)	(39,682)	(47,358)	(42,018)	(57,067)
Profit before tax	8,138,841	15,342,104	17,906,534	12,980,582	20,545,681
Taxation	(295,903)	(612,998)	(1,868,656)	(1,132,822)	(4,791,952)
Profit for the year/period	7,842,938	14,729,106	16,037,878	11,847,760	15,753,729
Earnings before interest, depreciation, taxation and amortisation ("EBIDTA")	9,429,156	16,571,797	19,294,218	14,078,804	21,953,112
Interest income	32,447	116,600	204,941	190,591	52,227
Interest expense	313,938	264,379	193,496	169,828	445,563
Depreciation and amortisation	1,008,824	1,081,914	1,399,129	1,118,985	1,014,095
Gross profit margin	14.51%	21.85%	16.45%	17.51%	20.10%
Profit after tax margin	11.40%	19.84%	13.22%	14.40%	14.31%
Effective tax rate	3.64%	4.00%	10.44%	8.73%	23.32%
Number of ordinary shares in TAS Offshore had the TAS Offshore Group been in existence ⁽¹⁾	103,002,000	103,002,000	103,002,000	103,002,000	103,002,000
Earnings per share (sen) :					
- Basic	7.61	14.30	15.57	11.50	15.29
- Diluted ⁽²⁾	-	-	-	-	-

(1) Based on the issued and paid-up share capital of 103,002,000 TAS Offshore Shares immediately prior to the Public Issue.

(2) Diluted earnings per share is not provided as there were no potential ordinary shares to be issued throughout the financial years and period under review.

(3) There were no exceptional or extraordinary items in all the financial years and period presented.

(4) The income statement for the period from 1 June 2007 to 31 March 2008 is unaudited and is included for comparison purposes only.



15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)



TAS Offshore Berhad
Proforma Consolidated Financial Information (Cont'd)

3. Proforma Consolidated Income Statements of TAS Offshore Group for the Financial Years Ended 31 May 2006 to 2008 and for the Financial Period Ended 31 March 2009 (Cont'd)

3.2 Basis of Preparation

The proforma consolidated income statements of TAS Offshore Group for the FYE 31 May 2006 to 2008 and for the FPE 31 March 2009, for which the Directors of TAS Offshore are solely responsible, have been prepared for illustrative purposes to present results of TAS Offshore Group had the transaction described in Note 2(a) been implemented and completed since the beginning of the earliest financial year being presented.

The proforma consolidated income statements have been prepared using the accounting policies and bases consistent with those adopted by TAS Offshore and TAS in the preparation of their audited financial statements and are based on the following :-

- (a) audited financial statements of TAS Offshore for the financial period from 18 March 2008 (date of incorporation) to 31 May 2008 and for the financial period from 1 June 2008 to 31 March 2009; and
- (b) audited financial statements of TAS for the FYE 31 May 2006 to 2008 and for the financial period from 1 June 2008 to 31 March 2009.

The above-mentioned audited financial statements have been prepared in accordance with Financial Reporting Standards in Malaysia.

In addition, the proforma consolidated income statements of TAS Offshore Group have been prepared using the following assumptions :-

- (a) TAS Offshore Group had been in existence since 1 June 2005.
- (b) The earnings per share is computed based on the profit for the year over 103,002,000 TAS Offshore Shares in issue immediately before the Public Issue.

There were no minority interests for all the financial years presented.



15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)



TAS Offshore Berhad
Proforma Consolidated Financial Information (Cont'd)

4. Proforma Consolidated Balance Sheets of TAS Offshore Group as at 31 March 2009

4.1 Proforma Consolidated Balance Sheets

	Note	Audited	Proforma I	Proforma II	Proforma III
		31.03.2009			
		RM	RM	RM	RM
Assets					
Non-Current Assets					
Property, plant and equipment	4.4.4(b)	-	12,772,175	12,772,175	22,772,175
Prepaid land lease payments		-	10,096,097	10,096,097	10,096,097
		-	22,868,272	22,868,272	32,868,272
Current Assets					
Inventories		-	20,283,839	20,283,839	20,283,839
Amount due from contract customers		-	42,869,898	42,869,898	42,869,898
Trade receivables		-	13,502,901	13,502,901	13,502,901
Other receivables	4.4.4(c)	889,895	14,217,292	14,217,292	13,327,397
Tax recoverable		-	250	250	250
Cash and bank balances	4.4.4(d)	220	7,055,368	76,355,368	64,245,263
		890,115	97,929,548	167,229,548	154,229,548
Total Assets		890,115	120,797,820	190,097,820	187,097,820
Equity and Liabilities					
Equity					
Share capital	4.4.4(e)	1,000	51,501,000	90,001,000	90,001,000
Share premium	4.4.4(e)	-	-	30,800,000	27,800,000
(Accumulated losses)/Retained profits	4.4.4(e)	(16,615)	1,230,059	1,230,059	1,230,059
Total Equity		(15,615)	52,731,059	122,031,059	119,031,059
Non-Current Liabilities					
Hire purchase payable		-	68,861	68,861	68,861
Term loans (Secured)		-	1,001,099	1,001,099	1,001,099
Deferred tax liabilities		-	2,869,943	2,869,943	2,869,943
		-	3,939,903	3,939,903	3,939,903
Current Liabilities					
Amount due to contract customers		-	11,101,927	11,101,927	11,101,927
Trade payables		-	24,766,442	24,766,442	24,766,442
Other payables		905,730	3,096,977	3,096,977	3,096,977
Hire purchase payable		-	166,968	166,968	166,968
Term loans (Secured)		-	281,252	281,252	281,252
Bank overdraft (Secured)		-	2,164,304	2,164,304	2,164,304
Other bank borrowings (Secured) :					
- Bankers' acceptances		-	645,000	645,000	645,000
- Revolving credit		-	19,663,000	19,663,000	19,663,000
Taxation		-	2,240,988	2,240,988	2,240,988
		905,730	64,126,858	64,126,858	64,126,858
Total Liabilities		905,730	68,066,761	68,066,761	68,066,761
Total Equity and Liabilities		890,115	120,797,820	190,097,820	187,097,820

15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)

TAS Offshore Berhad
Proforma Consolidated Financial Information (Cont'd)

4. Proforma Consolidated Balance Sheets of TAS Offshore Group as at 31 March 2009 (Cont'd)**4.1 Proforma Consolidated Balance Sheets (Cont'd)**

	Audited 31.03.2009	Proforma I	Proforma II	Proforma III
Number of ordinary shares in issue (No.)	2,000	103,002,000	180,002,000	180,002,000
(Net liabilities) ("NL")/Net assets ("NA") (RM)	(15,615)	52,731,059	122,031,059	119,031,059
(Net tangible liabilities) ("NTL")/ Net tangible assets ("NTA") ⁽¹⁾ (RM)	(15,615)	42,634,962	111,934,962	108,934,962
(NL)/NA per ordinary share (RM)	(7.81)	0.51	0.68	0.66
(NTL)/NTA per ordinary share (RM)	(7.81)	0.41	0.62	0.61
Total borrowings (RM)	-	23,990,484	23,990,484	23,990,484
Gearing ratio (Times)	-	0.45	0.20	0.20

⁽¹⁾ For the purpose of calculating NTA, the prepaid land lease payments have been excluded as such payments are treated as intangible assets.

4.2 Basis of Preparation

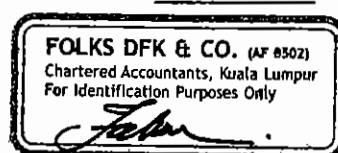
The proforma consolidated balance sheets of TAS Offshore Group for the FPE 31 March 2009, for which the Directors of TAS Offshore are solely responsible, have been prepared for illustrative purposes to show the effects of the transactions described in Notes 2(a) and 2(b) on the audited balance sheet of TAS Offshore had they been implemented and completed on that date and are based on the audited financial statements of TAS Offshore and TAS for the FPE 31 March 2009 adjusted for a payment of a tax-exempt interim dividend for the FYE 31 May 2009 amounting to RM14,200,000 as shown in Note 4.3 below. The interim dividend was declared prior to the acquisition of TAS by TAS Offshore.

The proforma consolidated balance sheets have been prepared based on the accounting policies and bases consistent with those adopted by TAS Offshore and TAS in the preparation of their audited financial statements for the FPE 31 March 2009 which have been prepared in accordance with Financial Reporting Standards in Malaysia.

All inter-company balances are eliminated on consolidation.

4.3 Adjustments Made to the Audited Balance Sheet of TAS as at 31 March 2009

	As at 31 March 2009 RM
Retained profits	
As per audited financial statements of TAS for FPE 31 March 2009	57,910,810
Less : Tax-exempt interim dividend for the FYE 31 May 2009 paid on 3 July 2009	(14,200,000)
As adjusted	<u>43,710,810</u>
Cash and bank balances	
As per audited financial statements of TAS for FPE 31 March 2009	21,255,148
Less : Tax-exempt interim dividend for the FYE 31 May 2009 paid on 3 July 2009	(14,200,000)
As adjusted	<u>7,055,148</u>



15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)

TAS Offshore Berhad
 Proforma Consolidated Financial Information (Cont'd)

4. Proforma Consolidated Balance Sheets of TAS Offshore Group as at 31 March 2009 (Cont'd)

4.4 Proforma Adjustments

4.4.1 Proforma I

Proforma I incorporates the effects of the acquisition by TAS Offshore of the entire issued and paid-up share capital of TAS comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM51,500,000 which is to be satisfied by the issuance of 103,000,000 new TAS Offshore Shares at par to the respective vendors of TAS and the acquisition is deemed to be completed on 31 March 2009.

The Acquisition of TAS is accounted for by applying the principles under the purchase method and the consolidated financial position under Proforma I effectively represents the financial position of TAS Offshore Group had the Group been in existence as at 31 March 2009, before the IPO.

4.4.2 Proforma II

Proforma II incorporates the effects of Proforma I and the following transactions :-

- (a) A public issue of 77,000,000 new ordinary shares of RM0.50 each ("IPO Shares") at an issue price of RM0.90 per IPO Share giving rise to a share premium of RM30,800,000.
- (b) Offer for sale of 11,000,000 TAS Offshore Shares ("OFS Shares") by an offeror of TAS Offshore, at an offer price of RM0.90 per TAS Offshore Share to Bumiputera investors approved by MITI via placement. The offer for sale has no financial impact on the TAS Offshore Group.

Thereafter, the entire issued and paid-up share capital of TAS Offshore of RM90,001,000 comprising 180,002,000 ordinary shares of RM0.50 each shall be listed on the Main Market of Bursa Securities ("the Listing").

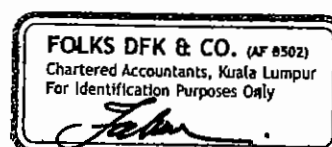
The Public Issue shall give rise to a total proceeds of RM69,300,000.

4.4.3 Proforma III

Proforma III incorporates the effects of Proforma I and II and the following utilisation of proceeds from the Public Issue :-

	RM
Expansion of existing operations	10,000,000
Working capital	56,300,000
Listing expenses	3,000,000
	69,300,000

The listing expenses, estimated to be RM3,000,000, are to be charged against the share premium of TAS Offshore.



15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)



TAS Offshore Berhad
Proforma Consolidated Financial Information (Cont'd)

4. Proforma Consolidated Balance Sheets of TAS Offshore Group as at 31 March 2009 (Cont'd)

4.4 Proforma Adjustments (Cont'd)

4.4.4 Summary of Effects

The effects of the transactions mentioned in Notes 4.4.1, 4.4.2 and 4.4.3 above on the balance sheet of TAS Offshore Group are as follows :-

(a) Excess of fair value of net assets acquired over cost of acquisition

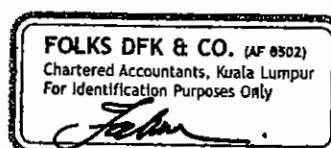
The excess of fair value of net assets acquired over the purchase consideration arising from the Acquisition of TAS is derived as follows :-

	Fair value RM	TAS's carrying value RM
Property, plant and equipment	12,772,175	8,303,916
Prepaid land lease payments	10,096,097	3,849,871
Inventories	20,283,839	20,283,839
Amount due from contract customers	42,869,898	42,869,898
Trade and other receivables	27,731,663	27,731,663
Tax recoverable	250	250
Cash and bank balances ⁽¹⁾	7,055,148	7,055,148
Amount due to contract customers	(11,101,927)	(11,101,927)
Trade and other payables	(27,859,054)	(27,859,054)
Hire purchase payable	(235,829)	(235,829)
Bank borrowings	(23,754,655)	(23,754,655)
Taxation	(2,240,988)	(2,240,988)
Deferred tax liabilities	(2,869,943)	(191,322)
Fair value of net assets acquired	<u>52,746,674</u>	<u>44,710,810</u>
Purchase consideration settled by the issue of shares	<u>51,500,000</u>	
Excess of fair value of net assets over cost of acquisition recognised to income (Note 4.4.4(e))	<u><u>(1,246,674)</u></u>	

(1) Cash and bank balances as at 31 March 2009 have been adjusted for the payment of a tax-exempt interim dividend amounting to RM14,200,000 as disclosed in Note 4.3 to this proforma financial information.

(b) Property, plant and equipment

	RM
Balance after Proforma II	12,772,175
Add : Capital expenditure incurred for the purpose of expanding existing operations	<u>10,000,000</u>
Proforma III	<u><u>22,772,175</u></u>



15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)

TAS Offshore Berhad
Proforma Consolidated Financial Information (Cont'd)

4. Proforma Consolidated Balance Sheets of TAS Offshore Group as at 31 March 2009 (Cont'd)**4.4 Proforma Adjustments (Cont'd)****4.4.4 Summary of Effects (Cont'd)****(c) Other receivables**

	RM
Balance after Proforma II	14,217,292
Less : Share issue and listing expenses debited against share premium account	<u>(889,895)</u>
Proforma III	<u>13,327,397</u>

(d) Cash and bank balances

	RM
Balance after Proforma I	7,055,368
Add : Proceeds from the Public Issue	<u>69,300,000</u>
Proforma II	76,355,368
Less :	
- Capital expenditure for expansion of existing operations	(10,000,000)
- Payment of listing expenses ⁽¹⁾	<u>(2,110,105)</u>
Proforma III	<u>64,245,263</u>

(1) Payment of listing expenses

Estimated listing expenses	3,000,000
Less : Expenses paid up to 31 March 2009 included under other receivables	<u>(889,895)</u>
Balance of listing expenses to be paid after the IPO	<u>2,110,105</u>

(e) Share capital, share premium and (accumulated losses)/retained profits

	Share capital RM	Share premium RM	(Accumulated losses)/ Retained profits RM	Total RM
As at 31 March 2009	1,000	-	(16,615)	(15,615)
Acquisition of TAS	51,500,000	-	1,246,674	52,746,674
Proforma I	51,501,000	-	1,230,059	52,731,059
Public Issue and Listing	38,500,000	30,800,000	-	69,300,000
Proforma II	90,001,000	30,800,000	1,230,059	122,031,059
Share issue and listing expenses debited against share premium account	-	(3,000,000)	-	(3,000,000)
Proforma III	<u>90,001,000</u>	<u>27,800,000</u>	<u>1,230,059</u>	<u>119,031,059</u>

15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)

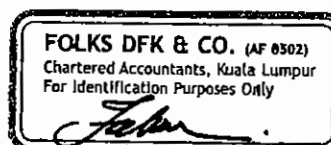


TAS Offshore Berhad
Proforma Consolidated Financial Information (Cont'd)

5. Proforma Consolidated Cash Flow Statement of TAS Offshore Group for the Financial Period Ended 31 March 2009

5.1 Proforma Consolidated Cash Flow Statement

	TAS Offshore Group RM
Cash flows from operating activities	
Profit before taxation	20,545,681
Adjustments for :-	
Depreciation of property, plant and equipment	969,334
Amortisation of prepaid land lease payments	44,761
Unrealised loss on foreign exchange	167,197
Interest income	(52,227)
Interest expense	445,563
Operating profit before working capital changes	22,120,309
Increase in inventories	(9,523,241)
Increase in amount due from customers on contract	(1,786,276)
Increase in amount due to customers on contract	7,413,299
Increase in trade and other receivables	(15,347,732)
Decrease in trade and other payables	(17,019,439)
Cash utilised in operations	(14,143,080)
Tax paid	(3,966,606)
Tax refunded	20,752
Interest paid	(43,500)
Net cash used in operating activities	(18,132,434)
Cash flows from investing activities	
Additional prepaid land lease payments	(675,028)
Interest received	52,227
Purchase of property, plant and equipment	(2,960,892)
Net cash used in investing activities	(3,583,693)
Cash flows from financing activities	
Repayment of hire purchase liabilities	(184,643)
Hire purchase interest paid	(13,567)
Net repayment of term loans	(217,649)
Loan interest paid	(43,460)
Increase in other bank borrowings	20,308,000
Interest paid on other bank borrowings	(345,036)
Dividend paid	(14,200,000)
Net cash from financing activities	5,303,645



15. PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF TAS OFFSHORE (CONT'D)



TAS Offshore Berhad
 Proforma Consolidated Financial Information (Cont'd)

5. Proforma Consolidated Cash Flow Statement of TAS Offshore Group for the Financial Period Ended 31 March 2009 (Cont'd)

5.1 Proforma Consolidated Cash Flow Statement (Cont'd)

	TAS Offshore Group RM
Net decrease in cash and cash equivalents	(16,412,482)
Cash and cash equivalents at beginning of period	21,487,986
Foreign exchange difference on opening balance	(184,440)
Cash and cash equivalents at end of period	<u>4,891,064</u>

RM

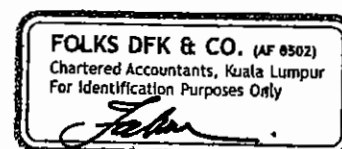
Cash and cash equivalents at end of period comprised :-

Cash and bank balances	7,055,368
Bank overdraft	(2,164,304)
	<u>4,891,064</u>

5.2 Basis of Preparation

The proforma consolidated cash flow statement of TAS Offshore Group for the FPE 31 March 2009, for which the Directors of TAS Offshore are solely responsible, has been prepared for illustrative purposes to show the effect of the transaction described in Note 2(a) on the audited cash flow statement of TAS Offshore had it been implemented and completed since the beginning of the FPE 31 March 2009 and that TAS Offshore Group had been in existence throughout the financial period under review. The proforma consolidated cash flow statement has been prepared based on the audited financial statements of TAS Offshore and TAS for the FPE 31 March 2009 adjusted for a payment of a tax-exempt dividend as disclosed in Note 4.3 to this proforma financial information.

The proforma consolidated cash flow statement has been prepared based on the accounting policies and bases consistent with those adopted by TAS Offshore and TAS in the preparation of their audited financial statements for the FPE 31 March 2009 which have been prepared in accordance with Financial Reporting Standards in Malaysia and after elimination of all inter-company transactions and balances.



16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

07 JUL 2009

The Board of Directors
TAS Offshore Berhad
Lot 111-112, Sungai Ma'aw Road
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96008 Sibul
Sarawak

Dear Sirs and Madam

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Independent Assessment of the Shipbuilding Industry

The following is a summary of the **Independent Assessment of the Shipbuilding Industry** in Malaysia prepared by Vital Factor Consulting Sdn Bhd for inclusion in the Prospectus of **TAS Offshore Berhad** (herein together with its subsidiary will be referred to as "TAS Offshore Group" or the "Group") in relation to its listing on the Main Market of Bursa Malaysia Securities Berhad.

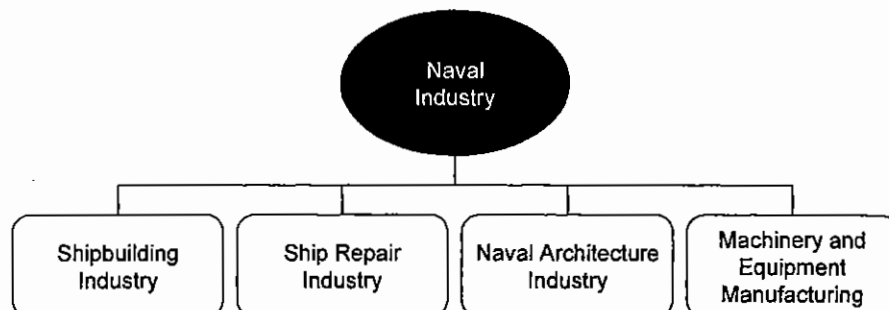
TAS Offshore Group's primary business activity is shipbuilding. The Group is also engaged in providing ship repair services. For the financial year ended 31 May 2008, the total revenue of TAS Offshore Group was RM121.3 million. For the 10-month financial period ended 31 March 2009, the Group's total revenue was RM110.1 million.

1. OVERVIEW OF THE SHIPBUILDING INDUSTRY IN MALAYSIA

- The Shipbuilding Industry plays a key role in supporting the growth and development of the Malaysian economy. The Shipbuilding Industry currently constructs a wide range of vessels that are used to perform a number of important tasks, including providing supporting services to the offshore Oil and Gas Industry and transportation and logistics services to support other industries.

1.1 Overview of the Naval Industry

- In general, the overall Naval Industry can be broadly categorised as follows:



- The Shipbuilding Industry comprises operators that are engaged in ship construction.

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



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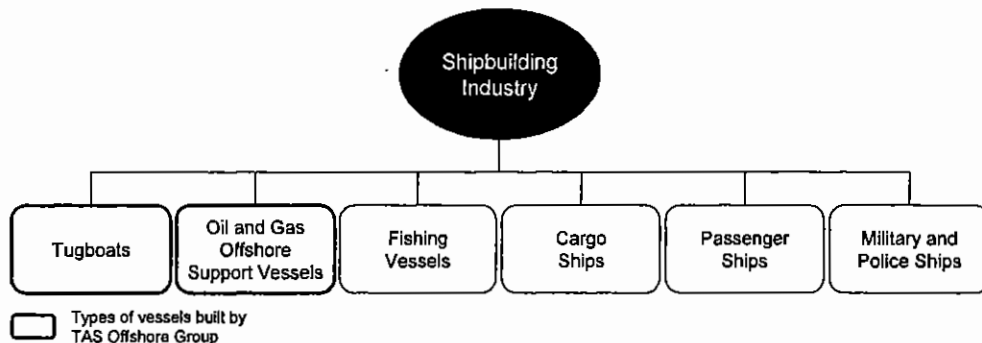
- The Ship Repair Industry comprises operators that are engaged in providing ship repair services. It is common for operators who are in shipbuilding to also provide ship repairing services.
- The Naval Architecture Industry comprises naval architects and naval engineers who are engaged in producing designs for the Shipbuilding Industry.
- Manufacturers of machinery and equipment support the Shipbuilding Industry and the Ship Repair Industry by manufacturing the machinery and equipment that are installed on vessels.
- TAS Offshore Group is currently involved in the following sectors of the overall Naval Industry:
 - Shipbuilding Industry;
 - Ship Repair Industry.

1.2 Overview of the Shipbuilding Industry

- The Shipbuilding Industry has developed specialised skills and technological capabilities in engineering design, metallurgy, corrosion control, machining, welding and fabrication.
- In 2008, there were approximately 70 companies operating in the Shipbuilding Industry in Malaysia. However many of the companies were small operations, building mostly smaller wooden and aluminium hulled boats and watercraft.
- The demand for ships in Malaysia is generally based on a number of factors, including the replacement of old ships, demand for new ships on a jobbing basis; demand for ships to support the Oil and Gas Industry, and to meet the requirements of the military and police.

(Source: Malaysian Industrial Development Authority)

- There is also considerable demand from overseas customers for ships built by Malaysian shipbuilders.
- In general, the Shipbuilding Industry in Malaysia can be broadly categorised by the types of ships built as follows:



16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**VITAL FACTOR CONSULTING**

Creating Winning Business Solutions

- TAS Offshore Group is currently engaged in constructing the following types of ships:
 - Tugboats
 - Anchor handling tugs;
 - Anchor handling tug supply vessels.
- A **tugboat** is primarily designed to manoeuvre or tow other vessels. Tugboats are currently used to perform many functions, including towing, pushing or manoeuvring barges; disabled vessels; vessels in harbours, the open ocean, in rivers and canals; and offshore structures such as drilling rigs and offshore platforms for the Oil and Gas Industry.
- **Oil and Gas Industry support vessels** comprise a wide range of vessels that are designed to provide various supporting services to the Oil and Gas Industry. Some examples of Oil and Gas Industry support vessels include anchor handling tugs, anchor handling tug supply vessels, utility/support vessels, offshore construction vessels, crew boats, and accommodation boats.
- **Fishing vessels** refer to ships and boats that are primarily designed to carry out commercial fishing activities.
- **Cargo ships** are primarily designed to transport cargo, goods and materials from one port to another.
- **Passenger ships** are primarily designed to transport passengers.
- **Military and police ships** are primarily designed for military and security purposes.

2. GOVERNMENT LEGISLATION, POLICIES AND INCENTIVES**2.1 Government Laws and Regulations****Manufacturing License**

- Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on operators' performance and growth within a free enterprise environment. Tuong Aik Shipyard obtained a manufacturing licence on 9 August 2003 from the Ministry of International Trade and Industry of Malaysia with respect to "Shipbuilding & ship repairing" and "Leisure crafts & offshore steel structures".

Registration as Bonafide Shipbuilder & Repairer

- Tuong Aik Shipyard was registered as a "Bonafide Shipbuilder & Repairer" by the Ministry of Finance on 9 February 2004. The registration is effective from 20 January 2004. As a registered "Bonafide Shipbuilder & Repairer", Tuong Aik Shipyard has the right to obtain import duty and sales tax exemption on raw materials/components.

16. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

**VITAL FACTOR CONSULTING**

Creating Winning Business Solutions

2.2 Government Incentives

- In general, the Malaysian Government provides incentives for companies listed as promoted activities or products under the Promotion of Investments Act 1986 including:
 - Pioneer Status;
 - Investment Tax Allowance
 - Reinvestment Allowance
 - Tax Exemption on the Value of Increased Exports.

Pioneer Status and Investment Tax Allowance

- Eligibility for incentives under Pioneer Status and Investment Tax Allowance will be determined according to the priorities termed as “promoted activities” or “promoted products”.
- Among the promoted activities and products that are relevant to TAS Offshore Group’s primary business activities include:
 - Shipbuilding
 - Ship repair.

These activities are additional promoted activities and products for promoted areas, i.e. Sabah, Sarawak, Kelantan, Terengganu, Pahang, Perlis, and the district of Mersing in Johor.

(Source: Malaysian Industrial Development Authority)

- On 6 September 2004, Tuong Aik Shipyard was granted Pioneer Status for the activities “Shipbuilding & Ship Repairing” and “Leisure Crafts & Offshore Steel Structures” under Subsection (3) Section 7 Promotion of Investment Act 1986 (Amendment) for “Industry in the East Coast Corridor, Sabah and Sarawak”. The Pioneer Status was valid for the period 1 August 2003 to 31 July 2008.

Reinvestment Allowance

- A manufacturing company that has been in operation for at least 12 (this condition has been revised to at least 36 months, effective from year of assessment 2009) months and incurs qualifying capital expenditure to expand, modernise or automate its existing business or diversify its existing business into any related products within the same industry can apply for Reinvestment Allowance.

Tax Exemption on the Value of Increased Exports

- To encourage the export of Malaysian goods, a locally-owned manufacturing company with Malaysian equity of at least 60% is eligible for a tax exemption on the statutory income equivalent to 30% of the value of increased exports, provided the company achieves a significant increase in exports.

(Source: Malaysian Industrial Development Authority).