(Prepared for inclusion in this Prospectus)

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ACCOUNTANTS' REPORT ON SAFERAY

4 March 2004

The Board of Directors
Mithril Berhad
Suite 18.05, 18th Floor
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Jalan Dewan Bahasa
50460 Kuala Lumpur

Dear Sirs,

1. INTRODUCTION

This report has been prepared by approved company auditors for inclusion in the prospectus of Mithril Berhad, ("Mithril)", which was incorporated for the purpose of the Proposed Restructuring Exercise ("Restructuring Exercise") of Tajo Bhd ("Tajo") to be dated 16 March 2004 in connection with the proposed acquisition of the entire equity interest in Saferay (M) Sdn. Bhd. ("Saferay" or "the Company").

2. GENERAL INFORMATION

2.1 Background

Saferay was incorporated in Malaysia on 18 November 1991 under the Companies Act, 1965 as a private limited company.

The principal activities of Saferay are manufacturing and trading of polyurethane products.

2.2 Share Capital

The present authorised share capital of Saferay is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital of the Company was increased from RM2 from the date of incorporation to RM1,200,000 as at the date of this report. The changes in Saferay's issued and fully paid-up share capital since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares	Par Value (RM)	Consideration	Total issued and paid-up share (RM)
18.11.91	2	1.00	Cash (Subscribers' shares)	2
17.04.92	9,998	1.00	Cash	10,000
27.07.93	190,000	1.00	Cash	200,000
23.12.94	300,000	1.00	Cash	500,000
08.08.00	500,000	1.00	Cash	1,000,000
31.05.01	200,000	1.00	Cash	1,200,000

2. GENERAL INFORMATION (CONTD.)

2.3 Restructuring Exercise

On 23 February 2001, Tajo announced that it is considered as an affected listed issuer under Practice Note 4/2001 ("PN4") of the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE") and the trading of Tajo's shares on the KLSE was suspended on 19 April 2002. As a result, Tajo is required to regularise the financial conditions of the Tajo Group within the time frame as stipulated by PN4, failing which it may be regarded as a listed issuer whose financial conditions do not warrant continued trading and/or listing.

On 10 June 2002, Tajo announced a Restructuring Exercise as part and parcel of Tajo's regularisation plan. There is a proposal under the Restructuring Exercise that Tajo would acquire the entire issued and paid-up share capital comprising 1,200,000 ordinary shares of RM1.00 each in the Company from its existing shareholders for a purchase consideration of RM48,000,000 to be satisfied in the following manner ("Saferay Acquisition"):

(a) RM17,500,000 in cash; and

(b) RM30,500,000 nominal amount of 1% 5-years redeemable convertible unsecured loan stocks in Mithril convertible into new Mithril shares at par.

Subsequent to the aforesaid announcement, certain revisions of the terms of the Restructuing Exercise have been made and announced.

Under the revised terms of the Restructuring Exercise, the Saferay Acquisition would remain a transaction therein.

The Restructuring Exercise is still in progress and has been granted approvals from:

a) FIC on 3 October 2002;
b) MITI on 8 October 2002; and
c) Securities Commission on 24 December 2002 and 25 August 2003.
d) Shareholders and warrant holders on 22 October 2003.

The Directors are of the opinion that the Restructuring Exercise will be successfully implemented.

3. FINANCIAL STATEMENTS AND AUDITORS

The audited financial statements of Saferay referred to in this report with effect from financial year ended 30 April 1999 to 30 April 2003 and period ended 30 September 2003 were reported by the firm of Chartered Accountants, Messrs. Por Ooi & Co. Save as disclosed below, the audited financial statements were not subject to any qualification.

For the financial years ended 30 April 1999 to 30 April 2000, the auditors were unable to form an opinion on the inventory balances. Inventories were stated at quantities and values as certified by the directors. This issue has been subsequently rectified from 2001 onwards whereby the auditors attended the stock takes and verified the existence of the inventories at financial year ends.

4. ACCOUNTING POLICIES AND STANDARDS

This report is prepared on a basis consistent with accounting policies normally adopted by Saferay and in accordance with Malaysian Accounting Standards Board ("MASB") standards.

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5. SUMMARISED INCOME STATEMENTS

We set out below the summarised income statements of the Company based on the audited financial statements after making such adjustments as we considered appropriate to the relevant financial years/period.

	←	Year ended 30 April			→	Period ended 30 September
	1999	**2000**	**2001**	**2002**	**2003**	**2003**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	9,491	11,138	17,013	18,686	26,861	13,852
Cost of sales	(6,810)	(6,556)	(10,557)	(11,215)	(14,564)	(8,863)
Gross profit	2,681	4,582	6,456	7,471	12,297	4,989
Other operating income	504	245	270	58	15	17
General and administrative expenses	(493)	(943)	(1,319)	(1,585)	(1,753)	(795)
Selling and distribution expenses	(793)	(676)	(1,190)	(1,313)	(2,345)	(872)
Profit from operations	1,899	3,208	4,217	4,631	8,214	3,339
Finance costs	(189)	(205)	(216)	(214)	(235)	(133)
Profit before taxation	1,710	3,003	4,001	4,417	7,979	3,206
Taxation	2	(246)	(355)	(889)	(2,328)	(838)
Profit after taxation	1,712	2,757	3,646	3,528	5,651	2,368
No. of ordinary shares of RM1.00 each in issue ('000)	500	500	1,000	1,200	1,200	1,200
Earnings per share (RM)	3.42	5.51	3.65	2.94	4.71	1.97

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Notes:

(1) Revenue and operating profits were derived from the manufacture and sales of polyurethane products.

Export sales contributed more than 86% of the Company's revenue.

There has been a continuous upward trend in the revenue of the Company since its commencement of operations in 1995.

Revenue for FY 2000 was higher than FY 1999 mainly due to the Company's participation in related trade shows overseas to promote their polyurethane products. In addition the Company developed a number of new designs which were able to fetch higher prices.

Revenue for FY 2001 was higher than FY 2000 mainly due to its marketing efforts and the securing of a significant customer which is a distributor in the US which supplies mainly to large building materials stores. At the same time the Company formed a partnership with a rival entity in the same business.

Revenue for FY 2002 was only slightly higher than FY 2001 and which was very much lower than management's expectation mainly due to the "11 September 2001" terrorist attack in the United States of America ("US") and the maintenance of the selling price.

Revenue for FY 2003 was higher than FY 2002 mainly due to the significant increase in orders from both the US and Europe markets recovering from the "11 September 2001" trauma. In addition new distributors were also secured in Taiwan, US and India.

Revenue for period ended 30 September 2003, annualised to 12 months, was higher than FY 2003 mainly due to its aggressive marketing efforts from the Eastern Europe distributors and more orders from existing customers from US.

(2) The above income statements have been adjusted as follows:

(a) Taxation

	← Year ended 30 April				→	Period ended 30 September
	1999	**2000**	**2001**	**2002**	**2003**	**2003**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Taxation per audited financial statements	2	(246)	(355)	(490)	(2,328)	(838)
Adjustment						
- Underprovision of deferred tax	-	-	-	(399)	-	-
Adjusted taxation	2	(246)	(355)	(889)	(2,328)	(838)

No provision was made for taxation in respect of business income earned in Malaysia for the FY 1999 as it was in accordance with the tax waiver in the Income Tax (Amendment) Act, 1999.

(b) General and administrative expenses

	Year ended 30 April 1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	Period ended 30 September 2003 RM'000
General and administrative expenses per audited financial statements	(493)	(943)	(1,319)	(1,581)	(1,753)	(795)
Reclassification of exceptional item						
- Loss on disposal of property, plant and equipment	-	-	-	(4)	-	-
Adjusted	(493)	(943)	(1,319)	(1,585)	(1,753)	(795)

(3) There were no extraordinary or exceptional items for the financial years/period under review.

(4) The earnings per share is calculated based on the profit after taxation divided by the number of shares in issue in the relevant financial years/period under review.

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6. SUMMARISED BALANCE SHEETS

We set out below the summarised balance sheets of the Company based on the audited financial statements after making such adjustments as we considered appropriate for the relevant financial years/period.

	As at 30 April					As at 30 September
	1999	**2000**	**2001**	**2002**	**2003**	**2003**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-Current Assets						
Property, plant & equipment	1,229	3,075	7,180	11,385	11,815	12,145
Investment	-	-	-	-	-	7
	1,229	3,075	7,180	11,385	11,815	12,152
Current Assets						
Inventories	899	3,779	4,951	3,901	5,864	8,073
Trade receivables	1,637	3,143	3,922	4,406	4,929	7,749
Other receivables	730	920	3,210	1,642	5,004	7,092
Cash and bank balances	367	181	332	460	727	442
	3,633	8,023	12,415	10,409	16,524	23,356
Current Liabilities						
Trade payables	172	576	1,010	815	1,222	2,614
Other payables	1,200	1,358	5,692	3,211	2,622	3,091
Short term borrowings	921	3,184	2,562	2,307	2,344	4,683
Provision for taxation	2	239	501	844	1,744	2,384
Dividend payable	-	-	-	2,500	2,500	2,500
	2,295	5,357	9,765	9,677	10,432	15,272
Net Current Assets	1,338	2,666	2,650	732	6,092	8,084
	2,567	5,741	9,830	12,117	17,907	20,236
Financed by :						
Share capital	500	500	1,000	1,200	1,200	1,200
Revaluation reserve	-	-	112	211	211	152
Retained profits	1,731	4,488	8,134	9,162	14,813	17,181
Shareholders' Funds	2,231	4,988	9,246	10,573	16,224	18,533
Long term loan	300	711	455	978	622	595
Deferred taxation	36	42	129	566	1,061	1,108
	2,567	5,741	9,830	12,117	17,907	20,236
Net tangible assets per share (RM)	4.46	9.98	9.25	8.81	13.52	15.44

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Note:

The above balance sheets have been adjusted as follows:

	As at 30 April 1999 RM'000	As at 30 April 2000 RM'000	As at 30 April 2001 RM'000	As at 30 April 2002 RM'000	As at 30 April 2003 RM'000	As at 30 September 2003 RM'000
(1) Property, plant and equipment						
Property, plant and equipment per audited financial statements	1,229	3,075	7,180	11,286	11,716	12,046
Adjustment						
- Revaluation surplus credited to reserve account	-	-	-	99	99	99
Adjusted	1,229	3,075	7,180	11,385	11,815	12,145
(2) Revaluation reserve						
Revaluation reserve per audited financial statements	-	-	112	112	112	112
Adjustment						
- Revaluation surplus debited to property, plant and equipment	-	-	-	99	99	99
- Deferred tax liability arising from revaluation of leasehold land and building	-	-	-	-	-	(59)
Adjusted	-	-	112	211	211	152
(3) Deferred taxation						
Deferred taxation per audited financial statements	36	42	129	167	662	650
Adjustment						
- Underprovision of deferred tax	-	-	-	399	399	399
- Deferred tax liability arising from revaluation of leasehold land and building	-	-	-	-	-	59
Adjusted	36	42	129	566	1,061	1,108

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7. STATEMENT OF ASSETS AND LIABILITIES

The following statement of assets and liabilities of the Company has been prepared based on the audited financial statements as at 30 September 2003.

	Note	RM'000
NON CURRENT ASSETS		
Property, plant & equipment	8.3	12,145
Investment		7
		12,152
CURRENT ASSETS		
Inventories	8.4	8,073
Trade receivables	8.5	7,749
Other receivables	8.6	7,092
Cash and bank balances		442
		23,356
CURRENT LIABILITIES		
Trade payables	8.7	2,614
Other payables	8.8	2,107
Amount due to a director	8.9	984
Bank borrowings	8.10	4,683
Provision for taxation		2,384
Dividend payable		2,500
		15,272
NET CURRENT ASSETS		8,084
		20,236
FINANCED BY:		
Share capital	8.11	1,200
Revaluation reserve		152
Retained profits	8.12	17,181
Shareholders' Funds		18,533
NON CURRENT LIABILITIES		
Bank borrowings	8.10	595
Deferred taxation	8.13	1,108
		20,236

8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES

8.1 Basis of Preparation

The financial statements are prepared under the historical cost convention modified by the revaluation of leasehold land and buildings included under property, plant and equipment, unless otherwise indicated in this summary of significant accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

During the period ended 30 September 2003, the company had adopted the following MASB Standards for the first time:

MASB 25	Income Taxes
MASB 29	Employee Benefits

8.2 Significant Accounting Policies

(a) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 8.2(j).

The long term leasehold lands are amortised equally over 88, 53, 52, 13 and 17 years commencing from years 1995, 1999, 2000 and 2002. The leases will expire on years 2088, 2087, 2054, 2053, 2014 and 2013 respectively.

Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Leasehold lands and buildings	over term of lease
Plant and equipment	10%
Equipment, furniture and fittings	10%
Motor vehicles	20%

Property, plant and equipment depreciated to a nominal value of RM1.00 each are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(b) Inventories

Inventories are stated at the lower of cost and net realisable value and cost is determined on the first-in-first-out basis. Cost of finished goods and work-in-progress includes direct materials, direct labour and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.2 Significant Accounting Policies (Contd.)

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and at bank which have insignificant risk of changes in value, net of outstanding bank overdrafts.

(d) Deferred Taxation

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1 May 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(e) Employee Benefits

(i) Short term 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.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.2 Significant Accounting Policies (Contd.)

(e) Employee Benefits (Contd.)

(ii) 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 as incurred.

(f) Provisions

Provisions are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount of the obligation.

(g) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue relating to sale of goods is recognised net of returns and discounts upon the transfer of risks and rewards.

(h) Investment

The company's investment in quoted shares are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 8.2 (j).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(i) Foreign Currencies

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

(i) Foreign Currencies (Contd.)

The closing rates used in the translation are as follows:

	RM
1 United States Dollar	3.80
100 Taiwan Dollar	11.11
100 Japanese Yen	29.23
100 Hong Kong Dollar	49.52
1 Renminbi	2.18
1 Singapore Dollar	2.20
1 Euro	4.45

(j) Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets, other than inventories and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(k) Financial Instruments

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

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 expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

(k) Financial Instruments (Contd.)

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(ii) Payables

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

(iii) Interest-Bearing Borrowings

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

Borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(iv) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.3 Property, Plant and Equipment

	Leasehold lands and buildings RM'000	Plant and equipment RM'000	Equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At Cost/Valuation					
At 1 May 2003	5,742	8,976	312	27	15,057
Additions	-	791	23	-	814
At 30 September 2003	5,742	9,767	335	27	15,871
Representing:					
At cost	5,492	9,767	335	27	15,621
At valuation	250	-	-	-	250
	5,742	9,767	335	27	15,871
Accumulated Depreciation					
At 1 May 2003	363	2,731	140	8	3,242
Depreciation charge for the period	71	397	14	2	484
At 30 September 2003	434	3,128	154	10	3,726
Net Book Value					
At 30 September 2003					
At cost	5,072	6,639	181	17	11,909
At valuation	236	-	-	-	236
	5,308	6,639	181	17	12,145
At 30 April 2003					
At cost	5,141	6,245	172	19	11,577
At valuation	238	-	-	-	238
	5,379	6,245	172	19	11,815
Depreciation charge for financial year ended 30 April 2003	170	898	34	6	1,108

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.3 Property, Plant and Equipment (Contd.)

(i) Included in lands and buildings is a long term leasehold land and building purchased in 1999 at a cost of RM647,007 which was not revalued under the valuation exercise undertaken by the Company in 2000 and 2001 together with other land and buildings. This does not comply with MASB 15 whereby it requires the revaluation of the entire class of property, plant and equipment when an item of that class has been revalued.

(ii) During the financial period, the Company did not acquire any property, plant and equipment by means of hire purchase arrangements.

(iii) The aggregate net book value of property, plant and equipment pledged for borrowings is RM3,102,074.

(iv) The leasehold lands and buildings were revalued in 2000 by an independent firm of professional valuers using the comparison methods.

(v) Had the revalued leasehold lands and buildings been carried at historical cost, the net book value of the leasehold lands and buildings that would have been included in the financial statements of the Company as at 30 September 2003 would have been RM129,616.

8.4 Inventories

At cost:	**RM'000**
Raw materials	2,209
Finished goods	1,265
Consumables and spare parts	103
Work-in-progress	4,496
	8,073

The cost of inventories recognised as an expense during the financial year amounted to RM8,863,282.

8.5 Trade Receivables

The Company's normal trade credit term ranges from 30 to 120 days. Other credit terms which are up to a maximum limit of 150 days are assessed and approved on a case-by-case basis.

The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.6 Other Receivables

	RM'000
Advances	207
Deposits	15
Golf membership	82
Prepayments	37
Sundry receivables	6,751
	7,092

Included in sundry receivables is RM6,648,443 owing by a related corporation, in which a director is deemed to have an interest. The amount is unsecured, interest-free and have no fixed terms of repayment.

The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors, except for the amount of RM6,648,443 owing by another corporation in which a director is deemed to have an interest.

8.7 Trade Payables

The normal trade credit term granted to the Company ranges from 30 to 60 days.

8.8 Other Payables

	RM'000
Accruals	652
Deposits received	2
Sundry payables	1,453
	2,107

Included in sundry payables is RM765,131 owing to a related corporation, in which a director is deemed to have an interest. The amount is unsecured, interest-free and have no fixed terms of repayment.

8.9 Amount Due to a Director

The amount due to a director is unsecured, interest free and has no fixed terms of repayment.

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.10 Bank Borrowings

	RM'000
Short Term Borrowings	
Secured:	
Bank overdraft	573
Banker's acceptance	1,602
Export credit financing	2,388
Term loan	120
	4,683
Long Term Borrowings	
Secured:	
Term loan	595
Total Borrowings	
Bank overdraft	573
Banker's acceptance	1,602
Export credit financing	2,388
Term loan	715
	5,278
Maturity of Borrowings	
Within one year	4,683
More than 1 year and less than 2 years	118
More than 2 years and less than 5 years	354
More than 5 years	123
	5,278

The average interest rates for borrowings were as follows:

	%
Banker's acceptance	5.5
Export credit financing	3.7
Term loan	8.4
Overdraft	9.0

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NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.10 Bank Borrowings (Contd.)

The bank borrowings are secured by way of:

(i) Creation of debenture over the fixed and floating assets of the Company;
(ii) Legal charge over landed properties belonging to the Company, as disclosed in Note 8.3 (iii) and a third party; and
(iii) Joint and several guarantee by the directors and corporate guarantee by a corporation in which a director is deemed to have an interest.

8.11 Share Capital

	RM'000
Ordinary shares of RM1 each	
Authorised:	
5,000,000 ordinary shares	5,000
Issued and fully paid:	
1,200,000 ordinary shares	1,200

8.12 Retained Profits

The Company has tax exempt profits of RM7,190,826 available for distribution as tax exempt dividends to shareholders, subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its retained profits to the extent of RM3,261,700.

8.13 Deferred Taxation

	Accelerated Capital Allowances RM'000	Revaluation Of Leasehold Lands and Buildings RM'000	Total RM'000
At 1 May 2003	662	-	662
Transfer to Income Statement	(12)	-	(12)
At 30 September 2003 - (per audited financial statements)	650	-	650
Adjustment			
- underprovision in prior years	399	59	458
	1,049	59	1,108

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.14 Financial Instruments and Risk Management

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 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.

(a) Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relate primarily to cash equivalents with financial institutions.

The Company does not expect to incur material credit losses on its financial assets or other financial instruments.

(b) Foreign Currency Risk

The Company has exposure to foreign currency risk as a result of transactions denominated in foreign currencies arising from normal trading activities. The currency giving rise to this risk is primarily United States Dollar ("USD"). Exposure to the risk arising from movements in this foreign currency exchange rate is minimal since the Ringgit Malaysia is pegged to USD at the exchange rate of RM3.80 per USD.

The Company does not use any forward contracts to hedge against its exposure to foreign currency risk.

(c) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Company management reporting procedures.

The Company does not have any significant exposure to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instruments except as disclosed under note 8.6.

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.14 Financial Instruments and Risk Management (Contd.)

(d) Fair Values

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheet date of the Company.

There are no fair values for financial instruments not recognised as at 30 September 2003 that are required to be disclosed.

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Company as at the end of the financial period are represented as follows:

	Carrying Amount RM'000	Fair Value RM'000
Financial Assets		
At 30 September 2003:		
Amount due from a related corporation	6,648	*
Financial Liabilities		
At 30 September 2003:		
Amount due to a related corporation	765	*
Term Loan	715	735

* It is also not practical to estimate the fair values of amounts due to/from related corporations due principally to a lack of fixed repayment term entered by the parties involved without incurring excessive costs.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings.

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

ERNST & YOUNG
AF: 0039

NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.15 Net Tangible Assets Cover

Based on the statement of assets and liabilities of Saferay as at 30 September 2003 set out in Note 7, the net tangible assets per ordinary share will be as follows:

Net tangible assets as at 30 September 2003 (RM'000)	18,533
Number of ordinary shares of RM1.00 each in issue as at 30 September 2003 ('000)	1,200
Net tangible assets per ordinary share (RM)	15.44

ERNST & YOUNG
AF: 0039

9. CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2003

The following cash flow statement of the Company has been prepared based on the audited financial statements for the period 1 May 2003 to 30 September 2003.

	Period ended 30 September 2003 RM'000
Cash Flows From Operating Activities	
Cash receipts from customers	11,033
Cash paid to suppliers	(6,068)
Cash payment to employees and for operating expenses	(4,481)
Cash generated from operations	484
Cash advances to related corporations	(2,064)
Cash receipt from directors	54
Interest received	3
Interest paid	(42)
Rental received	5
Cash used in operating activities	(1,560)
Tax paid	(210)
Net Cash Used In Operating Activities	(1,770)
Cash Flows From Investing Activities	
Purchase of property, plant and equipment	(813)
Purchase of investment	(7)
Net Cash Used In Investing Activities	(820)
Cash Flows From Financing Activities	
Repayment of hire purchase payable	(27)
Repayment of term loan	(83)
Bank borrowings	1,842
Net Cash Generated From Financing Activities	1,732
Net Decrease In Cash And Cash Equivalents	(858)
Cash And Cash Equivalents at 1 May 2003	727
Cash And Cash Equivalents at 30 September 2003	(131)

ERNST & YOUNG
AF: 0039

9. CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2003 (CONTD.)

	Period ended 30 September 2003 RM'000
Cash and Cash Equivalents at the end of the period comprise the following:	
Cash and bank balance	442
Bank overdraft	(573)
	(131)

10. AUDITED FINANCIAL STATEMENTS

There have been no financial statements prepared in respect of any period subsequent to 30 September 2003 for the Company.

Yours faithfully

Ernst & Young

Ernst & Young
AF : 0039
Chartered Accountants

Gloria Goh Ewe Gim
1685/04/05 (J)
Partner

Kuala Lumpur, Malaysia

13. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)

MITHRIL

4 March 2004

The Shareholders of
Mithril Berhad
Suite 17.05(B), 17th Floor
Menara MAA
No. 12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Dear Sir/Madam,

On behalf of the Directors of Mithril Berhad ("Company"), I report after due enquiry that during the period from 30 September 2003 (being the date to which the last audited accounts of Mithril have been made up) to the date hereof (being the date not earlier than fourteen days before the issue of this Prospectus) that:

(a) the business of the Mithril Group have, in the opinion of the Directors of the Company, been satisfactorily maintained;

(b) in the opinion of the Directors of the Company, no circumstances have arisen subsequent to the last audited financial statements of Mithril which have adversely affected the business and operations or the value of the assets of the Mithril Group;

(c) the current assets of the Mithril 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 given by Mithril;

(e) save as disclosed in the financial information as set out in Section 11.2.2 of this Prospectus, there have been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and

(f) since the last audited financial statements of Mithril, save as disclosed in the Proforma Consolidated Balance Sheets as set out in Section 11.8 of this Prospectus, there has been no changes in the published reserves of the Mithril Group nor any unusual factors affecting the profits of Mithril.

Yours faithfully
On behalf of the Board of Directors of
Mithril Berhad

Yeoh Hong Hwang
Executive Director

Mithril Berhad (577765-U)
Suite 18.05, 18th Floor, Menara MAA, No 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur. Tel: 603-2142 0366 Fax: 603-2142 0533

(Prepared for inclusion in this Prospectus)

SAFERAY (M) SDN. BHD.
(COMPANY NO. 229174-V)
LOT 2286, LORONG 1, KAMPONG BOYAN,
34000 TAIPING, PERAK, W. MALAYSIA.
TEL: 605-8065155, 8066155, 8078888 FAX: 605-8085155, 8058888
Email: gaudi@po.jaring.my Homepage: www.gaudidecor.com

MOODY INTERNATIONAL CERTIFICATION UKAS QUALITY MANAGEMENT 014
ISO 9002 Cert. No. 0111561A

4 March 2004

The Shareholders of
Mithril Berhad
Suite 17.05(B), 17th Floor
Menara MAA
No. 12, Jalan Dewan Bahasa
50460 Kuala Lumpur

Dear Sir/Madam,

On behalf of the Directors of Saferay (M) Sdn Bhd ("Saferay" or the "Company"), I report after due enquiry that during the period from 30 September 2003 (being the date to which the last audited accounts of Saferay have been made up) to the date hereof (being the date not earlier than fourteen days before the issue of this Prospectus) that:

(a) the business of Saferay has, in the opinion of the Directors of the Company, been satisfactorily maintained;

(b) in the opinion of the Directors of the Company, no circumstances have arisen subsequent to the last audited financial statements of Saferay which have adversely affected the business and operations or the value of the assets of Saferay;

(a) the current assets of Saferay appear in the books at values which are believed to be realisable in the ordinary course of business;

(b) no contingent liabilities have arisen by reason of any guarantees given by Saferay;

(e) since the last audited financial statements of Saferay, there have been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and

(f) since the last audited financial statements of Saferay, save as disclosed in the Accountants' Report as set out in Section 12 of this Prospectus, there has been no changes in the published reserves of Saferay nor any unusual factors affecting the profits of Saferay.

Yours faithfully
On behalf of the Board of Directors of
Saferay (M) Sdn Bhd

Cheong Chee Yun
Executive Director

14. VALUATION CERTIFICATE

(Prepared for inclusion in this Prospectus)

The valuation certificate is to be read in conjunction with Sections 5.3.7 and 5.3.8 of this Prospectus.

FIRDAUS & ASSOCIATES
Regn No VE(3)0091

Registered Valuers, Property Consultants, Property and Project Managers; and Real Estate Agents

Third Floor, 318,
Melawati Square, Jalan Negara,
Taman Melawati,
53100 Kuala Lumpur.
West Malaysia.
Tel : 603-4108 6650
Fax : 603-4107 9466
Email : firassoc@tm.net.my

FIRDAUS BIN MUSA BSc(Hons) Urban Est. Management, MISM
FAIYAZ AHMAD BIN MARUF BSc(Hons) Urban Est. Management, MISM

Our Reference : FA/2002/TB/SC/101 and FA/2002/TB/SC/103

Your Reference :

4th March 2004

The Board of Directors
MITHRIL BERHAD
Suite 18.05, 18th Floor
Menara MAA
12, Jalan Dewan Bahasa
50460 KUALA LUMPUR

Dear Sirs

REPORT AND VALUATION OF:-

1. **TWENTY NINE(29) SUBSIDIARY PARCELS OF COMMERCIAL/OFFICE SPACE TOGETHER WITH 195 UNITS OF BASEMENT CAR PARK BAYS FORMING PART OF AN 11-STOREY OFFICE BUILDING WITH 3-BASEMENT CAR PARK KNOWN AS MENARA MAA HELD UNDER MASTER TITLE NO. TOWN LEASE 017545265, DISTRICT OF KOTA KINABALU, SABAH.**
2. **EIGHT(8) SUBSIDIARY PARCELS OF COMMERCIAL/OFFICE SPACE FORMING PART OF AN 11-STOREY OFFICE BUILDING WITH BASEMENT FLOOR AND AN OPEN-AIR CAR PARK KNOWN AS MENARA MAA HELD UNDER MASTER LOT NO. 86, SECTION 53, KUCHING TOWN LAND DISTRICT, SARAWAK.**

This valuation certificate has been prepared for the inclusion in the Prospectus of Mithril Berhad to be dated on 16th March 2004 in connection with the restructuring exercise of Tajo Berhad.

With reference to your instructions, we have ascertained the Market Value of the abovementioned properties for the purpose of Submission to the Securities Commission vide our valuation reports under reference no. FA/2002/TB/SC/101 and FA/2002/TB/SC/103 dated 2nd May 2002 and 15th May 2002 respectively.

Our report and valuation standards conform to the Guidelines on Asset Valuations for submission to the Securities Commission issued by the Securities Commission Malaysia 1995 and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of Valuation is on Market Value as at the valuation dates. We have adopted the Comparison and Investment Methods for the said properties in arriving at the Market Value. We have also relied on the information provided to us by the client such as the building plans, copy of the document of titles, certificate of fitness of occupation and tenancy schedules. The said details are included as attachments in our valuation reports.

Our opinion of the Market Value of the abovementioned properties and its brief description are tabulated in the Schedule as attached to this letter.

Yours faithfully,
FIRDAUS & ASSOCIATES

FIRDAUS BIN MUSA, MISM
Registered Valuer – V430

a member of the Institution of Surveyors Malaysia

Commercial, Industrial, Residential and Plant & Machinery Valuations and Appraisals; Property Market Feasibility Studies and Consultations; Project Development Proposals; Property and Project Management; and Real Estate Sales and Leasing.

FIRDAUS
& ASSOCIATES
Regn No VE(3)0091

PROPERTY IDENTIFICATION • Legal Description • Address • Tenure • Category of land use • Registered Owner • Beneficial Owner	GENERAL DESCRIPTION • Brief Description • Land Area • Total Floor Area • Estimated Net Rent Received per annum (RM) • Occupancy Status of Total Parcels (%)	MARKET VALUE • Date of Valuation • Method of Valuation • Market Value (RM)
REPORT AND VALUATION UNDER REF NO. FA/2002/TB/SC/101		
• Master Title No. Town Lease 017545265, District Of Kota Kinabalu, Sabah. • Menara MAA, No. 6, Lorong Api-Api 1, 88000 Kota Kinabalu, Sabah. • 99-year Leasehold expiring on the 31st December 2086. • Not Stated • Sabah Urban Development Corporation Sdn. Bhd. • Malaysian Assurance Alliance Berhad	• Twenty Nine(29) subsidiary parcels of commercial/office space together with 195 units of basement car park bays forming part of an 11-storey office building with 3-basement car park known as Menara MAA. • 47,145.85 square feet (4,380.00 square metres) • 189,727 square feet (17,626.21 square metres) • RM1,776,118 • 55%	• 2nd May 2002 • Comparison and Investment • RM70,000,000.00
REPORT AND VALUATION UNDER REF NO. FA/2002/V103		
• Master Lot No. 86, Section 53, Kuching Town Land District, Sarawak. • Menara MAA, Lot No. 86, Section 53, either along Jalan Bank Hock, 93100 Kuching or along Jalan Central Timur, 93300 Kuching, Sarawak. • 60-year Leasehold expiring on the 28th April 2051 • Town Land • Lembaga Pembangunan dan Lindungan Sarawak. • Malaysian Assurance Alliance Berhad	• Eight(8) subsidiary parcels of commercial/office space forming part of an 11-storey office building with basement floor and an open-air car park known as Menara MAA. • 56,005 square feet (5,203.00 square metres). • 50,653 square feet (4,705.82 square metres). • RM948,440.40 • 85%	• 15th May 2002 • Comparison and Investment • RM23,150,000.00