Notes to the Financial Statements

31 December 2010

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Aras 15, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The principal activity of the Company is that of a venture capital investment holding company. The principal activities of the subsidiaries are described in Note 5.

There have been no significant changes in the nature of the principal activities during the financial year.

The holding company and ultimate holding body of the Company is Bank Pembangunan Malaysia Berhad, a company incorporated and domiciled in Malaysia and The Minister of Finance (Incorporation) ("MOF"), a body corporate which was incorporated under the Minister of Finance (Incorporation) Act, 1957.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 February 2011.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia ("FRSs").

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The functional currency of certain subsidiaries is United States Dollar ("USD"). The financial statements are presented in Ringgit Malaysia ("RM') in compliance with FRSs and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The functional currency of the Company is RM, and its financial statements are also presented in RM.

2.2 Changes in accounting policies

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

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 Financial Instruments: Disclosures
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of and Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd.)

Adoption of the above standards and interpretations did not have any significant effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and 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 and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- **Inter-company loans**
  During the current and prior years, the Company granted interest-free or low-interest loans and advances to its subsidiaries (Note 9). Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free or low-interest loans or advances are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the loan or advance is recognised as an additional investment in the subsidiary. Subsequent to initial recognition, the loans and advances are measured at amortised cost.s

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement (cont'd.)

- **Inter-company loans (cont'd.)**

  As at 1 January 2010, the difference between the fair value and the cost of the loan and advances amounting to RM 90,687,614 was recognised to cost of investment in the subsidiaries. The fair value adjustment from the date of inception amounting to RM 15,341,298 was recognised as an adjustment to the opening balance of retained earnings. Hence, reducing the carrying amount of the loan and advances by RM 75,346,316.

  As at 31 December 2010, a notional interest amounting to RM 7,393,915 arising from unwinding of interest during the year is recognised as interest income in the statement of comprehensive income, increasing the loans and advances by RM 67,952,401 and increasing the retained earnings to a cumulative effect of RM 22,735,213.

The following are effects arising from the above changes in accounting policies:

	Increase/(decrease) As at 31 December 2010 RM'000	Increase/(decrease) As at 1 January 2010 RM'000
Statements of financial position		
Company		
Investment in subsidiaries	**90,688**	**90,688**
Trade and other receivables		
– amount due from subsidiaries	**(67,952)**	**(75,346)**
Retained earnings	**22,735**	**15,342**

	Increase/(decrease) Company 2010 RM'000
Statements of comprehensive income	
Interest income	**7,394**
Profit before tax	**7,394**
Income tax expense	–
Profit net of tax	**7,394**
Other comprehensive income for the year, net of tax	–

Notes to the Financial Statements
31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning on or after
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations (Revised)	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below.

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

Notes to the Financial Statements
31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.4 Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included as profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since then.

2.5 Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in jointly controlled entity is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entity. The Group's share of the net profit or loss of the jointly controlled entity is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the jointly controlled entity, the Group recognises its share of such changes.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.5 Jointly controlled entities (cont'd.)

In applying the equity method, unrealised gains and losses on transactions between the Group and the jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly controlled entity. The jointly controlled entity is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the jointly controlled entity.

Goodwill relating to the jointly controlled entity is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the jointly controlled entity's profit or loss in the period in which the investment is acquired.

Where the Group's share of losses in the jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

The most recent available audited financial statements and management accounts of the jointly controlled entities are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is Ringgit Malaysia ("RM") and that of certain subsidiaries is United States Dollar ("USD"). The financial statements are presented in RM, in compliance with FRSs.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.6 Foreign currencies (cont'd.)

(ii) Foreign currency transactions (cont'd.)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in income statement. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised as profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

– Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

– All resulting exchange differences are taken to the currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

2.7 Vessels and equipment and depreciation

All vessels, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount 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 Group 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.

Subsequent to recognition, vessels, plant and equipment are stated at cost less accumulated depreciation and any accumulate impairment losses.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.7 Vessels and equipment and depreciation (cont'd.)

Depreciation of vessels, 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:

Motor vehicles	5 years
Furniture and fittings	6-7 years
Office equipment	6-7 years
Office renovation	3 years
Computers	5 years
Vessels	25 years
Dry docking	2.5-5 years

Vessels under construction is not depreciated as the asset is not available for use.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the vessels, plant and equipment.

Vessels, 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 profit and loss and the unutilised portion of the revaluation surplus is taken directly to retained profits.

2.8 Impairment of non-financial assets

The carrying amount of assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset recoverable amount is estimated to determine the amount of impairment loss.

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

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset recoverable amount is the higher of an asset or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are all allocated first to reduce the carrying amount if any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or group of units on a pro-rata basis.

2.9 Inventories

Inventories which comprise lubricants are held for own consumption and are stated at lower of cost and net realisable value. Cost is arrived at on the weighted average basis and comprises the purchase price and other direct charges.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.10 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company have not designated any financial assets as at fair value through profit or loss.

(b) Loan and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as receivables.

Subsequent to initial recognition, loan and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired, and through the amortisation process.

Receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

The Group and the Company have not designated any held-to-maturity investments.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

The Group and the Company have not designated any available-for-sale financial assets.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.11 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Notes to the Financial Statements
31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.11 Impairment of financial assets (cont'd.)

(a) Trade and other receivables and other financial assets carried at amortised cost (cont'd.)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.12 Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value.

2.13 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

Notes to the Financial Statements
31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.13 Financial liabilities (cont'd.)

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.15 Borrowing costs

Borrowing costs comprise debts issuance costs and interest costs. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.16 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Notes to the Financial Statements
31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.16 Income taxes (cont'd.)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements

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2. Summary of significant accounting policies (cont'd.)

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Employee benefits

(a) 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. 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2.19 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Share of pool profit/(loss)

Share of pool profit/(loss) arising from the ship-owning subsidiaries' participation in pool arrangements is accounted for on an accrual basis.

(ii) Charter hire income

Charter hire fees are accounted for on an accrual basis.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.20 Repairs and maintenance, and dry-docking

Repairs and maintenance costs are recognised in income statement as incurred. Dry-docking expenditure is capitalised and depreciated over a period of 30 to 60 months or the period until the next drydocking date, whichever is the shorter.

Notes to the Financial Statements
31 December 2010

2. Summary of significant accounting policies (cont'd.)

2.21 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.22 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Key sources of estimation uncertainty

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

Impairment of vessels

The Group assess whether there is any indication that the vessels may be impaired at each balance sheet date. If indicators are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the assets' and the assets' estimated recoverable amount.

The Group determine whether vessels are impaired following certain indications of impairment such as deteriorating financial performance of the vessels due to observed changes and fundamentals. Judgments are made by management to select suitable methods of valuation such as the discounted cash flow method.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the vessels. These assumptions and other key sources of estimation uncertainty at the balance sheet date, may have a significant risk of causing a material adjustment to the carrying amounts of the vessels within the next financial year. Assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

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4. Vessels and equipment

Group	Vessels RM'000	Drydocking expenses RM'000	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Motor vehicle RM'000	Computers RM'000	Total RM'000
At 31 December 2010							
Cost							
At 1 January 2010	**1,022,452**	**31,705**	**188**	**292**	**158**	**302**	**1,055,097**
Additions	**3,447**	**17,526**	**2**	**5**	**169**	**9**	**21,158**
Disposal	**(178,643)**	**(5,321)**	**–**	**–**	**(88)**	**–**	**(184,052)**
Effect of movements in exchange rates	**(83,579)**	**(5,652)**	**–**	**–**	**–**	**–**	**(89,231)**
At 31 December 2010	**763,677**	**38,258**	**190**	**297**	**239**	**311**	**802,972**
Accumulated depreciation							
At 1 January 2010	**457,326**	**21,383**	**130**	**262**	**107**	**243**	**479,451**
Depreciation for the year	**33,973**	**10,159**	**18**	**33**	**46**	**24**	**44,253**
Disposal	**(82,277)**	**(5,091)**	**–**	**–**	**(88)**	**–**	**(87,456)**
Effect of movements in exchange rates	**(38,528)**	**(4,928)**	**–**	**–**	**–**	**–**	**(43,456)**
At 31 December 2010	**370,494**	**21,523**	**148**	**295**	**65**	**267**	**392,792**
Net carrying amounts	**393,183**	**16,735**	**42**	**2**	**174**	**44**	**410,180**
At 31 December 2009							
Cost							
At 1 January 2009	1,183,589	42,231	187	292	158	272	1,226,729
Additions	1,423	7,344	1	–	–	30	8,798
Transfer to assets held for sale	(145,130)	(6,156)	–	–	–	–	(151,286)
Fully amortised	–	(11,267)	–	–	–	–	(11,267)
Effect of movements in exchange rates	(17,430)	(447)	–	–	–	–	(17,877)
At 31 December 2009	1,022,452	31,705	188	292	158	302	1,055,097
Accumulated depreciation							
At 1 January 2009	485,842	24,729	111	206	89	224	511,201
Depreciation for the year	48,035	11,036	19	56	18	19	59,183
Transfer to assets held for sale	(69,069)	(2,815)	–	–	–	–	(71,884)
Fully amortised	–	(11,267)	–	–	–	–	(11,267)
Effect of movements in exchange rates	(7,482)	(300)	–	–	–	–	(7,782)
At 31 December 2009	457,326	21,383	130	262	107	243	479,451
Net carrying amounts	565,126	10,322	58	30	51	59	575,646

Notes to the Financial Statements

31 December 2010

4. Vessels and equipment (cont'd.)

Company	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Motor vehicle RM'000	Computers RM'000	Total RM'000
At 31 December 2010					
Cost					
At 1 January 2010	**188**	**292**	**158**	**301**	**939**
Additions	**2**	**5**	**169**	**9**	**185**
Disposal	–	–	(88)	–	(88)
At 31 December 2010	**190**	**297**	**239**	**310**	**1,036**
Accumulated depreciation					
At 1 January 2010	**130**	**261**	**106**	**242**	**739**
Depreciation for the year	**18**	**33**	**46**	**24**	**121**
Disposals	–	–	**(88)**	–	**(88)**
At 31 December 2010	**148**	**294**	**64**	**266**	**772**
Net carrying amounts	**42**	**3**	**175**	**44**	**264**
At 31 December 2009					
Cost					
At 1 January 2009	187	292	158	272	909
Additions	1	–	–	29	30
At 31 December 2009	188	292	158	301	939
Accumulated depreciation					
At 1 January 2009	111	206	89	223	629
Depreciation for the year	19	55	17	19	110
At 31 December 2009	130	261	106	242	739
Net carrying amounts	58	31	52	59	200

At 31 December 2010, vessels with carrying amount of RM393,183,000 (2009: RM565,126,000) were pledged to a licensed financial institution for banking facilities granted to the subsidiaries (Note 13).

Notes to the Financial Statements
31 December 2010

5. Investment in subsidiaries

	Note	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares, at cost		**20,300**	20,300
Discounts on loans to subsidiaries	2.2	**90,688**	–
		110,988	20,300

Details of the subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	Principal Activities	Effective Interest (%) 2010	Effective Interest (%) 2009
Held by the Company				
Glory Incentive Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Alam Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Gagasan Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Bahtera Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Efogen Sdn Bhd (formerly known as GMV-Orion Sdn Bhd)	Malaysia	Investment holding	**100**	100
GMV-Regional Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Orkim Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Offshore Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Global Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Jasa Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Omni Sdn Bhd	Malaysia	Investment holding	**100**	100
GMV-Borcos Sdn Bhd (formerly known as Exiwealth Resources Sdn Bhd)	Malaysia	Investment holding	**100**	100
Tegas Senja Sdn Bhd *	Malaysia	Investment Holding	–	100
Mutiara Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Intan Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Nilam Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Kasa Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Mayang Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Sari Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Tiara Navigation Sdn Bhd	Malaysia	Dormant	**70**	70
Held by Glory Incentive Sdn Bhd				
Permata Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Gemala Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Ratna Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Kencana Navigation Sdn Bhd	Malaysia	Ship-owning	**70**	70
Ayu Navigation Sdn Bhd	Malaysia	Dormant	**70**	70

All subsidiaries are audited by Ernst & Young, Malaysia.

* Tegas Senja Sdn Bhd has been struck off from the register of companies with effect from 4 August 2010, being the date of publication of the notice of striking off pursuant to Section 308(4) of the Companies Act, 1965 in the Gazette.

Notes to the Financial Statements
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6. Investments in jointly controlled entities

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares, at cost	**100,122**	77,953	**75**	75
Share of post acquisition reserves	**31,523**	21,817	–	–
	131,645	99,770	**75**	75
Advances to jointly controlled entities:				
– within 1 year	**7,966**	7,822	–	–
– 1 year to 2 years	**7,966**	7,822	–	–
– 2 years to 5 years	**23,897**	23,467	–	–
– more than 5 years	**39,829**	39,111	–	–
	79,658	78,222	–	–
	211,303	177,992	**75**	75
Analysed as:				
Short term investment	**7,966**	7,822	–	–
Long term investment	**203,337**	170,170	**75**	75
	211,303	177,992	**75**	75

The advances to jointly controlled entities bear an interest of 7% (2009:7%) per annum and repayable on a quarterly basis over a period of 10 years.

Notes to the Financial Statements
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6. Investments in jointly controlled entities (cont'd.)

Details of the jointly controlled entities whose financial year end are conterminous with the Group are as follows:

Name of jointly controlled entities	Country of Incorporation	Principal Activities	Effective Interest (%) 2010	2009
Wawasan Bulk Services Sdn Bhd	Malaysia	Ship management	**30**	30
Alam Eksplorasi (M) Sdn Bhd	Malaysia	Ship-owning, ship operator, ship agency, chartering and other related to shipping industry	**40**	40
Alam Synergy I (L) Inc	Malaysia	Ship-owning, ship operator and charter hire of vessel	**40**	40
Alam Synergy II (L) Inc	Malaysia	Ship-owning, ship operator and charter hire of vessel	**40**	40
Alam Synergy III (L) Inc	Malaysia	Ship-owning, ship operator and charter hire of vessel	**40**	40
Formasi Cekal Sdn Bhd	Malaysia	Ship-owning, Ship operator, and to undertake all kinds of contract to carry merchant goods	**40**	40
Baycorp Ship Management Sdn Bhd	Malaysia	Ship management	**40**	40
Gagasan Sembilan Sdn Bhd	Malaysia	Ship-owning	**40**	40
Gagasan Ked Sdn Bhd	Malaysia	Ship-owning	**60**	60
Gagasan Paha Sdn Bhd	Malaysia	Ship-owning	**60**	60
Orkim Leader Sdn Bhd	Malaysia	Ship-owning and freighting	**40**	40
Orkim Power Sdn Bhd	Malaysia	Ship-owning and freighting	**40**	40
Orkim Merit Sdn Bhd	Malaysia	Ship-owning and freighting	**40**	40
Orkim Express Sdn Bhd	Malaysia	Ship-owning and freighting	**40**	40
Global BMesra Sdn Bhd (formerly known as Budisukma Mesra Sdn Bhd)	Malaysia	Ship-owning and freighting	**49**	49
Global BMesra Dua Sdn Bhd (formerly known as Budisukma Mesra Dua Sdn Bhd)	Malaysia	Ship-owning and freighting	**49**	49
JM Global 1 (Labuan) Plc	Malaysia	Ship-owning and freighting	**49**	49
JM Global 2 (Labuan) Plc	Malaysia	Ship-owning and freighting	**49**	49
Omni Offshore (L) Inc	Malaysia	Ship-owning and freighting	**40**	40
Orkim Challenger Sdn Bhd	Malaysia	Ship-owning and freighting	**60**	60
Orkim Discovery Sdn Bhd	Malaysia	Ship-owning and freighting	**60**	60
Orkim Reliance Sdn Bhd	Malaysia	Ship-owning and freighting	**60**	60
Global BIkhlas Sdn Bhd (formerly known as Budisukma Ikhlas Sdn Bhd)	Malaysia	Ship-owning and freighting	**49**	49
JM Global 3 (Labuan) Plc	Malaysia	Ship-owning and freighting	**49**	–
JM Global 4 (Labuan) Plc	Malaysia	Ship-owning and freighting	**49**	–
Sea Weasel Ltd	Malaysia	Ship-owning and freighting	**49**	–

Notes to the Financial Statements
31 December 2010

6. Investments in jointly controlled entities (cont'd.)

The voting rights for all the jointly controlled entities mentioned above are equal for both the joint venture parties.

During the financial year:

(a) The Company entered into a joint venture agreement with Jasa Merin (M) Sdn Bhd via its wholly owned subsidiary, GMV-Jasa Sdn Bhd to set up 2 new joint venture ship-owning companies, JM Global 3 (Labuan) Plc and JM Global 4 (Labuan) Plc with a subscription of 49% equity interest in the respective company. The total cash consideration for both companies amounted to RM4,410,000. Both JM Global 3 (Labuan) Plc and JM Global 4 (Labuan) Plc are incorporated in Labuan.

(b) The Company entered into a joint venture agreement with Efogen Sdn Bhd via its wholly owned subsidiary, GMV-Efogen Sdn Bhd to set up a new joint venture ship-owning company, Sea Weasel Ltd with a subscription of 49% equity interest. The total cash consideration for the company amounted to RM8,391,500. Sea Weasel Ltd is incorporated in Labuan.

(c) A subsidiary, GMV-Global Sdn Bhd increased its investment in Global BMesra Sdn Bhd and Global BMesra Dua Sdn Bhd in the form of additional equity participation, for a total contribution of RM4,459,000. The effective interest in these companies remain unchanged.

(d) A subsidiary, GMV-Jasa Sdn Bhd increased its investment in JM Global 1 (Labuan) Plc and JM Global 2 (Labuan) Plc in the form of additional equity participation, for a total contribution of RM6,100,500. The effective interest in these companies remain unchanged.

(e) A subsidiary, GMV-Orkim Sdn Bhd increased its investment in Orkim Discovery Sdn Bhd, Orkim Reliance Sdn Bhd and Orkim Challenger Sdn Bhd in the form of additional equity participation, for a total contribution of RM7,200,000. The effective interest in these companies remain unchanged.

The Group's aggregate share of current assets, non-current assets, current liabilities and results of the jointly controlled entities is as follows:

	2010 RM'000	**2009 RM'000**
Non-current assets	**562,083**	359,448
Current assets	**100,641**	58,195
Total assets	**662,724**	417,643
Non-current liabilities	**259,383**	183,736
Current liabilities	**271,696**	136,317
Total liabilities	**531,079**	320,053
Results		
Revenue	**64,889**	39,468
Profit for the year	**9,706**	13,251

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31 December 2010

7. Other investments

The investments represent memberships at Glenmarie Golf & Country Club which are stated at cost.

8. Pool working fund

These represent advances from subsidiary companies to the pool operators for operating funds of the vessels in the pool. These advances are interest free, unsecured and are refundable only upon termination of the pool agreement signed between the subsidiary companies and the pool operators.

9. Receivables, deposits and prepayments

		Group		Company	
		2010	**2009**	**2010**	**2009**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Current					
Trade receivables					
Third parties	(a)	**4,815**	37,713	–	–
Other receivables					
Third parties	(b)	**15,617**	15,865	**4,098**	5,793
Deposits		**60**	58	**60**	58
Prepayments		**27**	106	**27**	34
Dividend receivables		–	–	**31,500**	–
Amount due from subsidiaries	(c)	–	–	**19,748**	59,422
Amount due from related parties	(d)	**205,270**	94,416	–	–
		220,974	110,445	**55,433**	65,307
		225,789	148,158	**55,433**	65,307
Non-current					
Other receivables					
Amount due from subsidiaries	(c)	–	–	**109,766**	153,576

Notes to the Financial Statements
31 December 2010

9. Receivables, deposits and prepayments (cont'd.)

(a) Trade receivables
Trade receivables for the third parties relates to amount due from charterers.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Neither past due nor impaired	**3,253**	26,707
1 to 30 days past due not impaired	**1,557**	4,605
31 to 60 days past due not impaired	–	539
61 to 90 days past due not impaired	–	506
91to 120 days past due not impaired	–	553
More than 121 days past due not impaired	**5**	4,803
	1,562	11,006
Impaired	–	–
	4,815	37,713

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are charterers with good payment record with the Group.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,561,874 (2009: RM11,005,695) that are past due at the reporting date but not impaired.

(b) Other receivables from third parties
Included in other receivables from third parties is RM1,111,592 (2009: RM1,379,033) being loan to staff, bearing an interest of 4% (2009: 4%) per annum and repayable by monthly salary deductions.

(c) Amount due from subsidiaries
The amount due from subsidiaries are unsecured, interest free and repayable on demand except for the long term portion which is expected to be repayable in full over 10 years.

(d) Amounts due from related parties
Amounts due from related parties relate to fund placements with fund managers for short term deposits and bear floating interest rates of 0.06% to 0.22% (2009: 0.17% to 0.28%).

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10. Inventories

	Group	
	2010	2009
	RM'000	RM'000
Lubricants, at cost	**1,377**	2,703

11. Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deposits with:				
Licensed banks	**670,677**	669,916	**651,862**	641,794
Cash and bank balances	**887**	611	**242**	61
	671,564	670,527	**652,104**	641,855

The range of interest rates and the maturities of deposits as at 31 December 2010 were 2.60% to 3.30% (2009: 2.00% to 2.65%) and 31 to 365 days (2009: 9 to 365 days), respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 26.

12. Non-current assets held for sale

	Group	
	2010	2009
	RM'000	RM'000
As at 1 January	**79,402**	–
Reclassified from vessels and equipments (Note 3)	–	79,402
Sale of vessels	**(79,402)**	–
As at 31 December	–	79,402

In previous year, Selendang Kasa and Selendang Mayang were classified as non-current assets held for sale. Memorandum of Agreements were signed and deposits were received for the sale of Selendang Kasa and Selendang Mayang, however the risks and rewards were not transferred to the purchasers as at 31 December 2009.

The sale of these vessels was completed during the financial year for a total cash consideration of RM124,685,000.

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13. Loans and borrowings

	Group	
	2010 RM'000	2009 RM'000
Current		
Secured term loan:		
Within 1 year	**43,169**	47,915
	43,169	47,915
Non Current		
Secured term loan:		
More than 1 year and less than 2 years	**43,169**	47,915
More than 2 years and less than 5 years	**86,338**	95,830
More than 5 years	**114,090**	174,548
	243,597	318,293
Total	**286,766**	366,208

Security

The term loans for tankers are secured by a first preferred cross-collaterised mortgage of the vessels concerned, an assignment of earnings derived from the pool and insurance of the vessels amounting to RM286,766,000 (2009: RM366,208,000).

The weighted average effective interest rate of the term loan during the year ranged from 0.97% to 1.45% (2009: 1.13% to 3.02%) per annum.

14. Payables and accruals

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade					
Amount due to a related party	a	**1,495**	3,656	–	–
Non-trade					
Amount due to holding company	b	**24,000**	24,000	**24,000**	24,000
Other payables		**29,857**	6,403	**16**	469
Accrued expenses		**11,790**	16,139	**2,332**	1,533
Tax payable		**919**	383	**814**	433
Amount due to a related party	a	**8,325**	25,466	–	–
		74,891	72,391	**27,162**	26,435
		76,386	76,047	**27,162**	26,435

Notes to the Financial Statements

31 December 2010

14. Payables and accruals

(a) **Amount due to a related party**

Trade payables of amount due to a related party and non-trade payables of amount due to related parties are unsecured, interest free and repayable on demand.

(b) **Amount due to holding company**

Amount due to holding company is in respect of dividend payable (Note 27).

15. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2010	**2009**	**2010**	**2009**
	'000	**'000**	**RM'000**	**RM'000**
Authorised:				
At 1 January/31 December	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At 1 January/31 December	**300,000**	300,000	**300,000**	300,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

16. Currency translation reserve

Group	**Currency translation reserve RM'000**
At 1 January 2009	(17,938)
Other comprehensive income:	
Foreign currency translation	(5,373)
Less: minority interest	1,615
	(3,758)
At 31 December 2009	(21,696)

Notes to the Financial Statements
31 December 2010

16. Currency translation reserve (cont'd.)

Group	Currency translation reserve RM'000
At 1 January 2010	**(21,696)**
Other comprehensive income:	
Foreign currency translation	**(37,078)**
Less: minority interest	**9,204**
	(27,874)
At 31 December 2010	**(49,570)**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of operations whose functional currency are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from the monetary item which form part of the Group's net investment in those operations, where the monetary item is denominated in the functional currency of the operating entities.

17. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2010, the Company has sufficient credit in the aggregate of 108 balance and Exempt Income Account balance to pay franked dividends amounting to RM279,879,406 (2009: RM261,567,942) out of its retained earnings. If the balance of the retained earnings of RM298,872,630 (2009: RM293,379,613) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

As at 31 December 2010, the Company has tax exempt profits available for distribution of approximately RM256,673,542 (2009: RM238,362,078), subject to agreement with the Inland Revenue Board.

Notes to the Financial Statements
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18. Revenue

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Dividends	–	–	**42,311**	12,637
Charter hire income	**18,362**	40,303	–	–
Sundry income	**646**	821	–	–
Share of pool profit	**74,753**	143,975	–	–
	93,761	185,099	**42,311**	12,637

19. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Employee benefits expense (Note 20)	**31,820**	39,400	**2,599**	2,414
Non-executive directors' remuneration (Note 21)	**162**	168	**162**	150
Auditors remuneration				
Statutory audits	**182**	169	**42**	35
Other services	**38**	8	**12**	5
Depreciation of vessels and equipment	**34,094**	48,147	**121**	110
Amortisation of dry-docking expenses	**10,159**	11,036	–	–
Interest expenses	**5,995**	9,338	**4**	3
Rental of office equipment	**11**	11	**11**	11
Rental of office	**183**	190	**183**	190
Loss/(gain) on exchange				
– realised	**(1,343)**	951	–	–
– unrealised	**8,536**	1,422	–	–
Interest income	**(24,414)**	(22,111)	**(18,240)**	(18,951)
Interest income recognised on re-measurement to fair value			**(7,394)**	
Gain on disposal of vessels	**(28,089)**	–	–	–
Dividend income	–	–	**(42,311)**	(12,637)

Notes to the Financial Statements
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20. Employee benefits expenses

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonus	**24,193**	30,195	**1,975**	1,793
Employees provident fund	**237**	289	**235**	289
Social security contributions	**12**	11	**14**	11
Other benefits	**7,378**	8,905	**375**	321
	31,820	39,400	**2,599**	2,414

21. Directors' remuneration

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-executive directors remuneration				
Fees	**114**	107	**114**	107
Other emoluments	**48**	61	**48**	43
	162	168	**162**	150

22. Income tax expense

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current year income tax	**5,568**	6,098	**4,507**	4,969
(Over)/underprovision of income tax expense in prior year	**(95)**	536	**(99)**	539
	5,473	6,634	**4,408**	5,508

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

Notes to the Financial Statements

31 December 2010

22. Income tax expense (cont'd.)

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	**27,694**	57,679	**59,656**	27,382
Taxation at Malaysian statutory tax rate of 25% (2009:25%)	**6,924**	14,420	**14,914**	6,845
Effect of share of results of jointly controlled entities	**(2,429)**	(3,312)	–	–
Expenses not deductible for tax purposes	**16,694**	15,102	**171**	941
Income not subject to tax	**(15,621)**	(20,112)	**(10,578)**	(2,817)
(Over)/underprovision of tax expense in prior year	**(95)**	536	**(99)**	539
	5,473	6,634	**4,408**	5,508

Included in income not subject to tax is tax exempt shipping income, derived from the operations of the Company's sea-going Malaysian registered vessels under Section 54A of the Malaysian Income Tax Act 1967.

23. Related party disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Agency fees paid to an affiliated company*	**998**	1,677	–	–
Rental paid/payable to holding company	**183**	190	**183**	190
Interest earned from jointly controlled entities	**5,796**	4,396	**297**	337
Group sharing cost payable to holding company	**268**	342	**268**	342

* Affiliated companies are companies which share common directors with the Company.

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

(b) Compensation of key management personnel

Key management personnel of the Company comprise solely the Company's directors. Their compensation are as disclosed in Note 21 to the financial statements.

Notes to the Financial Statements
31 December 2010

24. Capital commitments

	Group and Company	
	2010	2009
	RM'000	RM'000
Capital expenditure		
Approved and contracted for investments	**272,470**	136,690
Approved and but not contracted for investments	**71,144**	35,545

25. Contingent liability

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees issued to financial institutions for credit facilities granted to:				
– jointly controlled companies	**347,140**	146,110	**347,140**	146,110

The above contingent liability on carporate guarantees is based on the outstanding balances of the credit facilities granted to jointly controlled entities.

26. Financial risk management objectives and policies

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate risk, foreign currency risk, liquidity risk and credit risk.

(b) Foreign currency risk

The Group and Company are exposed to foreign currency risk as a result of its normal operating activities, where the currency denomination differs from the local currency, Ringgit Malaysia ("RM"). The Group and the Company's policy is to minimise the exposure of foreign currency risk by monitoring and approving requisitions which involve foreign currencies.

Notes to the Financial Statements

31 December 2010

26. Financial risk management objectives and policies (cont'd.)

(b) Foreign currency risk (cont'd.)

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in its functional currency are as follows:

	Net financial assets held in non-functional currencies	
	US Dollar RM'000	Total RM'000
Functional currency of Group Companies		
At 31 December 2010		
Ringgit Malaysia	**19,756**	**19,756**
At 31 December 2009		
Ringgit Malaysia	59,429	59,429

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rates against the functional currencies of the Group entities, with all other variables held constant.

	Group 2010 RM'000 Profit net of tax
USD/RM	
– strengthened 10% (2009: 10%)	**1,976**
– weakened 10% (2009: 10%)	**(1,976)**

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

Notes to the Financial Statements

31 December 2010

26. Financial risk management objectives and policies (cont'd.)

(c) **Liquidity risk (cont'd.)**

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2010			
	On demand or within one year RM'000	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Group				
Financial liabilities:				
Trade and other payables	**76,386**	-	-	**76,386**
Loans and borrowings	**45,722**	**136,541**	**115,497**	**297,760**
Total undiscounted financial liabilities	**122,108**	**136,541**	**115,497**	**374,146**
Company				
Financial liabilities:				
Trade and other payables,				
represent total undiscounted financial liabilities	**27,162**	–	–	**27,162**

(d) **Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the balance sheet date there were no significant concentrations of credit risk other than as disclosed in Note 9 to the financial statements. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values

- A carrying amount of RM205,270,000 (2009: RM94,416,000) relating to Group trade and other receivables which are due from related parties.

Notes to the Financial Statements

31 December 2010

26. Financial risk management objectives and policies (cont'd.)

(d) Credit risk (cont'd.)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Company's trade receivables at the reporting date are as follows:

	Group			
	2010		2009	
	RM'000	% of total	RM'000	% of total
By country:				
Singapore	**4,815**	**100%**	37,713	100%

At the reporting date, approximately:

– 91% (2009: 75%) of the Group's trade and other receivables were due from related parties while almost all of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 9. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group and Company's interest-bearing financial assets are mainly short term in nature.

At the reporting date, all of the Group's borrowings are at floating rates of interest.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM716,914 higher/lower, arising mainly as a result of higher/lower interest income from floating rate loans to related parties. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Notes to the Financial Statements
31 December 2010

26. Financial risk management objectives and policies (contd.)

(f) Fair value of financial instruments (contd.)

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, other payables and accruals and term loans from financial institutions and other shareholders are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on the reporting date, except for the followings:

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

		Company 2010	
	Note	Carrying amount RM'000	Fair value RM'000
Financial assets:			
Investments in jointly controlled entities (non-current)			
– Advances to jointly controlled entities	6	**71,692**	**76,772**
Receivables, deposits and prepayments (non-current)			
– Amount due from subsidiaries	9	**109,766**	**115,209**

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

27. Dividends

	Dividend Recognised in Year		Dividend Per Share	
	2010 RM'000	2009 RM'000	2010 RM	2009 RM
In respect of financial year:				
31 December 2010:				
Interim dividend of 8.0% per share, tax exempt	**24,000**	–	**0.08**	–
31 December 2009				
Interim dividend of 8.0% per share, tax exempt	–	24,000	–	0.08

Notes to the Financial Statements

31 December 2010

28. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. The Group also has a Single Joint Venture Partner Investment Limit (SJPIL) policy in place to serve as a protective fence that preserves shareholders fund and as a prudential requirement to monitor and manage the concentration risk of the Company. The maximum investment limit is set at 35% of total paid up capital of GMVB's last Audited Financial Statement and shall encompass all investments in its Joint Venture-Ship Owning Companies (JV-SOCs) with the joint venture partners.

The Group also monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio low. The Group includes within net debt, loans and borrowings (excluding convertible redeemable preference shares), trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent.

		Group		Company	
	Note	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Loans and borrowings	13	**286,766**	366,208	**-**	-
Trade and other payables	14	**76,386**	76,047	**27,162**	26,435
Less: Cash and bank balances	11	**(671,564)**	(670,527)	**(652,104)**	(641,855)
Net debt/(surplus)		**(308,412)**	(228,272)	**(624,942)**	(615,420)
Equity attributable to the owners of the parent		**1,088,773**	1,119,580	**901,538**	854,948
Total capital		**1,088,773**	1,119,580	**901,538**	854,948
Capital and net debt		**–**	–	**–**	–
Gearing ratio		**–**	–	**–**	–

No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.