NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business and registered office of the Company are located at Level 15 and Level 16, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur respectively.

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 28 February 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and 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 and Malaysian Financial Reporting Standards

Changes in acoounting policies

The following applicable new and revised FRS, Amendments to FRSs and IC Interpretation which are mandatory for companies with financial periods beginning on or after 1 January 2011 do not give rise to any significant effects in the financial statements of the Company and of the Group:

- FRS 3 Business Combinations (Revised)
- FRS 127 Consolidated and Separate Financial Statements (Revised)
- IC Interpretation 16 Hedges of a Net Investement in a Foreign Operation
- Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
- Amendments to FRS 7 Improving Disclosures about Financial Statements
- Improvements to FRSs issued in 2010

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies and Malaysian Financial Reporting Standards (cont'd)

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ("MFRS 141") and IC Interpretation 15 Agreements for Construction of Real Estate ("IC 15"), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group has established a project team to plan and manage the adoption of the MFRS Framework.

The Group has not commenced its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

2.3 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate'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 associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared for the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Subsidiaries and basis of consolidation

(i) Subsidiaries

In the Company's separate financial statements, investments in associates 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.

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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statement of financial position 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.

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 polices 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 Company's and its subsidiaries' functional currencies are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on that 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.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss 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 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 profit or loss. 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 in 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 profit or loss 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 statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each statement of comprehensive income 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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 profit or loss 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 accumulated impairment losses.

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 or loss and the unutilised portion of the revaluation surplus is taken directly to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of non-financial assets

The carrying amount of assets, other than inventories, are reviewed at each reporting 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 prorata 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial assets (cont'd)

(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 at fair value through profit or loss.

(b) Loans and receivables

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

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

Loans and 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.

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.

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, 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, receivables 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

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 availablefor- 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 statements of cas flows, 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 statements 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 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 at fair value through profit or loss.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Financial liabilities (cont'd)

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 2011 (CONT'D)

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.

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 nonaccumulating 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 profit or loss as incurred. Drydocking 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 2011 (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Non-current Assets Held for Sale

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 assesses whether there is any indication that the vessels may be impaired at each reporting 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' value-in-use amount.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from vessels and also to choose a suitable discount rate in order to calculate to present value of those cash flows. The carrying amount of the vessels was disclosed in Note 4 and further details on impairment loss recognised during the year are disclosed in Note 20.

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 2011							
Cost							
At 1 January 2011	763,677	38,258	190	297	239	311	802,972
Additions	9,288	19,838	15	–	–	22	29,163
Disposal	(18)	–	(3)	–	(84)	(50)	(155)
Transfer to assets held for sale	(123,303)	(10,282)	–	–	–	–	(133,585)
Effect of movements in exchange rates	20,929	988	–	–	–	–	21,917
At 31 December 2011	670,573	48,802	202	297	155	283	720,312
Accumulated depreciation							
At 1 January 2011	370,494	21,523	148	295	65	267	392,792
Depreciation for the year	31,452	13,345	17	2	38	18	44,872
Disposal	–	–	(1)	–	(17)	(47)	(65)
Transfer to assets held for sale	(69,170)	(9,127)	–	–	–	–	(78,297)
Effect of movements in exchange rates	12,430	1,010	–	–	–	–	13,440
At 31 December 2011	345,206	26,751	164	297	86	238	372,742
Accumulated impairment losses							
At 1 January 2011	–	–	–	–	–	–	–
Charge for the year	40,406	–	–	–	–	–	40,406
Transfer to assets held for sale	(30,707)	–	–	–	–	–	(30,707)
At 31 December 2011	9,699	–	–	–	–	–	9,699
Net carrying amounts	315,668	22,051	38	–	69	45	337,871

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

4. VESSELS AND EQUIPMENT (CONT'D)

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

4. VESSELS AND EQUIPMENT (CONT'D)

Company

	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Motor vehicle RM'000	Computer RM'000	Total RM'000
At 31 December 2011					
Cost					
At 1 January 2011	190	297	239	310	1,036
Additions	15	–	–	22	37
Disposal	(3)	–	(84)	(50)	(137)
At 31 December 2011	202	297	155	282	936
Accumulated depreciation					
At 1 January 2011	148	294	64	266	772
Depreciation for the year	17	2	38	18	75
Disposals	(1)	–	(17)	(47)	(65)
At 31 December 2011	164	296	85	237	782
Net carrying amounts	38	1	70	45	154
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 2011, vessels with carrying amount of RM315,668,000 (2010:RM393,183,000) were pledged to a licensed financial institution for banking facilities granted to the subsidiaries (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 RM'000	2010 RM'000
Unquoted shares, at cost	20,300	20,300
Discounts on loans to subsidiaries	69,287	90,688
	89,587	110,988

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Effective Interest (%) 2011	Effective Interest (%) 2010
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	Dormant	100	100
GMV-Efogen 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	Malaysia	Investment holding	100	100
Mutiara Navigation Sdn Bhd	Malaysia	Ship-owning	70	70
Intan Navigation Sdn Bhd	Malaysia	Dormant	70	70
Nilam Navigation Sdn Bhd	Malaysia	Dormant	70	70
Kasa Navigation Sdn Bhd	Malaysia	Dormant	70	70
Mayang Navigation Sdn Bhd	Malaysia	Dormant	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.

6. INVESTMENT IN AN ASSOCIATE

	Group	
	2011 RM'000	**2010 RM'000**
Unquoted shares, at cost	146,545	–
Share of post acquisition reserves	13,675	–
	160,220	–

Name	Country of Incorporation	Principal Activities	Proportion (%) of ownership interest 2011	2010
Held through a subsidiary:				
Syarikat Borcos Shipping Sdn Bhd *	Malaysia	Ship-owning	35	–

* Audited by a firm other than Ernst & Young

During the financial year, the Company, via its subsidiary, GMV-Borcos Sdn Bhd acquired 35% equity interest in Syarikat Borcos Shipping Sdn Bhd. The total cash consideration for the company amounted to RM146,545,000.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2011 RM'000	**2010 RM'000**
Assets and liabilities:		
Total assets	1,090,170	–
Total liabilities	779,613	–
Results:		
Revenue	162,952	–
Profit for the year	96,101	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

7. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unquoted shares, at cost	127,224	100,122	75	75
Share of post acquisition reserves	46,276	31,523	–	–
Less: Accumulated impairment losses	(81)	–	–	–
	173,419	131,645	75	75
Advances to jointly controlled entities:				
– within 1 year	7,013	7,966	–	–
– 1 year to 2 years	7,013	7,966	–	–
– 2 years to 5 years	21,040	23,897	–	–
– more than 5 years	35,066	39,829	–	–
	70,132	79,658	–	–
	243,551	211,303	75	75
Analysed as:				
Short term investment	7,013	7,966	–	–
Long term investment	236,538	203,337	75	75
	243,551	211,303	75	75

The advances to jointly controlled entities bear an interest of 3% to 7% (2010:7%) per annum and repayable on a quarterly basis over a period of 10 years.

7. 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 (%)	
			2011	2010
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	Malaysia	Ship-owning and freighting	49	49
Global BMesra 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
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	Malaysia	Ship-owning and freighting	49	49
JM Global 3 (Labuan) Plc	Malaysia	Ship-owning and freighting	49	49
JM Global 4 (Labuan) Plc	Malaysia	Ship-owning and freighting	49	49
Sea Weasel Ltd	Malaysia	Ship-owning and freighting	49	49
Rimbun Astana Sdn Bhd	Malaysia	Ship-owning and freighting	40	–

* In the process of winding up

** Disposed to Omni Petromaritime Sdn Bhd on 15 September 2011

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

7. 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, via its subsidiary, GMV-Alam Sdn Bhd ("GMV-Alam") subscribed 40% of 8,000,000 units of Redeemable Preference Shares (RPS) which is 3,200,000 units of RPS of RM0.01 each at a premium of RM0.99 per share issued by Alam Synergy III based on GMV-Alam's shareholding.

(b) The Company, via its subsidiary, GMV-Offshore Sdn Bhd entered into a joint venture agreement with Offshoreworks Sdn Bhd and Amir Ruddin Bin Salleh to set up a new joint venture ship-owning company, Rimbun Astana Sdn Bhd with a subscription of 40% equity interest. The total cash consideration for the company amounted to RM8,218,000.

(c) A subsidiary, GMV-Jasa Sdn Bhd increased its investment in JM Global 3 (Labuan) PLC and JM Global 4 (Labuan) PLC in the form of additional equity participation, for a total contribution to RM13,916,000. The effective interest in these companies remain unchanged.

(d) A subsidiary, GMV-Omni Sdn Bhd disposed its existing 40% equity interest in Omni Offshore (L) Inc. to Omni Petromaritime Sdn Bhd.

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

	2011 RM'000	2010 RM'000
Assets:		
Non-current assets	656,534	562,083
Current assets	114,645	100,641
Total assets	771,179	662,724
Liabilities:		
Non-current liabilities	367,032	259,383
Current liabilities	235,029	271,696
Total liabilities	602,061	531,079
Results		
Revenue	129,297	64,889
Profit for the year	20,506	9,706

8. OTHER INVESTMENTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Available-for-sale financial assets				
– Equity instruments (unquoted), at cost	16,696	–	259,970	–
Other				
– Golf membership, at cost	70	70	70	70
	16,766	70	260,040	70

9. POOL WORKING FUND

These represent advances from subsidiaries 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 subsidiaries and the pool operators.

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current					
Trade receivables					
Third parties	(a)	394	4,815	–	–
Other receivables					
Third parties	(b)	11,655	15,617	3,443	4,098
Deposits		60	60	60	60
Tax recoverable		106	–	–	–
Prepayments		10	27	10	27
Dividend receivables		–	–	–	31,500
Amounts due from subsidiaries	(c)	–	–	9,141	19,748
Amounts due from related parties	(d)	78,751	205,270	–	–
		90,582	220,974	12,654	55,433
		90,976	225,789	12,654	55,433

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-current					
Other receivables					
Amounts due from subsidiaries	(c)	–	–	124,117	109,766
Total trade and other receivables (current and non-current)		90,976	225,789	136,771	165,199
Add: Cash and cash equivalents	12	499,127	671,564	472,961	652,104
Add: Advances to jointly controlled entities	7	70,132	79,658	–	–
Less: Prepayments		10	27	10	27
Total loans and receivables		660,225	976,984	609,722	817,276

(a) Trade receivables

Trade receivables for the third parties relate to amounts due from charterers.

Ageing analysis of trade receivables

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

	Group	
	2011 RM'000	2010 RM'000
Neither past due nor impaired	394	3,253
1 to 30 days past due not impaired	–	1,557
31 to 60 days past due not impaired	–	–
61 to 90 days past due not impaired	–	–
91 to 120 days past due not impaired	–	–
More than 121 days past due not impaired	–	5
	–	1,562
Impaired	–	–
	394	4,815

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 amounted to RM1,562,000 in the previous year that are past due at the reporting date but not impaired.

The receivables that are past due but not impaired are unsecured in nature.

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

(b) Other receivables from third parties

Included in other receivables from third parties of the Company is RM993,000 (2010: RM1,112,000) being loan to staff, bearing an interest of 4% (2010: 4%) per annum and repayable by monthly salary deductions.

(c) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and repayable on demand except for the long term portion which bears interest at 2.4% to 7% and is expected to be repayable in full over 10 years.

(d) Amounts due from related parties

Related parties in these financial statements refer to companies within the IMC Holdings Limited Group of Companies, a corporate shareholder of the ship-owning subsidiaries.

Amounts due from related parties relate to fund placements with fund managers for short term deposits and bear floating interest rates of 0.18% to 0.57% (2010: 0.06% to 0.22%) per annum.

11. INVENTORIES

	Group	
	2011 RM'000	2010 RM'000
Lubricants, at cost	1,813	1,377

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits with:				
Licensed banks	492,886	670,677	472,926	651,862
Cash and bank balances	6,241	887	35	242
	499,127	671,564	472,961	652,104

The range of interest rates and the maturities of deposits as at 31 December 2011 were 2.85% to 3.55% (2010: 2.60% to 3.30%) per annum and 3 to 222 days (2010: 31 to 365 days), respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

13. NON-CURRENT ASSET HELD FOR SALE

	Group	
	2011 RM'000	**2010 RM'000**
As at 1 January	–	79,402
Reclassified from vessels and equipment (Note 4)	24,581	–
Sale of vessels	–	(79,402)
As at 31 December	24,581	–

Selendang Permata, a vessel was classified as non-current asset held for sale. Memorandum of Agreement was signed and deposit was received for the sale of Selendang Permata, however the risks and rewards were not transferred to the purchaser as at 31 December 2011.

14. BORROWINGS

	Group	
	2011 RM'000	**2010 RM'000**
Current		
Secured term loan:		
Within 1 year	22,809	43,169
	22,809	43,169
Non Current		
Secured term loan:		
More than 1 year and less than 2 years	38,650	43,169
More than 2 years and less than 5 years	144,461	86,338
More than 5 years	–	114,090
	183,111	243,597
Total borrowings	205,920	286,766

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 RM205,920,000 (2010: RM286,766,000).

The weighted average effective interest rate of the term loans during the year ranged from 0.89% to 1.13% (2010: 0.97% to 1.45%) per annum.

15. PAYABLES AND ACCRUALS

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Trade					
Amount due to a related party	a	18	1,495	–	–
Non-trade					
Amount due to holding company	b	24,000	24,000	24,000	24,000
Other payables		11,823	29,857	(16)	16
Accrued expenses		12,303	11,790	2,004	2,332
Tax payable		1,403	919	1,246	814
Amount due to a related party	a	2,247	8,325	–	–
		51,776	74,891	27,234	27,162
Total payables and accruals		51,794	76,386	27,234	27,162
Less: Tax payable		1,403	919	1,246	814
Add: Borrowings (Note 14)		205,920	286,766	–	–
Total other financial liabilities		256,311	362,233	25,988	26,348

(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 party 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.

16. SHARE CAPITAL

	Number of ordinary shares of RM1 each 2011 '000	Number of ordinary shares of RM1 each 2010 '000	Amount 2011 RM'000	Amount 2010 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

17. CURRENCY TRANSLATION RESERVE

	Currency translation reserve RM'000
Group	
At 1 January 2010	(21,696)
Other comprehensive income:	
Foreign currency translation	(37,078)
Less: Minority interests	9,204
	(27,874)
At 31 December 2010	(49,570)
At 1 January 2011	(49,570)
Other comprehensive income:	
Foreign currency translation	(4,297)
Less: Minority interests	1,289
	(3,008)
At 31 December 2011	(52,578)

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.

18. 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 2011 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2011, the Company has sufficient credit in the aggregate of 108 balance and Exempt Income Account balance to pay franked dividends amounting to RM206,163,544 (2010: RM230,163,544) out of its retained earnings. If the balance of the retained earnings of RM431,797,240 (2010: RM353,969,363) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

As at 31 December 2011, the Company has tax exempt profits available for distribution of approximately RM200,362,078 (2010: RM224,362,078), subject to agreement with the Inland Revenue Board.

19. REVENUE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Dividends	–	–	49,437	42,311
Charter hire income	–	18,362	–	–
Sundry income	550	646	–	–
Share of pool profit	74,228	74,753	–	–
	74,778	93,761	49,437	42,311

20. (LOSS)/PROFIT BEFORE TAX

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Employee benefits expense (Note 21)	29,421	31,820	2,244	2,599
Non-executive directors' remuneration (Note 22)	139	162	139	162
Auditors remuneration				
Statutory audits	182	182	42	42
Other services	–	38	6	12
Depreciation of vessels and equipment (Note 4)	44,872	44,253	75	121
Interest expense	3,956	5,995	4	4
Rental of office equipment	11	11	11	11
Rental of office	190	183	190	183
Loss/(gain) on exchange				
– realised	521	(1,343)	–	–
– unrealised	(279)	8,536	–	–
Interest income	(22,799)	(24,414)	(21,054)	(18,240)
Interest recognised on re-measurement of intercompany loans to fair value	–	–	(6,340)	(7,394)
Gain on disposal of vessels	–	(28,089)	–	–
Gain on disposal of other assets	(25)	–	(25)	–
Dividend income	(5,000)	–	(49,437)	(42,311)
Impairment of vessels	40,406	–	–	–
Impairment loss on investment in a jointly controlled entity	81	–	–	–
Loss on disposal of a jointly controlled entity	348	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

21. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Wages, salaries and bonus	23,111	24,193	1,702	1,975
Employees Provident Fund	195	237	195	235
Social security contributions	11	12	11	14
Other benefits	6,104	7,378	336	375
	29,421	31,820	2,244	2,599

22 DIRECTORS' REMUNERATION

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-executive directors remuneration				
Fees	110	114	110	114
Other emoluments	29	48	29	48
	139	162	139	162

23. INCOME TAX EXPENSE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current year income tax	6,585	5,568	5,216	4,507
(Over)/underprovision of tax expense in prior years	(17)	(95)	3	(99)
	6,568	5,473	5,219	4,408

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year

23. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to (loss)/profit before tax 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(Loss)/profit before tax	(24,435)	27,694	68,118	59,656
Taxation at Malaysian statutory tax rate of 25% (2010:25%)	(6,109)	6,924	17,030	14,914
Effect of share of results of jointly controlled entities and associate	(8,160)	(2,429)	–	–
Expenses not deductible for tax purposes	22,207	16,694	545	171
Income not subject to tax	(1,353)	(15,621)	(12,359)	(10,578)
(Over)/underprovision of tax expense in prior years	(17)	(95)	3	(99)
	6,568	5,473	5,219	4,408

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

24. 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	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Agency fees paid to an affiliated companies*	852	998	–	–
Rental paid/payable to holding company	190	183	190	183
Interest earned from jointly controlled entities	4,364	5,796	–	297
Group sharing cost payable to holding company	361	268	361	268

* 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.

Outstanding balances in respect of the above transactions are disclosed in Note 7 and 15.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

25. CAPITAL COMMITMENTS

	Group and Company	
	2011 RM'000	2010 RM'000
Capital expenditure Approved and contracted for Investments	661,610	272,470
Approved and but not contracted for Investments	26,190	71,144

26. CONTINGENT LIABILITY

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Corporate guarantees issued to financial institutions for credit facilities granted to: – Jointly controlled entities	358,200	347,140	358,200	347,140

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

27. 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.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Foreign currency risk

The Group and the 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's and the Company's policy is to minimise the exposure of foreign currency risk by monitoring and approving requisitions which involve foreign currencies.

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
	USD RM'000
Functional currency of Group Companies	
At 31 December 2011	
Ringgit Malaysia	95,439
At 31 December 2010	
Ringgit Malaysia	51,254

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 and Company	
	2011 RM'000 Profit net of tax	**2010 RM'000 Profit net of tax**
USD/RM		
– strengthened 10% (2010: 10%)	9,544	5,125
– weakened 10% (2010: 10%)	(9,544)	(5,125)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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.

Analysis of financial instruments by remaining contractual maturities

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

	2011			
	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:				
Payables and accruals	51,794	–	–	51,794
Borrowings	44,800	134,400	28,800	208,000
Total undiscounted financial liabilities	96,594	134,400	28,800	259,794
Company				
Financial liabilities:				
Payables and accruals, represent total undiscounted financial liabilities	27,234	–	–	27,234

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

	I------------------------ 2011	----------------------------	----------------------------	------I
	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:				
Payables and accruals	76,386	–	–	76,386
Borrowings	43,691	131,074	115,470	290,236
Total undiscounted financial liabilities	120,077	131,074	115,470	366,622
Company				
Financial liabilities:				
Payables and accruals 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 reporting date, there were no significant concentrations of credit risk other than as disclosed in Note 10. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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 RM78,751,000 (2010: RM205,270,000) relating to Group trade and other receivables which are due from related parties.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

27. 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 trade receivables at the reporting date are as follows:

	Group			
	2011		2010	
	RM'000	% of total	RM'000	% of total
By country:				
Singapore	394	100%	4,815	100%

At the reporting date, approximately 87% of the Group's (2010: 91%) trade and other receivables were due from 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 10. 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 10.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of 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 the 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.

As at 31 December 2011, the Group does not have significant interest rate exposure.

(f) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals and borrowings 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.

28. DIVIDENDS

	Dividend Recognised in Year		Dividend Per Share	
	2011 RM'000	2010 RM'000	2011 RM	2010 RM
In respect of financial year:				
31 December 2011:				
Interim dividend of 8.0% per share, tax exempt	24,000	–	0.08	–
31 December 2010:				
Interim dividend of 8.0% per share, tax exempt	–	24,000	–	0.08

29. 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 have Single Joint Venture Partner Investment Limit (SJPIL) policy in place to serve as a protective fence that preserves shareholders fund and as a conservative 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 the Company latest 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, borrowings (excluding convertible redeemable preference shares), payables and accruals, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011 (CONT'D)

29. CAPITAL MANAGEMENT (CONT'D)

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Borrowings	14	205,920	286,766	–	–
Payables and accruals	15	51,794	76,386	27,234	27,162
Less: Cash and cash equivalents	12	(499,127)	(671,564)	(472,961)	(652,104)
Net debt/(surplus)		(241,413)	(308,412)	(445,727)	(624,942)
Equity attributable to the owners of the parent		1,053,194	1,088,773	932,354	901,538
Total capital		1,053,194	1,088,773	932,354	901,538
Capital and net debt		–	–	–	–
Gearing ratio		–	–	–	–

No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.