GMV
GLOBAL MARITIME VENTURES

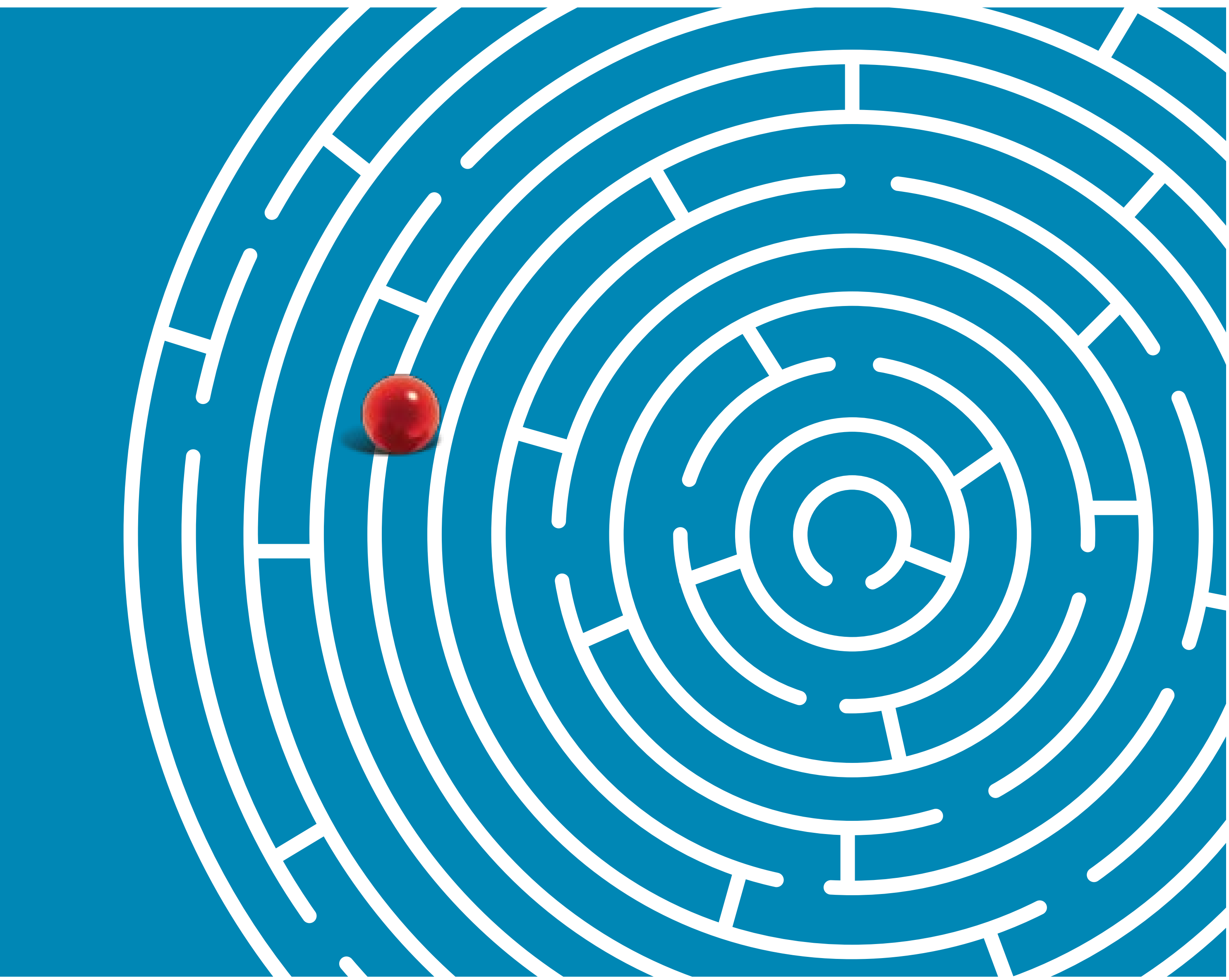
CONVERGING IDEAS DIVERGING POSSIBILITIES

2012 Annual Report

CONVERGING IDEAS, DIVERGING POSSIBILITIES

A circular structured maze in the form of a complex shipping compass, represents the puzzle in which lies an immense path that needs the solver to venture, in finding a route out through which a 3D ball travels. Decisions involve the converging of ideas, to determine the best solutions, by diverging possibilities in potential routes and direction.

At the frontline of a volatile world economy, the GMVB Group strengthens its plans for growth by being disciplined in its choice of portfolio management, and enhancing operational excellence through key initiatives of maritime knowledge exchange and training related issues, as a key industry to the Malaysian developing economy and status.



GLOBAL MARITIME VENTURES

Annual Report **2012**

Contents

20th Notice of Annual General Meeting

TUESDAY, 28th MAY 2013
12:00 NOON

DEWAN UTAMA, LEVEL 6, MENARA BANK PEMBANGUNAN, BANDAR WAWASAN, NO. 1016, JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR

Our vision

"TO BE A PREMIER VENTURE CAPITAL PROVIDER IN LEADING THE DEVELOPMENT OF HIGH QUALITY & COMPETITIVE MARITIME TRANSPORTATION SERVICES, WHILE ENSURING VALUE CREATION FOR OUR STAKEHOLDERS".

mission

"TO BE A CATALYST IN SPEARHEADING THE PHYSICAL AND ECONOMIC DEVELOPMENT OF MALAYSIAN MARITIME TRANSPORTATION SERVICES THROUGH JOINT VENTURES, IN A PROFESSIONAL, FAIR, EFFICIENT AND TRANSPARENT MANNER FOR ALL THE STAKEHOLDERS".

principal activity

MARINE VENTURE CAPITAL INVESTMENT HOLDING.

Business profile

Global Maritime Ventures Berhad (GMVB)

was incorporated on 19th May 1993 as a vehicle to manage the RM500 million fund under the Government's Shipping Venture Fund (SVF). GMVB is a subsidiary of Bank Pembangunan Malaysia Berhad.

GMVB is a marine venture capital investment holding company incorporated to accelerate the development of the country's maritime industry. As the country's principal venture capital provider in the maritime industry, GMVB's mandated role is to develop the national shipping business sector through building strategic alliances with local partners to jointly acquire vessels for domestic as well as international operations.

20th Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth ("20th") Annual General Meeting of Global Maritime Ventures Berhad will be held at DEWAN UTAMA, LEVEL 6, MENARA BANK PEMBANGUNAN, BANDAR WAWASAN, NO. 1016, JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR ON TUESDAY, 28th MAY 2013 AT 12:00 NOON for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31st December 2012 together with the Reports of the Directors and Auditors thereon.
   RESOLUTION 1

2. To re-elect the following Directors who retire pursuant to Article 63 of the Company's Articles of Association:-

   i) Puan Eshah Meor Suleiman; and
   RESOLUTION 2

   ii) Dato' Ir. Abdul Rahim Abu Bakar.
   RESOLUTION 3

3. To re-appoint Tan Sri Datuk Dr. Abdul Samad Haji Alias who retires pursuant to Section 129(6) of the Companies Act to hold office until the conclusion of the next Annual General Meeting.
   RESOLUTION 4

4. To approve the payment of Directors' fees for the financial year ended 31st December 2012.
   RESOLUTION 5

5. To re-appoint Messrs. Ernst & Young as Auditors for the financial year ending 31st December 2013 and to authorize the Board of Directors to fix their remuneration.
   RESOLUTION 6

AS SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolution:-

   <u>ORDINARY RESOLUTION</u>

   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT 1965

   "THAT, subject to the provision of Section 132D of the Companies Act, 1965, the Company's Articles of Association and the approvals of the relevant government/regulatory authorities, the Directors of the Company be and are hereby empowered to allot and issue shares in the Company at such time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

   RESOLUTION 7

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

RAZALI HASSAN (LS 0005531)
Company Secretary

Kuala Lumpur
2 May 2013

Notes:-

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and to vote instead of him. A proxy may not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965i shall not apply to the Company.
2. In the case of a Corporate Member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer of the Corporation or attorney duly authorised.
3. The Proxy Form must be deposited at the Registered Office of the Company at Aras 16, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
4. Failure to lodge your Proxy Form within the stipulated time may result in your proxy being precluded from attending and voting at the Meeting or any adjournment thereof.
5. The lodging of the Proxy Form does not preclude a member from attending and voting in person at the Meeting should the member subsequently decide to do so.

1 [1] a member shall not be entitled to appoint a person who is not a member as his proxy unless that person is an advocate, an approved company auditor or a person approved by the Registrar in a particular case.

BOARD OF DIRECTORS

Tan Sri Datuk Dr. Abdul Samad Haji Alias
Chairman

Dato' Mohd Zafer Mohd Hashim

Datin Husniarti Tamin

Eshah Meor Suleiman

Dato' Ir. Abdul Rahim Abu Bakar

Taufiq Ahmad @ Ahmad Mustapha Ghazali

Haji Abdul Aziz Haji Ishak

Rashidah Mohd Sies

(Alternate Director to Eshah Meor Suleiman)

Corporate information

CHIEF OPERATING OFFICER

Abdul Karim Ismail

COMPANY SECRETARY

Razali Hassan
(LS 0005531)

JOINT COMPANY SECRETARY

Nurulasyikin Mohammed
(MAICSA 7051586)

AUDITORS

Messrs. Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

REGISTERED OFFICE

Level 16, Menara Bank Pembangunan
Bandar Wawasan
No. 1016, Jalan Sultan Ismail
50250 Kuala Lumpur

PRINCIPAL PLACE OF BUSINESS

Level 15, Menara Bank Pembangunan
Bandar Wawasan
No. 1016, Jalan Sultan Ismail
50250 Kuala Lumpur

BANKER

CIMB Berhad

WEBSITE

www.gmv.com.my


NO SMOKING
AURORA TANKERS

Fleet tonnage

as at February, 2013

1. CORPORATE INVESTMENT

No	Name of Vessel	Vessel Type	Year Built	GRT	DWT	BHP
SYARIKAT BORCOS SHIPPING SDN BHD						
1	MV Borcos 21	Standby Vessel	1991	181	123	1,420
2	MV Borcos Tegas	Utility Vessel	1991	396	408	2,880
3	MV Borcos 12	Mooring Launch	1993	49	27	600
4	MV Borcos 13	Mooring Launch	1993	49	27	600
5	MV Borcos Baru	Tug Boat	1997	94	24	940
6	MV Borcos 118	Fast Crew Boat	1999	115	24	2,000
7	MV Borcos Taqwa	Utility Vessel	1999	399	363	2,880
8	MV Borcos Fateh	Utility Vessel	1999	218	45	2,700
9	MV Borcos Fadel	Utility Vessel	1999	218	45	2,700
10	MV Borcos Basma 1	Flat Top Dumb Barge	2003	4,475	10,109	-
11	MV Borcos Tariq 1	Tug Boat	2004	289	72	2,890
12	MV Borcos Sabhan 1	Safety Standby Vessel	2004	219	74	1,440
13	MV Borcos Sabhan 2	Safety Standby Vessel	2004	219	74	1,440
14	MV Borcos Sabhan 3	Safety Standby Vessel	2004	219	74	1,440
15	MV Borcos Sabhan 4	Safety Standby Vessel	2004	379	220	2,000
16	MV Borcos Tasneem 3	Anchor Handling Tug & Supply	2007	1,419	1,474	4,544
17	MV Borcos Tasneem 4	Anchor Handling Tug & Supply	2008	1,706	1,724	5,220
18	MV Borcos Tasneem 5	Anchor Handling Tug & Supply	2010	1,706	1,724	5,220
19	MV Borcos Tasneem 6	Anchor Handling Tug & Supply	2010	1,706	1,724	5,444
20	MV Borcos Tasneem 7	Anchor Handling Tug & Supply	2010	1,706	1,724	5,444
21	MV Borcos Tasneem 8	Anchor Handling Tug & Supply	2010	1,706	1,724	5,444
22	MV Borcos Tasneem 9	Anchor Handling Tug & Supply	2010	1,706	1,724	5,444
23	MV Borcos Thahirah 1	Anchor Handling Tug & Supply	2011	3,511	2,300	12,060
24	MV Borcos Thahirah 2	Anchor Handling Tug & Supply	2012	3,511	2,300	12,060
					No. of Pax	
25	MV Borcos Firdaus 1	Super Fast Crew Boat	2005	238	80	4,500
26	MV Borcos Firdaus 2	Super Fast Crew Boat	2006	238	51	4,500
27	MV Borcos Firdaus 3	Super Fast Crew Boat	2007	238	51	4,500
28	MV Borcos Firdaus 4	Super Fast Crew Boat	2007	238	51	4,500
29	MV Borcos Firdaus 5	Super Fast Crew Boat	2007	238	51	4,500
30	MV Borcos Firdaus 6	Super Fast Crew Boat	2007	238	51	4,500
31	MV Borcos Firdaus 7	Super Fast Crew Boat	2008	238	51	4,500
32	MV Borcos Firdaus 8	Super Fast Crew Boat	2008	238	51	4,500
33	MV Borcos Firdaus 9	Super Fast Crew Boat	2008	238	51	4,500
34	MV Borcos Firdaus 10	Super Fast Crew Boat	2012	238	60	4,500
35	MV Borcos Firdaus 11	Super Fast Crew Boat	2012	238	60	4,500
Sub Total Registered Tonnage				28,814		

2. CORPORATE INVESTMENT

No	Name of Vessel	Vessel Type	Year Built	GRT	DWT	BHP
ORKIM SDN BHD						
1	MT Orkim Power	Product Tanker	2008	5,353	7,000	-
2	MT Orkim Leader	Product Tanker	2008	5,353	7,000	-
3	MT Orkim Merit	Product Tanker	2008	5,353	7,000	-
4	MT Orkim Express	Product Tanker	2009	5,353	7,000	-
5	MT Orkim Challenger	Product Tanker	2009	7,920	9,950	-
6	MT Orkim Discovery	Product Tanker	2009	7,920	9,950	-
7	MT Orkim Reliance	Product Tanker	2010	7,920	9,950	-
Sub Total Registered Tonnage				45,172		

3. INVESTMENT 100% FUNDED BY GMVB

No	Name of Vessel	Vessel Type	Year Built	GRT	DWT	BHP
ORKIM SDN BHD						
1	MT Kosmo Naura	Product Tanker	2009	5,353	7,000	-
2	MT Nur Syamsina	Product Tanker	2009	5,353	7,000	-
Sub Total Registered Tonnage				10,706		

4. JOINT VENTURE SHIPOWNING COMPANIES (JV-SOCS)

No	Name of Vessel	Vessel Type	GMVB's Portion (Equity)	Year Built	GRT	DWT	BHP
JV WITH WAWASAN SHIPPING SDN BHD							
1	MT Selendang Gemala	Chemical/Product Tanker	70%	1998	29,965	46,000	-
2	MT Selendang Ratna	Chemical/Product Tanker	70%	1998	29,965	46,000	-
3	MT Selendang Sari	Chemical/Product Tanker	70%	1999	29,965	46,000	-
JV WITH ALAM MARITIM (M) SDN BHD							
4	MV Setia Tangkas	Anchor Handling Tug & Supply	40%	2006	1,470	1,475	5,150
5	MV Setia Unggul	Anchor Handling Tug & Supply	40%	2006	1,470	1,475	5,150
6	MV Setia Sakti	Support Maintenance Vessel	40%	2006	2,996	2,250	5,150
JV WITH GAGASAN CARRIERS SDN BHD							
7	MT Imbak	Chemical Tanker IMO II/III	40%	2007	7,057	10,800	-
8	MT Gagasan Pahang	Product Tanker	60%	2008	5,511	7,000	-
9	MT Gagasan Kedah	Product Tanker	60%	2009	5,511	7,000	-
JV WITH JASA MERIN (M) SDN BHD							
10	MV JM Bayu	Anchor Handling Tug & Supply	49%	2009	2,348	2,272	10,888
11	MV JM Sepoi	Anchor Handling Tug & Supply	49%	2009	2,348	2,272	10,888
12	MV JM Samudera	Anchor Handling Tug & Supply	49%	2010	2,348	2,272	10,888
13	MV JM Setia	Anchor Handling Tug & Supply	49%	2010	2,348	2,272	10,888
JV WITH EFOGEN SDN BHD							
14	MV Sea Weasel	Anchor Handling Tug & Supply	49%	8200	1,943	1,575	6,500
JV WITH GLOBAL CARRIERS BHD							
15	MT Budi Mesra	Product Tanker	49%	2008	5,153	7,000	-
16	MT Budi Mesra Dua	Product Tanker	49%	2008	5,153	7,000	-
17	MT Budi Ikhlas	Product Tanker	49%	2008	7,626	10,000	-
Sub Total Registered Tonnage					143,177		
TOTAL FLEET REGISTERED TONNAGE					227,869		

Board of Directors

01. TAN SRI DATUK DR. ABDUL SAMAD HAJI ALIAS
02. DATO' MOHD ZAFER MOHD HASHIM
03. DATIN HUSNIARTI TAMIN
04. ESHAH MEOR SULEIMAN
05. DATO' IR. ABDUL RAHIM ABU BAKAR
06. TAUFIQ AHMAD @ AHMAD MUSTAPHA GHAZALI
07. HAJI ABDUL AZIZ HAJI ISHAK
08. RASHIDAH MOHD SIES

TAN SRI DATUK DR. ABDUL SAMAD HAJI ALIAS
Independent Non-Executive Chairman

Tan Sri Datuk Dr. Abdul Samad Haji Alias was appointed as the Non-Executive Chairman of GMVB on October 14, 2008. He holds a Bachelor Degree in Commerce from the University of Western Australia and is a member of the Malaysian Institute of Certified Public Accountants, a fellow of the Institute of Chartered Accountants Australia and a member of the Malaysian Institute of Accountants.

He was the President of Malaysian Institute of Certified Public Accountant (MICPA) and had served as a member of Malaysian Accounting Standards Board, Financial Reporting Foundation and Companies Commission of Malaysia and he was also the President of Malaysian Institute Accountants (MIA). Prior to his appointment as Chairman of Bank Pembangunan Malaysia Berhad (BPMB), he was the Non-Executive Chairman of Messrs. Ernst & Young.

He is the Chairman of Malaysia Deposit Insurance Corporation (PIDM), Malaysian Venture Capital Management Berhad (MAVCAP) and Malaysia Debt Ventures Berhad. He currently sits on the Board of TH Plantation Berhad Group, MAVCAP Group and Bursa Malaysia Berhad.

DATO' MOHD ZAFER MOHD HASHIM
Non-Independent Non-Executive Director

Dato' Mohd Zafer Mohd Hashim was appointed as the Non-Independent Non-Executive Director of GMVB on August 20, 2009. He holds a Bachelor of Science in Economics and Mathematics from the London School of Economics and Political Science, University of London. He is a Chartered Accountant by profession and a member of the Institute of Chartered Accountants (England and Wales).

He began his career with Price Waterhouse in London. He was previously the Chief Financial Officer of Maybank Investment Bank Berhad and Bank Muamalat Malaysia Berhad. Prior to Bank Muamalat Malaysia Berhad, he was attached to MMC Corporation Berhad as a General Manager.

His is currently the President/Group Managing Director of BPMB. He also sits on the Board of Malaysian Bulk Carriers Berhad, Orkim Sdn Bhd, Syarikat Borcos Shipping Sdn Bhd and Malaysia Industry-Government Group for High Technology (MIGHT).

DATIN HUSNIARTI TAMIN
Independent Non-Executive Director

Datin Husniarti Tamin was appointed as an Independent Non-Executive Director of GMVB on September 1, 2006. She holds a Bachelor of Economic (Honours) from University of Malaya and a Master of Business Administration (MBA) from University of Oregon, USA.

She started her career in 1972 as the Assistant Secretary in the Economic Planning Unit (EPU) in the Prime Minister's Department. During her tenure in EPU, she held several positions in various sections of the Unit. In 1996, she undertook the position of Deputy Secretary General in charge of energy at Ministry of Energy, Communications and Multimedia. Subsequently, in the year 2000, she moved up to become the Deputy Secretary General (Systems and Control) at the Treasury, Ministry of Finance, where she retired in October 2004.

Currently, she sits on the Board of Syarikat Borcos Shipping Sdn Bhd and several other private companies of GMVB Group. She is also a member of the Risk Management Committee and Audit and Examination Committee of GMVB.

ESHAH MEOR SULEIMAN
Non-Independent Non-Executive Director

Puan Eshah Meor Suleiman was appointed as a Non-Independent Non-Executive Director of GMVB on June 25, 2008. She holds a Bachelor in Economic (Honours) from University of Malaya and a Master of Business Administration (MBA) in Finance from Oklahoma City University, USA.

She began her career in the Malaysia Civil Service in 1981 as an Assistant Director (Macro Economic Section), Economic Planning Unit of the Prime Minister's Department before serving as an Assistant Secretary at the Government Procurement Management Division, Ministry of Finance (MOF) in 1991. In September 2006, she was promoted to her current position as Under Secretary of Investment, MOF (Inc.) and Privatisation Division.

She currently holds directorship positions at Pos Malaysia Berhad, Malaysia Airports Holdings Berhad and as alternate director in Telekom Malaysia Berhad and Malaysian Airline System Berhad. She is also a member of the Audit and Examination Committee of GMVB.

Board of Directors (cont'd)

DATO' IR. ABDUL RAHIM ABU BAKAR
Independent Non-Executive Director

Dato' Ir. Abdul Rahim Abu Bakar was appointed as an Independent Non-Executive Director of GMVB on June 3, 2010. He holds a Bachelor of Science Electrical Engineering (Honours) from the Brighton College of Technology, United Kingdom. He is a member of the Institute of Engineers, Malaysia and is a Professional Engineer, Malaysia (P.Eng). He also holds the Electrical Engineer Certificate of Competency Grade 1.

He began his career in 1969 with the then National Electricity Board for 10 years in various technical and engineering positions. From 1979 to 1983, he served with Pernas Charter Management Sdn Bhd and subsequently, attached to Malaysia Mining Corporation Berhad (MMC) in various senior positions till 1991. Prior to his appointment as Managing Director of Petronas Gas Berhad in 1995, he served MMC Engineering Services Sdn Bhd and subsequently to MMC Engineering Group Berhad as the Managing Director. He retired from PETRONAS on 31 August 2002.

At present, he sits on the Board of Telekom Malaysia Berhad, Scomi Engineering Berhad, Scomi Group Berhad and several other private limited companies. He is also a member of the Risk Management Committee of GMVB.

TAUFIQ AHMAD @ AHMAD MUSTAPHA GHAZALI
Independent Non-Executive Director

Encik Taufiq Ahmad @ Ahmad Mustapha Ghazali was appointed as an Independent Non-Executive Director of GMVB on September 1, 2010. He is a member of the Malaysian Institute of Accountants, a fellow of the Association of Chartered Certified Accountants (UK), an associate of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants. He holds a Masters in Business Administration (MBA) from the University of Leicester, England.

He was previously attached to an international accounting firm as a partner and has more than 30 years' experience in statutory audits, financial accounting and corporate finance. He was the Managing Partner of Deloitte KassimChan from 1998 to 2009 and was the Chairman of Deloitte Southeast Asia from 2008 to May 2009.

He is the Chairman of Prolexus Berhad and currently sits on the Board of Malaysia Packaging Industry Berhad, Tambun Indah Land Berhad and several other private limited companies. He is also the Chairman of Audit and Examination Committee of GMVB.

HAJI ABDUL AZIZ ISHAK
Non-Independent Non-Executive Director

Tuan Haji Abdul Aziz Ishak was appointed to the Board on 26 January. A Naval Architect by profession, he holds an Ordinary National Certificate in Nautical Science from the Riversdale College of Technology, Liverpool in 1974 and a Bachelor of Science in Naval Architecture and Ocean Engineering from the University of Glasgow, Scotland in 1981.

He has over 30 years of experience in the Oil and Gas and marine industry. He started his career as a Cadet and Deck Navigating Officer with Blue Funnel Line in Liverpool in 1971 before joining PETRONAS, Marine Department in 1983. He was the Managing Director/Chief Executive Officer of PETRONAS Maritime Group of Companies before retiring in May 2007.

Currently, he is the Executive Director of Mentor Solutions & Resources Sdn Bhd. He also sits on the Board of BPMB, Dayang Enterprise Holdings Berhad, Nippon Kaiji Kyokai Classification of Ships Berhad, Miles Academy Sdn Bhd, Mentor Project Management Sdn Bhd and Mentor Turnaround Management Sdn Bhd.

He is the Chairman of the Risk Management Committee of GMVB.

RASHIDAH MOHD SIES
Alternate Director for Eshah Meor Suleimanr

Puan Rashidah Mohd Sies was appointed as an Alternate Director to Puan Eshah Meor Suleiman on April 20, 2011. She holds a Bachelor in Business Administration (Finance) from Idaho State University, USA and holds a Master of Business Administration (MBA) from US International University, USA.

She began her career in 1989 with MOF as an Assistant Secretary in Finance Division. During her tenure in MOF, she held several positions and currently serves in the Economy Sector of Bahagian Pelaburan, MKD dan Penswastaan as Principal Assistant Secretary.

She currently sits on the Board of Bank Pertanian Malaysia Berhad (Agrobank). She is also an alternate member to Puan Eshah in the Audit & Examination Committee of GMVB.

ENCOURAGING GROWTH BY CREATING POSSIBILITIES

CHAIRMAN'S STATEMENT

Chairman's statement

ON BEHALF OF THE BOARD OF DIRECTORS GLOBAL MARITIME VENTURES BERHAD (GMVB), IT GIVES ME GREAT PLEASURE TO PRESENT TO YOU, THE ANNUAL REPORT OF THE COMPANY, FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012.

UNLIKE OTHER YEARS, THE YEAR JUST ENDED WAS A TUMULTUOUS ONE FOR THE SHIPPING INDUSTRY.

Since the great downturn began in 2009, the industry's troubles have multiplied with shipping freight rates dwindling to new lows due to overcapacity, exacerbated by rising fuel prices, increased environmental standards and tighter financing as banks cut their exposure. Further the global shortage of skilled maritime manpower made hiring crew more expensive.

In a nutshell, it has been a very difficult year for most ship-owners and operators.

Amidst this challenging environment, GMVB has sailed choppy waters, experiencing one of its toughest operating years to date. These difficulties are reflected in our financials.

GMVB'S FINANCIALS

For the financial year ended 31 December 2012, GMVB Group registered a net loss of RM182.31 million, on the back of RM66.93 million in revenue, as compared to RM31.00 million in net loss from RM74.78 million in revenue for 2011.

I would like to stress that a major portion of the losses was a RM173.43 million one-off provision and impairment associated with the disposal of old chemical tankers, as well as impairment on our other assets, following deterioration in the shipping markets.

As anticipated, weak market conditions dragged on in 2012, resulting in the total volume of cargo shipped by our merchant vessels dipping. Operating days were down mainly due to unscheduled ship repairs of ageing vessels which in turn caused loss of earnings to GMVB. Nevertheless the Group's portfolio of offshore businesses provided some buffer against the heavy losses suffered by the petroleum and chemical tanker businesses.

Given the tough operating environment which severely affected the financial performance of GMVB's subsidiaries, the Company slipped to a loss of RM119.75 million in 2012, compared with a net profit of RM62.90 million previously. The bleeding was mainly due to provision for loss in investment in chemical tankers and non-receipt of dividend payment from subsidiary companies.

DIVIDENDS

Looking ahead, 2013 is expected to be a transition year leading to an anticipated turnaround to the shipping markets in 2014. Thus for the year just ended the board did not recommend any dividend payments to shareholders.

The paramount reason for this is that shipping being a cyclical industry, requires GMVB to time its acquisitions and expansions perfectly, to maximise returns on acquisitions. With the current damp operating environment, the shipping industry is in a severe down cycle, requiring companies to be tight fisted and holding on to cash reserves, to better time the up-cycle. These cash reserves will be converted to assets once market conditions pick up, allowing GMVB to capitalise on any upturn in the market.

Our desire is for GMVB to emerge stronger from this downturn, and return to being a company that delivers sustainable value and returns to its shareholders.

The slump in shipping has now passed 5 years. However it is noteworthy that the Group is confident of returning to the black by the end of FY2013 from the signs of improved shipping markets.

HIGHLIGHTS OF 2012

While the going has been tough for the shipping industry for some time now, in 2012, the crisis deepened further.

To elaborate, tepid growth in world trade volumes, were unable to match the capacity expansion of the world fleet. The slowing global economy has adversely impacted ship-owners who, with a severe overhang of tonnage, have struggled with a depressed freight market, and been unable to even cover operating expenses with some charter contracts.

Reports have it that the global economic growth dropped from 3.9 per cent in 2011 to 3.2 per cent in 2012. At home, the Malaysian economy has surprisingly remained resilient, recording a commendable growth of 5.6 per cent for 2012 as compared to 5.1 per cent in the previous year.

Despite the seemingly resilient Malaysian economy, most ship segments are struggling to contain the previous years' massive inflow of tonnage and to make matters worse, there is more tonnage being commissioned. Thus rates and values remain low in the main shipping segments. The shifts in world industrial production, where facilities are moving closer to consumers is also impacting global trade patterns. To make matters even more fragile, bunker cost has been gaining exponentially.

Due to the challenging environment, second hand vessel prices fell by an average of 27 per cent during the first eight months of 2012 and are approaching the record lows last tested a decade ago. Average new-building prices have dropped more than 40 per cent from their peak in 2008. The abruptness and severity of the crisis caught both banks and owners alike.

For almost all owners, the meltdown called for a complete re-evaluation of strategies. In general, all uncommitted fresh projects were shelved, several new-building orders were cancelled, re-negotiated or delayed, operating costs were slashed, while expenses or cash outflow needing justification.

In brief, in the oil product tanker sector, freight rates have been depressed throughout the larger part of the year. Trade patterns are also changing, with traditional importers morphing into exporters. The world's largest oil consumer, the US, might put downward pressure on seaborne demand, as its domestic production of oil and natural gas is expected to greatly increase and transported via pipelines rather than tankers.

More or less the chemical tanker segment of shipping is just as bad as oil product tanker segment. In the chemical tanker sector spot charter rates dipped in 2012. However market conditions are expected to improve as only a few new vessels are scheduled to enter the service. The effect of an overly-optimistic market outlook continued to haunt ship-owners, who are trying their best to manage the overhang of tonnage by slow-steaming, idling and recycling. However a strong decline in new orders has seen the chemical tanker segment's order-book drop to its lowest in 10 years. From a high of 39 per cent in 2006, the segment's order-book remained above 30 per cent throughout 2008 as boom conditions prevailed. After the global economic meltdown in 2008, the order-book stood at 33 per cent, but declined rapidly to 19 per cent in 2010, and is at a current low of 7.6 per cent.

During the year, the global energy shipping segment faced strong competition with the entry of new players and the expansion plans of existing players. However, the offshore support vessel (OSV) sector continued to expand its business activities with bullish new-building programmes, more sophisticated supply vessels, greater capacity and flexibility, in the wake of the energy sector turning to exploration and production in distant and ultra-deep waters.

GMVB's investment in the OSV business contributed to the group's profits. We will continue to invest with ship owners who are in this segment of the industry.

The Malaysian economy has surprisingly remained resilient, recording a **commendable growth of 5.6 per cent for 2012** as compared to 5.1 per cent in the previous year

Chairman's statement (cont'd)

While much effort has been made in the operational aspects of the business during the year, we also paid attention to selected growth initiatives, which will allow us to further add on to our portfolio, and reap benefits in the near future. The initiatives include, forming strategic alliance for growth through a merger exercise with ORKIM Sdn Bhd by acquiring 40 per cent shareholding in the latter in August 2012. ORKIM is an active player in the Clean Petroleum Products (CPP) market and owns a fleet of seven product tankers ranging from 7,000 to 10,000 dwt. We are confident that this consolidation will be able to create a larger and more scalable company and leverage to bring the business to greater heights.

Besides the equity ownership objectives, GMVB has also an important role to play in that of supporting and creating new market leaders among Bumiputra entrepreneurs. We balance these duties with our intention of repositioning some of our current businesses for greater growth when the cycle turns in our favour.

Under these tough operating conditions, we will continue to strive for operational excellence by optimising our fleet utilisation and costs. In the course of the year, GMVB acquired two 7,000 dwt CPP tanker MT Kosmo Naura and MT Nursyamsina. GMVB also concluded the sale of its six older chemical tankers of the Selendang series under the Joint Venture with Wawasan Shipping Sdn Bhd and one Offshore Support Vessel. GMVB group currently has a fleet of 58 vessels ranging from product and chemical tankers to offshore support vessels.

To support the country's vision of becoming a maritime nation, GMVB in 2012 sponsored six cadets in Diploma in Marine Engineering at the Akademi Laut Malaysia (ALAM). Beyond the sponsorship programmes we recognise the need to provide these cadets training berths on-board the vessels of our local partners.

OUTLOOK FOR THE CURENT YEAR

While the global economic conditions continue to be unpredictable, it does continue to grow, albeit at a slower pace than previous years. Both the gross domestic product (GDP) and world trade are expected to increase by a 3.5 per cent and 3.8 per cent quantum respectively in 2013, which may bring a certain amount of relief to the shipping industry.

Ship-owners had to operate amidst adverse conditions, namely an overhang of tonnage, and depressed freight market. They say it's darkest before dawn, hence we at GMVB, hope that the stronger commitment from the major economies introducing important steps, will underpin the upturn in economic development. Nevertheless it remains to be seen how the global economic recovery will impact the different shipping segments. As the downturn in the shipping industry was caused by the 2008-2009 economic downturn, a revival is also dependent on the recovery of the global economy. Bucking all trends, emerging economies in Asia, in particular, have continued to be resilient, sustained by domestic demand and robust domestic fundamentals.

The Malaysian economy meanwhile is expected to remain on a steady growth path, expanding between five and six per cent in 2013.

More challenging times are predicted ahead in 2013. Nevertheless with the investments we have made and have committed to, GMVB has strengthened its businesses and put the Group in a good position to capitalise on the turnaround when it comes.

BOTH THE GROSS DOMESTIC PRODUCT AND WORLD TRADE ARE EXPECTED TO INCREASE BY A 3.5 PER CENT AND 3.8 PER CENT QUANTUM RESPECTIVELY IN 2013, WHICH MAY BRING A CERTAIN AMOUNT OF RELIEF TO THE SHIPPING INDUSTRY.

Chairman's statement (cont'd)

The Product Tanker Market

The product tanker market is expected to continue to suffer in 2013, as a result of the adverse economic environment.

A slowdown in the Chinese construction industry and weaker demand for refined oil products from the US, and a dip in demand for vehicles, have all contributed to the depressed outlook. Coupled with the depressing outlook, the market is still being troubled by the overhang of tonnage from previous years and new orders, which has continued to keep rates wallowing in the doldrums.

Chemical Tanker Outlook

The chemical tanker market could potentially be on a path to recovery, albeit a fragile one.

With the improvement of global economic conditions forecast to set in over the next few years, cargo volumes will increase. A greater reduction in the supply-demand imbalance could lead to an increase in earnings and a quicker rebound for the sector. It is hoped that demand from the two largest developing economies, China and India, would continue to drive vessel demand and trading patterns.

One very significant change in the global trading pattern is the revival of the petrochemical industry in the US on account of shale gas. With Asian demand growing, it will result in longer voyages and greater vessel employment, which in turn will nudge charter rates northwards.

The Buffer, OSV Segment

The future looks bright for the local oil and gas industry. Under the National Key Economic Area (NKEAs), the Oil and Gas (O&G) sector will be given more emphasis in 2013, as the government bills the sector a "vital impetus to the county's economic growth".

Amid concerns about depletion of existing onshore oil wells and gas fields, the energy sector is turning to exploration and production in ultra-deep and distant waters. To enhance its competitive advantage, the offshore supply vessel industry is set to move towards leveraging on technology such as more fuel efficient propulsion, dynamic positioning, fire fighting, oil spill recovery and clean design. This demand presents an attractive opportunity for GMVB to strengthen its position in the regional and domestic offshore business through capacity optimisation and strategically forming partnerships to enhance its market position.

Moving forward, Malaysia has the potential to become the regional hub for oil and gas in this region, especially in the deep-water and services segment.

Other Looming Issues

The outlook for the global shipbuilding industry remains gloomy.

The combination of low freight rates, high bunker costs and continuing asset devaluation seems at last to have reduced owners' appetite for new vessels. The buzzword of the new-building market is the so-called ECO-ships, offering potentially large fuel savings compared to standard ships in the market. Remarkably, orders placed in 2012 have increasingly been within the more specialised ship segments such as offshore support vessels.

Hopefully, the shipping industry will emerge stronger and leaner in the near future.

MOVING FORWARD WITH FOCUS

GMVB is poised to grow both in a strong and focused manner. In 2011 GMVB's 5 year Blueprint was realised, and since then the Blueprint has been enhanced with a strategic plan that will forge new directions for the Company to evolve beyond its current mandate, to expand its development role and diversify its investment focus to cover both asset based and service based sectors.

Under the **National Key Economic Area (NKEAs),** the Oil and Gas (O&G) sector will be given more emphasis in 2013

As we leap forward to a new phase of growth, we must seize the opportunities and push for significant presence in new segments within the industry.

GMVB has also taken a new trajectory, looking to identify investments in high value and highly specialised fields, within three sectors in the shipping industry specifically shipyards, commercial and technical maritime consultancy, and maritime training.

We realise that building on our strengths is important, and we do realise there will be challenges along the way, which is inevitable. However as a venture capitalist, we are committed to help transform support and create new market leaders among entrepreneurs.

For now however, GMVB is looking at effectively raising its profile in the immediate term through participation in public forums and summits besides sponsoring maritime events. This is meant to build GMVB's corporate image and strengthen its foothold as a key player in the development of the Malaysian maritime sector.

We at GMVB will continue with our contribution in upgrading skill sets and the steady supply of seafarers to meet the unending demand for competent officers in the maritime industry. We have a running collaboration with ALAM, and are looking to address the shortage of Malaysian crew. In addition, GMVB together with its JV partners will continue to support the training of seafarers by providing training berths onboard its vessels.

For investments with stable and predictable cash flows, GMVB may consider injecting these investments into a special purpose vehicle for future IPO purposes, to unlock values.

We will continue to subject our business portfolio to further reviews as we seek to rebalance and rebuild the business mix, to ensure even greater robustness and resilience. I strongly believe that the Group will rise to the challenge once again as we brave another turbulent period.

ACKNOWLEDGEMENT

GMVB owes a great deal of its success to the support and cooperation from so many quarters, such as the Ministry of Finance, Government authorities and agencies, our various stakeholders, clients, business associates, financiers.

I would also like to put on record my gratitude to all members of the Board and the Audit and Risk Management Committees for their collective counsel and wisdom which had enabled us to steer GMVB especially during this difficult period in our history.

GMVB is indeed fortunate to have a Board, a management team and employees whose knowledge in shipping is unparalleled. We fully intend to leverage that reservoir of experience in order to deliver value to our shareholders over the long term.

Lastly, I would also like to convey my sincere appreciation to all our shareholders and stakeholders for their continuous trust and support to GMVB through the years.

TAN SRI DATUK DR. ABDUL SAMAD BIN HAJI ALIAS
Independent Non-Executive Chairman

Directors' responsibilities

1. OBJECTIVE

The objective of the Board of Directors Terms of Reference are intended not to limit the powers of the Board but to assist the Board in the exercise of its powers and the fulfillment of its duties.

2. RESPONSIBILITIES AND DUTIES

2.1 The Board has several fundamental obligations to perform, but not limited to the following:-

a. Approve joint venture arrangements with local partners to undertake vessel acquisition and vessel management activities;

b. Approve investments, advances and/or any form of financial instruments in investee companies;

c. Approve domestic and external borrowings of the Company;

d. Ensure that the Company's strategic focus is clearly defined and is in line with the Company's mission, vision and mandated role;

e. Approve all Business Plans and policies of the Company;

f. Review, approve and provide feedback on corporate Key Performance Indicators (KPIs) and targets.

g. Appoint authorised signatories for cheque signatories, promissory notes, drafts, bills of exchange and other negotiable instruments;

h. Approve acquisition and disposal of fixed assets of the Company;

i. Supervise the affairs of the Company and to be fully informed of the Company's condition and management policies in ensuring that the Company is soundly managed;

j. Approve annual budget, revised budget and draft audited financial statements of the Company;

k. Oversee the financial performance of the Company and ensuring that the Company maintains proper accounting and other records and registers in conformity with approved accounting and financial reporting standards applicable to the Company;

l. Review financial results, discuss material variances and ensure that corrective actions are taken;

m. Delegate any of its powers to Committees or to any one member of the Board as it deems fit and to ensure that the powers so delegated are exercised in conformity to any prescribed regulations that may from time to time be imposed by the Board i.e. the Audit and Examination Committee and Risk Management Committee;

n. Select and appoint senior management personnel who are qualified and competent to administer the affair of the Company effectively and soundly;

o. Establish a Succession Plan and oversee the development of the Company's future leaders and human capital;

p. Observe corporate governance and ensure the Company's compliance with the requirements of relevant legislations, rulings, regulations, authorities, guidelines and procedures and Articles of Association of the Company;

q. Provide strategic directions with regard to IT management and ensure the IT strategic plan supports the Company's strategic business plan and, where necessary, the Bank Pembangunan Group IT strategic plan. Also responsible to approve and monitor the performance or major IT initiatives and plans;

r. Ensure the Company's Senior Management has adopted prudent and effective policies and procedures to identify, measure, monitor and control/mitigate IT risks;

s. Avoid self–serving practices and conflicts of interest.

2.2 The Board will from time to time, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and decide on any necessary changes thereto.

2.3 The Board shall have full authority to seek/obtain any information it requires from any employee of the Company and to commission any investigations, reports or surveys which it deems necessary to help it fulfill its duties and obligations.

2.4 In connection with its duties the Board may obtain, at the Company's expense, any outside legal or other professional advice

3. BOARD OF DIRECTORS' MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2012, the Board of Directors' held eight (8) meetings. A record of the attendance of the Committee Members is as follows:

Directors	No. of Meetings Attended
Tan Sri Datuk Dr Abdul Samad Haji Alias (Chairman)	8/8
Dato' Mohd Zafer Mohd Hashim	8/8
Datin Husniarti Tamin	7/8
Eshah Meor Suleiman	8/8
Dato' Abdul Rahim Abu Bakar	6/8
Taufiq Ahmad @ Ahmad Mustapha Ghazali	8/8
Haji Abdul Aziz Haji Ishak (appointed on 26th January 2012)	7/7

Risk Management Committee

1. OBJECTIVE

The primary objective of the Risk Management Committee (RMC) is to oversee the Senior Management's activities in managing the key risk areas of the Company's related activities and to ensure that the risk management process is in place and functioning effectively.

2. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the RMC are as follows:

a. Recommend appropriate risk management policies, procedures and process in key risk areas such as strategic risk, investment risk, financial risk and operational risk, where applicable.

b. Reviewing the adequacy of risk management strategies, policies and risk tolerance level of GMVB, and the extent to which these are operating effectively.

c. Provide oversight and strategic direction of all risks associated with GMVB's activities for the management.

d. Promoting an integrated approach to evaluate and monitor inter-related risks.

e. Ensuring that the infrastructure, resources and systems are in place to identify, measure, monitor and control risks.

f. Reviewing management's periodic information on risk exposures and risk management activities.

g. Review and endorse contingency plans for critical and worst case scenarios and address related issues.

3. COMMITTEE MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2012, the RMC held four (4) meetings. A record of the attendance of the Committee Members is as follows:

Member	No. of Meetings Attended
Haji Abdul Aziz Haji Ishak (Chairman) (appointed on 28 February 2012)	4/4
Datin Husniarti Tamin	4/4
Dato' Ir Abdul Rahim Abu Bakar	3/4
Eshah Meor Suleiman (resigned on 28 February 2012)	0/0

Audit and Examination Committee

1. OBJECTIVE

The objective of the Audit and Examination Committee (AEC) is to review the financial condition of GMVB and its subsidiaries, the internal controls, the performance and findings of internal auditors and to recommend appropriate remedial action regularly.

2. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the Committee are as follows:

a. Recommend to the Board on the appointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors.

b. Review with external auditors:

- their audit plan;
- their evaluation of the system of internal control;
- their audit report;
- their management letter and management's response; and
- the assistance given by the management and staff to the external auditors.

c. Carry out the following with regards to the internal audit function, among others:

- Review the adequacy of scopes, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Review and approve internal audit plan; and
- Review audit reports and consider adequacy of Management's actions taken on audit findings or recommendations.

d. Receive and consider reports relating to the perpetration and prevention of fraud.

e. Review the Company's compliance with the related Government regulations.

f. Review the quarterly result and the year-end financial statement prior to the approval by the Board. The review of the year-end financial statement by the external auditor, shall focus particularly on:

- Any major changes in the accounting policy or it's implementation;
- Adequacy of provisions against contingencies, bad and doubtful debts;
- Significant and unusual events; and
- Compliance with accounting standards and other legal requirements.

Audit and Examination Committee's (cont'd)

g. Ensure the prompt publication of annual accounts.

h. Discuss any problem and reservations that may arise from the interim and final audits, as well as any matter, which the external auditors may wish to discuss (in the absence of management where necessary).

i. Review any related party transactions and conflict of interest situation that may arise in the Company or within the group including any transaction, procedure or conduct that raises questions of management integrity.

j. Preparation of an AEC report at the end of each financial year, which will be published in the Company's Annual Report. The report shall contain the following information:

- The composition of the AEC, including name, designation and directorship of the members and whether the director is independent or otherwise;
- The term of reference of AEC;
- The number of AEC meetings held in the financial year and detail of attendance of each member; and

k. Update the Board on the issues and concerns discussed during the meetings including those raised by external auditors and where appropriate, make the necessary recommendation to the Board.

3. COMMITTEE MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2012, the Audit Committee held four (4) meetings. A record of the attendance of the Committee Members is as follows:

Member	No. of Meetings Attended
Taufiq Ahmad @ Ahmad Mustapha Ghazali (Chairman)	4/4
Datin Husniarti Tamin	4/4
Eshah Meor Suleiman	4/4

EXPLORING ALL POSSIBILITIES OF COMMERCE

DIRECTORS' REPORT & AUDITED FINANCIAL STATEMENTS

Directors' report

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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 to the financial statements.

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

RESULTS

	Group	Company
	RM'000	RM'000
Loss for the year	(182,307)	(119,754)
Attributable to:		
Equity holders of the Company	(121,138)	(119,754)
Minority interests	(61,169)	–
	(182,307)	(119,754)

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2011 were as follows:

In respect of the financial year ended 31 December 2011 as reported in the directors' report of that year:

	RM'000
Interim tax exempt dividend of 8 sen per share on 300,000,000 ordinary shares, paid on 25 January 2012.	24,000

The director do not recommend any tax exempt dividend in respect of the financial year ended 31 December 2012.

DIRECTORS

The names of the directors of the Company since the date of the last report and at the date of this report are:

Tan Sri Datuk Dr. Abdul Samad bin Hj. Alias
Dato' Mohd Zafer bin Mohd Hashim
Datin Husniarti binti Tamin
Eshah binti Meor Suleiman
Dato' Ir. Abdul Rahim bin Abu Bakar
Taufiq Ahmad @ Ahmad Mustapha bin Ghazali
Abdul Aziz bin Ishak
Rashidah binti Mohd Sies
(Alternate Director to Eshah binti Meor Suleiman)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregated amount of emoluments received or due and receivable by the directors as shown in Note 23 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Directors' report

OTHER STATUTORY INFORMATION (CONT'D)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

   (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the year are as disclosed in Notes 5, 6 and 7 to the financial statements.

EVENTS OCCURRING AFTER THE REPORTING DATE

Details of events occuring after the reporting date are disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 February 2013.

Tan Sri Datuk Dr. Abdul Samad bin Hj. Alias

Dato' Mohd Zafer bin Mohd Hashim

Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Datuk Dr. Abdul Samad bin Hj. Alias and Dato' Mohd Zafer bin Mohd Hashim, being two of the directors of Global Maritime Ventures Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 32 to 82 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 February 2013.

Tan Sri Datuk Dr. Abdul Samad bin Hj. Alias

Dato' Mohd Zafer bin Mohd Hashim

Statutory declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Abdul Karim bin Ismail, being the officer primarily responsible for the financial management of Global Maritime Ventures Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 82 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Abdul Karim bin Ismail at Kuala Lumpur in Wilayah Persekutuan on 25 February 2013.

Abdul Karim bin Ismail

Before me,

PESURUHJAYA SUMPAH
No: W 549
LEE CHOON HEI
MALAYSIA

No. 14-1 (1st Floor), Jalan
Kuchai Maju 16, (Jalan 6/116B)
Kuchai Entrepreneur's Park,
Jalan Kuchai Lama,
58200 Kuala Lumpur,
Wilayah Persekutuan.

Independent auditors' report

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Global Maritime Ventures Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company, for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 82.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 ("Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

1 As stated in Note 2.2 to the financial statements, Global Maritime Ventures Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choh Leang
No. 2716/01/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
25 February 2013

Consolidated statement of financial position

As at 31 December 2012

	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Group				
Non-current assets				
Vessels and equipment	4	39,697	337,871	410,180
Investments in associates	6	273,357	160,220	–
Investments in jointly controlled entities	7	206,650	236,538	203,337
Other investments	8	49,092	16,766	70
Pool working fund	9	2,446	3,010	2,929
		571,242	754,405	616,516
Current assets				
Investments in jointly controlled entities	7	3,077	7,013	7,966
Receivables, deposits and prepayments	10	98,565	90,976	225,789
Inventories, at cost	11	1,543	1,813	1,377
Cash and cash equivalents	12	372,181	499,127	671,564
		475,366	598,929	906,696
Non-current asset held for sale	13	100,915	24,581	–
		576,281	623,510	906,696
Total assets		1,147,523	1,377,915	1,523,212
Non-current liability				
Borrowings	14	–	183,111	243,597
Current liabilities				
Borrowings	14	111,311	22,809	43,169
Payables and accruals	15	101,202	51,794	76,386
		212,513	74,603	119,555
Total liabilities		212,513	257,714	363,152
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	16	300,000	300,000	300,000
Foreign currency translation reserve	17	(57,562)	(52,578)	(49,570)
Retained earnings	18	684,634	805,772	838,343
		927,072	1,053,194	1,088,773
Minority interests		7,938	67,007	71,287
Total equity		935,010	1,120,201	1,160,060
Total equity and liabilities		1,147,523	1,377,915	1,523,212

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of financial position

As at 31 December 2012

	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Company				
Non-current assets				
Vessels and equipment	4	89	154	264
Investments in subsidiaries	5	43,614	89,587	110,988
Investments in jointly controlled entities	7	75	75	75
Other investments	8	214,335	260,040	70
Receivables, deposits and prepayments	10	236,125	124,117	109,766
		494,238	473,973	221,163
Current assets				
Receivables, deposits and prepayments	10	12,255	12,654	55,433
Cash and cash equivalents	12	326,635	472,961	652,104
		338,890	485,615	707,537
Total assets		833,128	959,588	928,700
Current liability				
Payables and accruals	15	20,528	27,234	27,162
Total liability		20,528	27,234	27,162
Equity and liability				
Equity attributable to equity holders of the parent				
Share capital	16	300,000	300,000	300,000
Retained earnings	18	512,600	632,354	601,538
Total equity		812,600	932,354	901,538
Total equity and liability		833,128	959,588	928,700

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of comprehensive income

For the year ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Continuing operations					
Revenue	19	66,926	74,778	3,558	49,437
Other items of income					
Interest income		20,149	22,799	15,261	21,054
Interest recognised on re-measurement of intercompany loans to fair value		–	–	(6,736)	6,340
Other income		460	4,333	–	26
Other items of expenses					
Administrative expenses		(44,703)	(48,401)	(3,692)	(6,491)
Operating expenses:					
– Impairment loss on investments in subsidiaries		–	–	(123,463)	–
– Impairment loss on investments in jointly controlled entities		(8,435)	(81)	–	–
– Impairment loss on vessels	21	(148,703)	(40,406)	–	–
– Loss from disposal of vessels		(24,735)	–	–	–
– Allowance for doubtful debt		(3,695)	–	–	–
– Others		(27,890)	(38,221)	–	–
Employee benefits expenses	22	(24,517)	(29,421)	(1,254)	(2,244)
Finance costs		(5,036)	(2,453)	(3)	(4)
Share of profit of jointly controlled entities and associates		22,667	32,638	–	–
(Loss)/profit before tax	20	(177,512)	(24,435)	(116,329)	68,118
Income tax expense	24	(4,795)	(6,568)	(3,425)	(5,219)
(Loss)/profit for the year		(182,307)	(31,003)	(119,754)	62,899
Other comprehensive expense					
Foreign currency translation reserve	17	(7,129)	(4,297)	–	–
Total comprehensive (loss)/income for the year		(189,436)	(35,300)	(119,754)	62,899
(Loss)/profit attributable to:					
Equity holders of the parent		(121,138)	(8,571)	(119,754)	62,899
Minority interests		(61,169)	(22,432)	–	–
		(182,307)	(31,003)	(119,754)	62,899
Total comprehensive (loss)/income attributable to:					
Equity holders of the parent		(126,122)	(11,579)	(119,754)	62,899
Minority interests		(63,314)	(23,721)	–	–
		(189,436)	(35,300)	(119,754)	62,899

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of changes in equity - Group

For the for the year ended 31 December 2012

				Attributable to shareholders of the Company			
				I--- Non Distributable ---I		Distributable	
	Note	Equity, total RM'000	Equity attributable to equity holders of the parent, total RM'000	Share capital RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Minority interests RM'000
Group							
2012							
Opening balance at 1 January 2012		1,120,201	1,053,194	300,000	(52,578)	805,772	67,007
Total comprehensive loss		(189,436)	(126,122)	–	(4,984)	(121,138)	(63,314)
Dividends on ordinary shares		(1,139)	–	–	–	–	(1,139)
Issuance of convertible redeemable preference shares		5,384	–	–	–	–	5,384
At 31 December 2012		935,010	927,072	300,000	(57,562)	684,634	7,938
2011							
Opening balance at 1 January 2011		1,160,060	1,088,773	300,000	(49,570)	838,343	71,287
Total comprehensive loss		(35,300)	(11,579)	–	(3,008)	(8,571)	(23,721)
Dividends on ordinary shares	29	(45,187)	(24,000)	–	–	(24,000)	(21,187)
Issuance of convertible redeemable preference shares		40,628	–	–	–	–	40,628
At 31 December 2011		1,120,201	1,053,194	300,000	(52,578)	805,772	67,007

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of changes in equity

For the year ended 31 December 2012

	Note	Equity, total RM'000	Non-distributable Share capital RM'000	Distributable Retained earnings RM'000
Company				
2012				
Opening balance at 1 January 2012		932,354	300,000	632,354
Total comprehensive loss		(119,754)	–	(119,754)
Closing balance at 31 December 2012		812,600	300,000	512,600
2011				
Opening balance at 1 January 2011		901,538	300,000	601,538
Total comprehensive income		62,899	–	62,899
Reversal arising from change of repayment term		(8,083)	–	(8,083)
Dividends on ordinary shares	29	(24,000)	–	(24,000)
Closing balance at 31 December 2011		932,354	300,000	632,354

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of cash flows

For the year ended 31 December 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities				
(Loss)/profit before tax	(177,512)	(24,435)	(116,329)	68,118
Adjustments for:				
Share of profit of jointly controlled entities and associates	(22,667)	(32,638)	–	–
Depreciation of vessels and equipments	35,591	44,872	65	75
Impairment loss on investments in a jointly controlled entity	8,435	81	–	–
Impairment loss on investment in subsidiaries	–	–	123,463	–
Impairment loss on vessels	148,703	40,406	–	–
Loss on disposal of vessels	24,735	–	–	–
Interest expense	5,036	2,453	3	4
Interest income	(20,149)	(22,799)	(15,261)	(21,054)
Dividend income	(1,800)	(5,000)	(3,558)	(49,437)
Allowance of doubtful debts	3,695	–	–	–
Gain on disposal of other assets	–	(25)	–	(25)
Loss on disposal of a jointly controlled entity	–	348	–	–
Interest recognised on re-measurement of intercompany loans to fair value	–	–	6,736	(6,340)
Unrealised foreign exchange loss/(gain)	–	(279)	–	–
Operating profit/(loss) before changes in working capital	4,067	2,984	(4,881)	(8,659)
Changes in working capital:				
Inventories	270	(436)	–	–
Receivables, deposits and prepayment	(7,589)	118,380	(129,583)	48,086
Payables and accruals	50,577	(25,817)	(5,066)	(359)
Pool working fund	564	(81)	–	–
Cash generated from/(used in) operations	47,889	95,030	(139,530)	39,068
Interest received	20,149	22,799	15,261	21,054
Tax refunded	128	–	–	–
Tax paid	(6,092)	(5,342)	(5,065)	(4,788)
Interest expense	(5,036)	(2,453)	(3)	(4)
Net cash generated from/ (used in) operating activities	57,038	110,034	(129,337)	55,330

Statements of cash flows

For the year ended 31 December 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from investing activities				
Purchase of vessels and equipment	(48,146)	(29,163)	–	(37)
Investment in an associate	(105,000)	(146,545)	–	–
Purchase of redeemable preference shares in subsidiaries	15,000	–	(61,657)	(259,970)
Proceeds from disposal of vessels	49,387	–	–	–
Proceeds from issuance of convertible redeemable preference shares	5,385	40,628	–	–
Proceeds from insurance company	–	97	–	97
Acquisition of other investments	(47,326)	–	–	–
Dividend received	1,800	5,000	3,558	49,437
Repayment of advances from jointly controlled entities	19,045	9,898	–	–
Acquisition of subsidiaries	–	–	41,110	–
Investments in jointly controlled entities	–	(25,334)	–	–
Proceeds from disposal of an associate	–	1,722	–	–
Net cash used in investing activities	(109,855)	(143,697)	(16,989)	(210,473)
Cash flows from financing activities				
Dividend paid	–	(45,187)	–	(24,000)
Repayment of term loans	(78,007)	(80,846)	–	–
Net cash used in financing activities	(78,007)	(126,033)	–	(24,000)
Net decrease in cash and cash equivalents	(130,824)	(159,696)	(146,326)	(179,143)
Effect of exchange rate fluctuations on cash held	3,878	(12,741)	–	–
Cash and cash equivalents at beginning of year	499,127	671,564	472,961	652,104
Cash and cash equivalents at end of year	372,181	499,127	326,635	472,961

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements
– 31 December 2012

1. CORPORATE INFORMATION

Global Maritime Ventures Berhad ("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 (Incorporated) ("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 25 February 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards in Malaysia ("MFRS"), International Financial Reporting Standard ("IFRS") and the Companies Act, 1965 in Malaysia. For periods up to and including the year ended 31 December 2011, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). The impact of the transition from FRS to MFRS is described in Note 2.2.

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") 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 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These financial statements, for the year ended 31 December 2012, are the first the Group has prepared in accordance with MFRS. For periods up to and including the year ended 31 December 2011, the Group prepared their financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia. Except for certain differences, the requirements under FRS and MFRS are similar.

Accordingly, the Group has prepared their financial statements which comply with MFRS applicable for period ended 31 December 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position were prepared as at 1 January 2011, the Group's date of transition to MFRS.

The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011, except as discussed below:

Notes to the financial statements
– 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd.)

(a) Business combination

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under MFRS.

The Group has applied the following exemptions:

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

(i) The classification of former business combinations under FRS is maintained;

(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and

(iii) The carrying amount of goodwill, if any, recognised under FRS is not adjusted.

(b) Estimates

The estimates at 1 January 2011 and at 31 December 2011 are consistent with those made for the same dates in accordance with FRS (after adjustments to reflect any differences in accounting policies). The estimates used by the Group and the Company to present amount in accordance with MFRS reflect conditions as at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

Adoption of MFRS framework does not have any impact on the financial position as at 1 January 2011 and 31 December 2011, financial performance and cash flows of the Group and of the Company for the year ended 31 December 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.3 MFRS and Amendments to MFRS issued but not yet effective

At the date of authorisation of the audited financial statements, the following MFRS and Amendments to MFRS were issued but not yet effective and have not been applied by the Group and the Company:

MFRS and Amendments to MFRS		Effective for annual periods beginning on or after
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
Amendments to MFRS 1	Government loans	1 January 2013
Amendments to MFRS 1	Annual improvements 2009-2011 Cycle	1 January 2013
IC Interpretation 20	Stripping costs in the production phase of a surface mine	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014

The adoption of the above standards and interpretations will not have any significant effect on the financial performance and position of the Group and of the Company.

2.4 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.

Notes to the financial statements
– 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Associates (cont'd.)

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.

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.

2.5 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.5 Subsidiaries and basis of consolidation

(ii) Basis of consolidation (cont'd.)

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.

2.6 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.

Notes to the financial statements

– 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.7 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 MFRSs.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.7 Foreign currencies (cont'd.)

(iii) Foreign Operations (cont'd.)

Goodwill and fair value adjustments arising on the acquisition of foreign operation 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.

2.8 Vessels and equipment and depreciation

All vessels 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 and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of vessels 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	1.5 – 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 and equipment.

Vessels 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.

Notes to the financial statements
– 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.9 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 allocated first to reduce the carrying amount of 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.

2.10 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.

2.11 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.11 Financial assets (cont'd.)

(a) Financial assets at fair value through profit or loss (cont'd.)

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.

(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's 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.

Notes to the financial statements
– 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.11 Financial assets (cont'd.)

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.

2.12 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.12 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 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.

2.13 Cash and cash equivalents

For the purposes of the statements of cash 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.

2.14 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 MFRS 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.

Notes to the financial statements
– 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.14 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.

2.15 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 Company, 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.

Where financial guarantees in relation to loan or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

2.16 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.17 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.

(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
– 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.18 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.

2.19 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").

2.20 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.21 Repairs and maintenance, and dry-docking

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

2.22 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 MFRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

2.23 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 judgments, 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.

(a) 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.

Notes to the financial statements
– 31 December 2012

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont'd.)

3.1 Key sources of estimation uncertainty (cont'd.)

(b) Impairment of investment in subsidiaries and jointly controlled entities

The Group assesses whether there is any indication that an investment in subsidiaries and jointly controlled entities may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgments made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries and jointly controlled entities are as follows:

(i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and in the economic environment; and

(ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

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

Sensitivity to changes in assumptions

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amounts. The carrying amounts of the investments in subsidiaries and jointly controlled entities were disclosed in Notes 5 and 7.

4. VESSELS AND EQUIPMENT

	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
Group							
At 31 December 2012							
Cost							
At 1 January 2012	670,573	48,802	202	297	155	283	720,312
Additions	931	6,935	–	–	–	–	7,866
Acquisition of subsidiaries	40,280	–	–	–	–	–	40,280
Disposal	(118,248)	(16,775)	–	–	–	–	(135,023)
Transfer to assets held for sale	(529,972)	(36,864)	–	–	–	–	(566,836)
Effect of movements in exchange rates	(23,284)	(2,098)	–	–	–	–	(25,382)
At 31 December 2012	40,280	–	202	297	155	283	41,217
Accumulated depreciation							
At 1 January 2012	345,206	26,751	164	297	86	238	372,742
Depreciation for the year	22,707	12,820	16	–	32	16	35,591
Disposal	(67,456)	(15,854)	–	–	–	–	(83,310)
Transfer to assets held for sale	(286,722)	(21,542)	–	–	–	–	(308,264)
Effect of movements in exchange rates	(13,064)	(2,175)	–	–	–	–	(15,239)
At 31 December 2012	671	–	180	297	118	254	1,520
Accumulated impairment losses							
At 1 January 2012	9,699	–	–	–	–	–	9,699
Charge for the year	148,703	–	–	–	–	–	148,703
Transfer to assets held for sale	(157,657)	–	–	–	–	–	(157,657)
Effect of movements in exchange rates	(745)	–	–	–	–	–	(745)
At 31 December 2012	–	–	–	–	–	–	–
Net carrying amounts	39,609	–	22	–	37	29	39,697

Notes to the financial statements
– 31 December 2012

4. VESSELS AND EQUIPMENT (cont'd.)

	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
Group							
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

4. VESSELS AND EQUIPMENT (cont'd.)

	Furniture, fittings and office equipment RM'000	Office renovation RM'000	Motor vehicle RM'000	Computer RM'000	Total RM'000
Company					
At 31 December 2012					
Cost					
At 1 January/31 December 2012	202	297	155	282	936
Accumulated depreciation					
At 1 January 2012	164	296	85	237	782
Depreciation for the year	16	–	33	16	65
At 31 December 2012	180	296	118	253	847
Net carrying amounts	22	1	37	29	89
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
Disposal	(1)	–	(17)	(47)	(65)
At 31 December 2011	164	296	85	237	782
Net carrying amounts	38	1	70	45	154

Notes to the financial statements
– 31 December 2012

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 RM'000	2011 RM'000
Unquoted shares, at cost	4,200	20,300
Discounts on loans to subsidiaries	39,414	69,287
	43,614	89,587

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Effective Interest (%) 2012	2011
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	Malaysia	Investment holding	100	100
GMV-Regional Sdn Bhd	Malaysia	Dormant	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	Dormant	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

5. INVESTMENTS IN SUBSIDIARIES

Name of Subsidiaries	Country of Incorporation	Principal Activities	Effective Interest (%) 2012	2011
Held by Glory Incentive Sdn Bhd				
Permata Navigation Sdn Bhd	Malaysia	Dormant	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
Held by GMV-Bahtera Sdn Bhd				
Magna Meridian Sdn Bhd	Malaysia	Ship-owning	100	–
Matlamat Emas Sdn Bhd	Malaysia	Ship-owning	100	–

All subsidiaries are audited by Ernst & Young, Malaysia.

Acquisition of subsidiaries

The Company, via its subsidiary, GMV-Bahtera Sdn Bhd acquired two units of ordinary shares of RM1 each, representing 100% equity interest in Magna Meridian Sdn Bhd ("MMSB") for a total consideration of RM2 and two units of ordinary shares of RM1 each, representing 100% equity interest in Matlamat Emas Sdn Bhd ("MESB") for a total consideration of RM2.

The fair values of the identifiable assets and liabilities of MMSB and MESB as at the date of acquisition were not disclosed as the identifiable assets and liabilities were not material to the Group.

The effect of the acquisition on cash flows was not disclosed as the effect was not material to the Group.

Impact of acquisition in statement of comprehensive income

From the date of acquisition, MMSB and MESB have contributed profit of RM3,603,000 to the Group. If the combination had taken place at the beginning of the financial year, the Group's loss, net of tax would have been RM170,486,000 and revenue would have been RM78,000,000.

Notes to the financial statements
– 31 December 2012

6. INVESTMENT IN ASSOCIATES

	Group	
	2012 RM'000	2011 RM'000
Unquoted shares, at cost	251,545	146,545
Share of post acquisition reserves	21,812	13,675
	273,357	160,220

Name	Country of incorporation	Principal activity	Proportion (%) of ownership interest 2012	2011
Held through subsidiaries:				
Syarikat Borcos Shipping Sdn Bhd *	Malaysia	Ship-owning	35	35
Orkim Sdn Bhd #	Malaysia	Ship-owning	40	–

* Audited by a firm other than Ernst & Young

Audited by Ernst & Young, Malaysia

During the financial year, the Company, via its subsidiary, GMV-Orkim Sdn Bhd acquired 40% equity interest in Orkim Sdn Bhd. The total cash consideration for the company amounted to RM105,000,000.

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

	Group	
	2012 RM'000	2011 RM'000
Assets and liabilities:		
Total assets	1,200,650	1,090,170
Total liabilities	816,390	779,613
Results:		
Revenue	232,735	162,952
Profit for the year	45,483	96,101

7. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unquoted shares, at cost	127,224	127,224	75	75
Share of post acquisition reserves	60,253	46,276	–	–
Less: Accumulated impairment losses	(8,516)	(81)	–	–
	178,961	173,419	75	75
Advances to jointly controlled entities:				
– within 1 year	3,077	7,013	–	–
– 1 year to 2 years	3,077	7,013	–	–
– 2 years to 5 years	9,230	21,040	–	–
– more than 5 years	15,382	35,066	–	–
	30,766	70,132	–	–
	209,727	243,551	75	75
Analysed as:				
Short term investment	3,077	7,013	–	–
Long term investment	206,650	236,538	75	75
	209,727	243,551	75	75

The advances to jointly controlled entities bear an interest of 2.4% to 7% (2011: 2.4% to 7%) per annum and repayable on a quarterly basis over a period of 10 years.

Notes to the financial statements
– 31 December 2012

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 (%) 2012	2011
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
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

** Entered into receivership on 3 July 2012

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-Gagasan Sdn Bhd subscribed 1,000,000 units of Redeemable Preference Shares ("RPS") of RM1 each issued by Gagasan Kedah Sdn Bhd and 726,000 units of RPS of RM1 each issued by Gagasan Paha Sdn Bhd. The effective interest in these companies remain unchanged.

During the previous 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:

	2012 RM'000	2011 RM'000
Assets:		
Non-current assets	608,719	656,534
Current assets	119,427	114,645
Total assets	728,146	771,179
Liabilities:		
Non-current liabilities	471,066	367,032
Current liabilities	98,783	235,029
Total liabilities	569,849	602,061
Results:		
Revenue	95,962	129,297
Profit for the year	10,291	20,506

Notes to the financial statements
– 31 December 2012

8. OTHER INVESTMENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Available-for-sale financial assets				
– Equity instruments (unquoted), at cost	49,022	16,696	214,265	259,970
Other				
– Golf membership, at cost	70	70	70	70
	49,092	16,766	214,335	260,040

During the year, a subsidiary, GMV-Omni Sdn Bhd increased its investment in Omni Petromaritime Sdn Bhd in the form of additional subscription on 4,000,000 units of Redeemable Cumulative Convertible Preference Shares (RCCPS), for a total cash consideration of RM4,000,000. The effective interest in the company remain unchanged.

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	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current					
Trade receivables					
Third parties	(a)	3,084	394	–	–
Other receivables					
Third parties	(b)	5,695	11,655	1,139	3,443
Deposits		60	60	60	60
Tax recoverable		559	106	430	–
Prepayments		–	10	–	10
Amounts due from subsidiaries	(c)	–	–	10,626	9,141
Amounts due from related parties	(d)	89,167	78,751	–	–
		95,481	90,582	12,255	12,654
		98,565	90,976	12,255	12,654
Non-current					
Other receivables					
Amounts due from subsidiaries	(c)	–	–	236,125	124,117

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd.)

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total trade and other receivables (current and non-current)		98,565	90,976	248,380	136,771
Add: Cash and cash equivalents	12	372,181	499,127	326,635	472,961
Add: Advances to jointly controlled entities	7	30,766	70,132	–	–
Less: Prepayments		–	10	–	10
Total loans and receivables		501,512	660,225	575,015	609,722

(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	
	2012 RM'000	2011 RM'000
Neither past due nor impaired	3,084	394
1 to 30 days past due not impaired	–	–
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	–	–
Impaired	–	–
	3,084	394

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.

Notes to the financial statements
– 31 December 2012

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd.)

(b) Other receivables from third parties

Included in other receivables from third parties of the Company is RM871,000 (2011: RM993,000) being loan to staff, bearing an interest of 4% (2011: 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% per annum 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% (2011: 0.18% to 0.57%) per annum.

11. INVENTORIES

	Group	
	2012 RM'000	2011 RM'000
Lubricants, at cost	1,543	1,813

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed banks	367,725	492,886	326,468	472,926
Cash and bank balances	4,456	6,241	167	35
	372,181	499,127	326,635	472,961

The range of interest rates and the maturities of deposits as at 31 December 2012 were 2.18% to 3.55% (2011: 2.85% to 3.55%) per annum and 1 to 277 days (2011: 3 to 222 days) respectively.

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

13. NON-CURRENT ASSET HELD FOR SALE

	Group	
	2012 RM'000	2011 RM'000
As at 1 January	24,581	–
Reclassified from vessels and equipment (Note 4)	100,915	24,581
Sale of vessels	(24,581)	–
As at 31 December	100,915	24,581

Four vessels, namely Selendang Kencana, Gemala, Ratna and Sari, were classified as non-current asset held for sale. Memorandum of Agreement was signed between the four companies and the respective buyers as at year end and all of the four vessels will be disposed in the first quarter of financial year 2013.

14. BORROWINGS

	Group	
	2012 RM'000	2011 RM'000
Current		
Secured term loan:		
Within 1 year	111,311	22,809
Non-current		
Secured term loan:		
More than 1 year and less than 2 years	–	38,650
More than 2 years and less than 5 years	–	144,461
More than 5 years	–	–
	–	183,111
Total borrowings	111,311	205,920

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 RM447,079,000 (2011: RM967,645,000).

The weighted average effective interest rate of the term loans during the year ranged from 0.94% to 0.97% (2011: 0.89% to 1.13%) per annum.

Notes to the financial statements
– 31 December 2012

15. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade					
Amount due to a related party	(a)	731	18	–	–
Non-trade					
Amount due to holding company	(b)	–	24,000	–	24,000
Other payables		54,988	11,823	11	(16)
Accrued expenses		6,362	12,303	1,890	2,004
Tax payable		105	1,403	–	1,246
Amount due to a related party	(a)	39,016	2,247	18,627	–
		100,471	51,776	20,528	27,234
Total payables and accruals		101,202	51,794	20,528	27,234
Less: Tax payable		(105)	(1,403)	–	(1,246)
Add: Borrowings (Note 14)		111,311	205,920	–	–
Total other financial liabilities		212,408	256,311	20,528	25,988

(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 in previous financial year was in respect of dividend payable.

16. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2012 '000	2011 '000	2012 RM'000	2011 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.

17. FOREIGN CURRENCY TRANSLATION RESERVE

	Foreign currency translation reserve RM'000
Group	
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)
At 1 January 2012	(52,578)
Other comprehensive income:	
Foreign currency translation	(7,129)
Less: Minority interests	2,145
	(4,984)
At 31 December 2012	(57,562)

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.

Notes to the financial statements
– 31 December 2012

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 2012 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2012, 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 (2011: RM206,163,544) out of its retained earnings. If the balance of the retained earnings of RM299,024,925 (2011: RM408,785,595) were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

As at 31 December 2012, the Company has tax exempt profits available for distribution of approximately RM200,362,078 (2011: RM200,362,078), subject to agreement with the Inland Revenue Board.

19. REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Dividends	1,800	5,000	3,558	49,437
Charter hire income	11,074	–	–	–
Sundry income	427	550	–	–
Share of pool profit	53,625	69,228	–	–
	66,926	74,778	3,558	49,437

20. (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-executive directors' remuneration (Note 22)	727	139	650	139
Auditors remuneration				
Statutory audits	222	182	58	42
Other services–	–	–	6	
Depreciation of vessels and equipment (Note 4)	35,591	44,872	65	75
Interest expense	5,000	3,956	3	4
Rental of office equipment	10	11	10	11
Rental of office	190	190	190	190
Loss/(gain) on foreign exchange				
– realised	–	521	–	–
– unrealised	–	(279)	–	–
Gain on disposal of other assets	–	(25)	–	(25)
Dividend income	(1,800)	(5,000)	(3,558)	(49,437)
Loss on disposal of a jointly controlled entity	–	348	–	–

Certain items of disclosures were disclosed on the face of the statements of comprehensive income in view of their nature and materiality.

21. IMPAIRMENT LOSS ON VESSELS

During the financial year, the Group's Board of Directors had approved on the disposal of the remaining four vessels under joint venture with Wawasan Shipping Sdn Bhd. In view of the decision, the Group had performed the impairment assessment on vessels by comparing the carrying amounts with the vessels' recoverable amounts. The market values would best reflect the vessels' recoverable amounts as the vessels are scheduled to be disposed in the first quarter of financial year 2013.

A total provision of impairment on vessels of RM148,703,000 has been recognised in the financial statements.

Notes to the financial statements
– 31 December 2012

22. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages, salaries and bonus	19,009	23,111	783	1,702
Employees Provident Fund	276	195	173	195
Social security contributions	16	11	10	11
Other benefits	5,216	6,104	288	336
	24,517	29,421	1,254	2,244

23. DIRECTORS' REMUNERATION

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-executive directors remuneration				
Fees	530	110	453	110
Other emoluments	197	29	197	29
	727	139	650	139

24. INCOME TAX EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current year income tax	5,020	6,585	3,656	5,216
(Over)/underprovision of tax expense in prior years	(225)	(17)	(231)	3
	4,795	6,568	3,425	5,219

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

24. 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 of the Company is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(Loss)/profit before tax	(177,512)	(24,435)	(116,329)	68,118
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	(44,378)	(6,109)	(29,082)	17,030
Effect of share of results of jointly controlled entities and associates	578	(8,160)	–	–
Expenses not deductible for tax purposes	49,935	22,207	33,628	545
Income not subject to tax	(1,115)	(1,353)	(890)	(12,359)
(Over)/underprovision of tax expense in prior years	(225)	(17)	(231)	3
	4,795	6,568	3,425	5,219

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.

25. 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Agency fees paid to an affiliated company*	774	852	–	–
Interest earned from affiliated companies*	501	325	–	–
Interest earned from jointly controlled entities	2,771	4,364	–	–
Dividend income received from associate	–	–	900	–
Dividend income received from jointly controlled entities	1,800	3,200	–	–
Rental paid/payable to holding company	190	190	190	190
Group sharing cost payable to holding company	425	361	425	361

* 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 10 and 15.

Notes to the financial statements
– 31 December 2012

25. RELATED PARTY DISCLOSURES (cont'd.)

(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 23.

26. CAPITAL COMMITMENTS

	Group and Company	
	2012 RM'000	2011 RM'000
Capital expenditure		
Approved and contracted for Investments	1,131,220	661,610
Approved and but not contracted for Investments	305,510	26,190

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.

(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 currencies non-functional USD RM'000
Functional currency of Group Companies	
At 31 December 2012	
Ringgit Malaysia	49,863
At 31 December 2011	
Ringgit Malaysia	95,439

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

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

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	
	2012 RM'000 Profit net of tax	2011 RM'000 Profit net of tax
USD/RM		
– strengthened 10% (2011: 10%)	4,896	9,544
– weakened 10% (2011: 10%)	(4,896)	(9,544)

(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.

	2012			
	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	101,202	–	–	101,202
Borrowings	111,311	–	–	111,311
Total undiscounted financial liabilities	212,513	–	–	212,513
Company				
Financial liabilities:				
Payables and accruals, represent total undiscounted financial liabilities	20,528	–	–	20,528

Notes to the financial statements
– 31 December 2012

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(c) Liquidity risk (cont'd.)

	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

(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.

– A carrying amount of RM89,168,000 (2011: RM78,751,000) relating to Group trade and other receivables which are due from related parties.

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			
	2012		2011	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	3,037	98%	–	0%
Singapore	47	2%	394	100%
	3,084	100%	394	100%

At the reporting date, approximately 92% of the Group's (2011: 87%) trade 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.

Financial guarantees

The Company provides unsecured financial guarantees to banks and other institutions in respect of facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

A nominal amount of RM315,540,000 (2011: RM358,200,000) relating to corporate guarantees provided by the Company to the banks and other institutions in respect of facilities of its subsidiaries.

As at the reporting date, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised as their fair values on initial recognition were not material (2011: not material).

Notes to the financial statements
– 31 December 2012

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd.)

(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 2012, the Group does not have significant interest rate exposure.

28. 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.

29. DIVIDENDS

	Dividend Recognised in Year		Dividend Per Share	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Recognised during the financial year:				
Interim tax exempt dividend for 2012: nil (2011: 8%)	–	24,000	–	0.08

30. 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 on 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 equity holders of the parent.

30. CAPITAL MANAGEMENT (cont'd.)

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Borrowings	14	111,311	205,920	–	–
Payables and accruals	15	101,202	51,794	20,528	27,234
Less: Cash and cash equivalents	12	(372,181)	(499,127)	(326,635)	(472,961)
Net surplus		(159,668)	(241,413)	(306,107)	(445,727)
Equity attributable to the equity holders of the parent		927,072	1,053,194	812,600	932,354
Total capital		927,072	1,053,194	812,600	932,354
Capital and net debt		–	–	–	–
Gearing ratio		–	–	–	–

No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

31. EVENTS OCCURRING AFTER THE REPORTING DATE

On 13 January 2013, the Company completed the disposal of its existing 60% equity interest in Orkim Discovery Sdn Bhd, Orkim Challenger Sdn Bhd and 40% of equity interest in Orkim Leader Sdn Bhd, Orkim Power Sdn Bhd, Orkim Merit Sdn Bhd and Orkim Express Sdn Bhd for a total cash consideration of RM52,155,737 to Orkim Sdn Bhd.

On 31 January 2013, the Company has further acquired 65% equity interest of 2,925,000 shares of RM1 each in Syarikat Borcos Shipping Sdn Bhd for a total cash consideration of RM190,450,000.

Notes

Form of Proxy

GLOBAL MARITIME VENTURES BERHAD (264557-A)
Incorporated in Malaysia

I/We ____
(FULL NAME IN BLOCK LETTERS AS PER IDENTITY CARD/CERTIFICATE OF INCORPORATION)

of ____

being a member/members of the above mentioned Company, hereby appoint ______________________

____
(FULL NAME IN BLOCK LETTERS AS PER IDENTITY CARD)

of ____

and/or ____
(FULL NAME IN BLOCK LETTERS AS PER IDENTITY CARD)

of ____

and failing the abovenamed proxy, the Chairman of the Meeting as my/our proxy to tend and vote for me/us and on my/our behalf at the 20th Annual General Meeting of the Company to be held at Dewan Utama, Level 6, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 28th May 2013 at 12:00 noon and at any adjournment thereof in the manner indicated below:-

No.	Resolution	For	Against
AS ORDINARY BUSINESS			
1	To receive and adopt the Audited Financial Statements for the financial year ended 31st December 2012 together with the Reports of the Directors and Auditors		
2	To re-elect Puan Eshah binti Meor Suleiman as Director pursuant to Article 63 of the Company's Articles of Association		
3	To re-elect Y.Bhg. Dato' Ir. Abdul Rahim bin Abu Bakar as Director pursuant to Article 63 of the Company's Articles of Association		
4	To re-appoint, Y.Bhg. Tan Sri Datuk Dr. Abdul Samad bin Haji Alias as Director pursuant to Section 129(6) of the Companies Act, 1965.		
5	To approve the payment of Directors' fees for the financial year ended 31st December 2012.		
6	To re-appoint Messrs. Ernst & Young as Auditors and to authorize the Board of Directors to fix their remuneration.		
AS SPECIAL BUSINESS			
7	To authorize Directors to issue shares pursuant to section 132D of the Companies Act, 1965.		

(Please indicate with an "X" in the appropriate box above how you wish to cast your vote. If this form is returned without any indication as to how the proxy/proxies/corporate representative shall vote, the proxy/proxies/corporate representative shall vote or abstain as he/she thinks fit.)

Dated this __________ day of ________________ 2013

Number of ordinary shares held

____
Signature(s)/Common Seal of Shareholder(s)

NOTE:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and to vote instead of him. A proxy may not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965i shall not apply to the Company.
2. In the case of a Corporate Member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer of the Corporation or attorney duly authorised.
3. The Proxy Form must be deposited at the Registered Office of the Company at Aras 16, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.
4. Failure to lodge your Proxy Form within the stipulated time may result in your proxy being precluded from attending and voting at the Meeting or any adjournment thereof.
5. The lodging of the Proxy Form does not preclude a member from attending and voting in person at the Meeting should the member subsequently decide to do so.

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STAMP

The Secretary
GLOBAL MARITIME VENTURES BERHAD
Level 16, Menara Bank Pembangunan
Bandar Wawasan
No. 1016, Jalan Sultan Ismail
50250 Kuala Lumpur

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