Ernst & Young

Alam Maritim Resources Berhad

(700849 - K)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2011

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

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

Results

	Group RM	Company RM
Profit/(loss) for the year	13,197,662	(35,890)
Profit/(loss) for the year attributable to:		
Owners of the parent	12,475,545	(35,890)
Non-controlling interest	722,117	-
	13,197,662	(35,890)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

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.

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Dividends

The directors do not recommend any dividend in respect of the current financial year.

Directors

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

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid	
Dato' Haji Ab Wahab bin Haji Ibrahim	
Azmi bin Ahmad	
Shaharuddin bin Warno @ Rahmad	
Mohd Abd Rahman bin Mohd Hashim	
Ahmad Hassanudin bin Ahmad Kamaluddin	
Fina Norhizah binti Hj Baharu Zaman	
Ab Razak bin Hashim	(Resigned on 31 May 2011)

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 acquisition of shares in or debentures of the Company or any other body corporate other than those arising from the share options granted under the Company's Employee Share Options Scheme as further disclosed in Note 31 to the financial statements.

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 aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company, as shown in Note 6 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 the director is a member, or with a company in which the director has a substantial financial interest.

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Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM0.25 each			
	At 1.1.2011	**Acquired**	**Sold**	**At 31.12.2011**
Direct interest:				
Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid	300,000	771,875	(121,875)	950,000
Dato' Haji Ab Wahab bin Haji Ibrahim	1,500	-	-	1,500
Azmi bin Ahmad	33,261	-	-	33,261
Shaharuddin bin Warno @ Rahmad	1,015,498	-	-	1,015,498
Mohd Abd Rahman bin Mohd Hashim	700,000	-	(700,000)	-
Ab Razak bin Hashim	3,357,612	-	-	3,357,612
Ahmad Hassanudin bin Ahmad Kamaluddin	1,875	-	-	1,875
Indirect interest:				
Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid	20,000	-	-	20,000
Azmi bin Ahmad	382,397,760	-	-	382,397,760
Shaharuddin bin Warno @ Rahmad	382,167,135	-	-	382,167,135
Mohd Abd Rahman bin Mohd Hashim	382,167,135	-	-	382,167,135
Ab Razak bin Hashim	382,167,135	-	-	382,167,135
Ahmad Hassanudin bin Ahmad Kamaluddin	123,750	-	-	123,750

	Number of options over ordinary shares of RM0.25			
	At 1.1.2011	**Granted**	**Exercised**	**At 31.12.2011**
Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid	721,875	-	-	721,875
Azmi bin Ahmad	8,038,387	-	-	8,038,387
Shaharuddin bin Warno @ Rahmad	3,309,900	-	-	3,309,900
Mohd Abd Rahman bin Mohd Hashim	3,309,900	-	-	3,309,900

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM195,287,595 to RM196,802,315 by way of issuance of 6,058,883 ordinary shares of RM0.25 each for cash pursuant to the Company's Employee Share Options Scheme at the exercise price ranging from RM0.47 to RM0.55 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Employee Share Options Scheme

The Company's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 5 June 2006. The ESOS was implemented on 20 July 2006 and is to be in force for a period of 5 years from date of implementation. The ESOS expired on 19 July 2011. The Board on 18 July 2011, announced the extension period of the ESOS with effective from 20 July 2011 to 19 July 2016 in accordance to the existing terms of the ESOS.

The salient features and other terms of the ESOS are disclosed in Note 31 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of the option holders, who have been granted options to subscribe for less than 5,000,000 ordinary shares of RM0.25 each. Other than the interests of the directors as disclosed above, there are no other holders of 5,000,000 or more options as at 31 December 2011.

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 all known bad debts had been written off 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.

Other statutory information (cont'd.)

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

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

(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 and 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.

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Alam Maritim Resources Berhad
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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 24 April 2012.

Dato' Captain Ahmad Sufian @ Qumain bin Abdul Rashid

Azmi bin Ahmad

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Alam Maritim Resources Berhad
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Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid and Azmi bin Ahmad, being two of the directors of Alam Maritim Resources Berhad, do hereby state that, in our opinion, the accompanying financial statements set out on pages 11 to 108 are drawn up in accordance with the Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of the results and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out in Note 41 to the financial statements on page 109 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 April 2012.

Dato' Captain Ahmad Sufian @ Qurnain
bin Abdul Rashid

Azmi bin Ahmad

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

I, Md Nasir bin Noh, being the officer primarily responsible for the financial management of Alam Maritim Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 109 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, Md Nasir bin Noh,
at Kuala Lumpur in the Federal
Territory on 24 April 2012.

Md Nasir bin Noh

Before me,

PESURUHJAYA SUMPAH
No: W 480
R. VASUGI AMMAL, PJK
MALAYSIA

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58200 Kuala Lumpur.

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Independent auditors' report to the members of
Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Alam Maritim Resources Berhad, which comprise the statements of financial position as at 31 December 2011 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 11 to 108.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal controls 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give 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 Company's internal control. An audit also includes evaluating the appropriateness of the 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.

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Independent auditors' report to the members of Alam Maritim Resources Berhad (cont'd.) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2011 and of their financial performance and cash flows for the year then ended.

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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) 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.

(d) 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.

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Independent auditors' report to the members of
Alam Maritim Resources Berhad (cont'd.)
(Incorporated in Malaysia)

Other matters

The supplementary information set out in Note 41 to the financial statements on page 109 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Mohd. Sukarno bin Tun Sardon
No. 1697/03/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 April 2012

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2011

		Group		Company	
	Note	**2011**	**2010**	**2011**	**2010**
		RM	**RM**	**RM**	**RM**
Revenue	4	308,123,866	242,191,823	-	-
Cost of sales		(248,555,776)	(158,145,033)	-	-
Gross profit		59,568,090	84,046,790		-
Other income		19,172,838	5,318,479	23,415,072	29,006,278
Employee benefits expense	5	(22,730,378)	(22,318,241)	(288,687)	(168,804)
Other expenses		(21,266,352)	(65,985,339)	(316,804)	(751,320)
Operating profit		34,744,198	1,061,689	22,809,581	28,086,154
Finance costs	7	(35,174,783)	(31,228,729)	(22,756,754)	(28,019,000)
Share of results of jointly controlled entities		2,094,807	12,347,733	-	-
Share of results of associates		12,413,755	(296,299)	-	-
Profit/(loss) before tax	8	14,077,977	(18,115,606)	52,827	67,154
Income tax (expense)/ benefit	9	(880,315)	5,166,701	(88,717)	(167,346)
Profit/(loss) for the year		13,197,662	(12,948,905)	(35,890)	(100,192)

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2011 (cont'd.)

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Other comprehensive income:					
Foreign currency translation, representing other comprehensive income/(loss) for the year, net of tax		394,871	(155,775)	-	-
Total comprehensive income/ (loss) for the year		13,592,533	(13,104,680)	(35,890)	(100,192)
Profit/(loss) attributable to:					
Owners of the parent		12,475,545	(13,917,996)	(35,890)	(100,192)
Non-controlling interests		722,117	969,091	-	-
		13,197,662	(12,948,905)	(35,890)	(100,192)
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		12,712,247	(14,061,240)	(35,890)	(100,192)
Non-controlling interests		880,286	956,560	-	-
		13,592,533	(13,104,680)	(35,890)	(100,192)
Earnings per share attributable to owners of the parent:					
Basic (Sen)	10	1.6	(2.2)		
Diluted (Sen)	10	1.6	(2.1)		

The accompanying notes form an integral part of the financial statements.

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2011

	Note	2011 RM	2010 RM
Group			
Assets			
Non-current assets			
Property, vessels and equipment	12	581,618,882	680,229,793
Land use rights	13	-	-
Intangible assets	14	1,617,354	1,691,092
Investment in associates	16	95,486,460	54,907,200
Investments in jointly controlled entities	17	83,193,624	80,680,904
Deferred tax assets	28	23,527,326	20,059,575
Deposits with a licensed bank	23	11,573,811	11,567,361
		797,017,457	849,135,925
Current assets			
Inventories	19	6,254,709	8,507,084
Trade receivables	20	217,155,112	117,434,537
Other receivables	22	134,682,545	169,307,894
Tax recoverable		4,024,928	4,454,598
Cash and bank balances	23	130,822,831	167,010,472
		492,940,125	466,714,585
Total assets		1,289,957,582	1,315,850,510

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2011 (cont'd.)

Group (cont'd.)	Note	2011 RM	2010 RM
Equity and liabilities			
Current liabilities			
Borrowings	26	184,056,133	233,849,190
Trade payables	29	68,607,625	28,624,547
Other payables	30	22,721,247	51,756,326
Tax payable		2,390,078	2,945,324
		277,775,083	317,175,387
Net current assets		215,165,042	149,539,198
Non-current liabilities			
Borrowings	26	428,189,001	435,164,780
Deferred tax liabilities	28	93,696,223	91,005,114
		521,885,224	526,169,894
Total liabilities		799,660,307	843,345,281
Net assets		490,297,275	472,505,229
Equity attributable to owners of the parent			
Share capital	24	196,802,315	195,287,595
Share premium	24	24,095,508	22,629,064
Other reserves	25(a)	421,693	(1,033,358)
Retained earnings	25(b)	260,616,735	248,141,190
		481,936,251	465,024,491
Non-controlling interests		8,361,024	7,480,738
Total equity		490,297,275	472,505,229
Total equity and liabilities		1,289,957,582	1,315,850,510

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Alam Maritim Resources Berhad
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Statements of financial position
As at 31 December 2011 (cont'd.)

Company	**Note**	**2011 RM**	**2010 RM**
Assets			
Non-current assets			
Property, vessels and equipment	12	413,727	37,057
Investment in subsidiaries	15	100,302,070	100,302,070
		100,715,797	100,339,127
Current assets			
Due from subsidiaries	18	546,832,632	616,067,346
Due from related corporations	22	3,120	3,120
Tax recoverable		897,357	1,392,178
Cash and bank balances	23	64,484,363	88,319,606
		612,217,472	705,782,250
Total assets		712,933,269	806,121,377
Equity and liabilities			
Current liabilities			
Borrowings	26	111,798,956	176,948,917
Other payables	30	8,922,564	11,357,527
		120,721,520	188,306,444
Net current assets		491,495,952	517,475,806

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2011 (cont'd.)

Company (cont'd.)	Note	2011 RM	2010 RM
Non-current liabilities			
Borrowings	26	360,349,947	390,116,754
Total liabilities		481,071,467	578,423,198
Net assets		231,861,802	227,698,179
Equity attributable to owners of the parent			
Share capital	24	196,802,315	195,287,595
Share premium	24	24,095,508	22,629,064
Other reserves	25(a)	5,667,345	4,448,996
Retained earnings	25(b)	5,296,634	5,332,524
Total equity		231,861,802	227,698,179
Total equity and liabilities		712,933,269	806,121,377

The accompanying notes form an integral part of the financial statements.

Alam Maritim Resources Berhad
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Statements of changes in equity
For the financial year ended 31 December 2011

	Attributable to owners of the parent						
	Non-distributable			Distributable			
Group	Share capital (Note 24) RM	Share premium (Note 24) RM	Other reserves (Note 25(a)) RM	Retained earnings (Note 25(b)) RM	Total RM	Non-controlling interests RM	Total equity RM
Opening balance at 1 January 2011	195,287,595	22,629,064	(1,033,358)	248,141,190	465,024,491	7,480,738	472,505,229
Total comprehensive income for the year	-	-	236,702	12,475,545	12,712,247	880,286	13,592,533
Transactions with owners:							
Issue of ordinary shares:							
- pursuant to ESOS	1,514,720	1,466,444	-	-	2,981,164	-	2,981,164
Fair value adjustment on ESOS period extension recognised in profit or loss	-	-	1,218,349	-	1,218,349	-	1,218,349
Total transactions with owners	1,514,720	1,466,444	1,218,349	-	4,199,513	-	4,199,513
Closing balance at 31 December 2011	196,802,315	24,095,508	421,693	260,616,735	481,936,251	8,361,024	490,297,275

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Statements of changes in equity
For the financial year ended 31 December 2011 (cont'd.)

	Attributable to owners of the parent						
	Non-distributable			Distributable			
Group (cont'd.)	**Share capital (Note 24) RM**	**Share premium (Note 24) RM**	**Other reserves (Note 25(a)) RM**	**Retained earnings (Note 25(b)) RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
Opening balance at 1 January 2010	126,746,775	78,470,938	6,785,533	264,469,513	476,472,759	7,289,480	483,762,239
Total comprehensive (loss)/income for the year	-	-	(143,244)	(13,917,996)	(14,061,240)	956,560	(13,104,680)
Transactions with owners:							
Issue of ordinary shares:							
- pursuant to ESOS	4,981,366	5,033,983	-	-	10,015,349	-	10,015,349
- pursuant to bonus issue	63,559,454	(63,559,454)	-	-	-	-	-
Share options granted under ESOS:							
- recognised in profit or loss	-	-	519,467	-	519,467	-	519,467
- exercised during the year	-	2,683,597	(2,683,597)	-	-	-	-
Dividends (Note 11)	-	-	-	(2,860,186)	(2,860,186)	-	(2,860,186)
Acquisition of non-controlling interests	-	-	-	-	-	(315,443)	(315,443)
Premium paid on acquisition of non-controlling interests	-	-	(5,511,517)	-	(5,511,517)	-	(5,511,517)
Accretion in a subsidiary	-	-	-	449,859	449,859	(449,859)	-
Total transactions with owners	68,540,820	(55,841,874)	(7,675,647)	(2,410,327)	2,612,972	(765,302)	1,847,670
Closing balance at 31 December 2010	195,287,595	22,629,064	(1,033,358)	248,141,190	465,024,491	7,480,738	472,505,229

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Statements of changes in equity
For the financial year ended 31 December 2011 (cont'd.)

		Non-Distributable		Distributable	
	Share capital (Note 24)	Share premium (Note 24)	Other reserves (Note 25(a))	Retained earnings (Note 25(b))	Total equity
Company	RM	RM	RM	RM	RM
At 1 January 2011	195,287,595	22,629,064	4,448,996	5,332,524	227,698,179
Total comprehensive loss for the year	-	-	-	(35,890)	(35,890)
Transactions with owners:					
Issue of ordinary shares:					
- pursuant to ESOS	1,514,720	1,466,444	-	-	2,981,164
Fair value adjustment on ESOS period extension recognised in profit or loss	-	-	1,218,349	-	1,218,349
Total transactions with owners	1,514,720	1,466,444	1,218,349	-	4,199,513
At 31 December 2011	196,802,315	24,095,508	5,667,345	5,296,634	231,861,802

Alam Maritim Resources Berhad
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Statements of changes in equity
For the financial year ended 31 December 2011 (cont'd.)

	Non-Distributable			Distributable	
Company (cont'd.)	**Share capital (Note 24) RM**	**Share premium (Note 24) RM**	**Other reserves (Note 25(a)) RM**	**Retained earnings (Note 25(b)) RM**	**Total equity RM**
At 1 January 2010	126,746,775	78,470,938	6,613,126	8,292,902	220,123,741
Total comprehensive loss for the year	-	-	-	(100,192)	(100,192)
Transactions with owners:					
Issue of ordinary shares:					
- pursuant to ESOS	4,981,366	5,033,983	-	-	10,015,349
- pursuant to bonus issue	63,559,454	(63,559,454)	-	-	-
Share options granted under ESOS:					
- recognised in profit or loss	-	-	519,467	-	519,467
- ESOS exercised during the year	-	2,683,597	(2,683,597)	-	-
Dividends (Note 11)	-	-	-	(2,860,186)	(2,860,186)
Total transactions with owners	68,540,820	(55,841,874)	(2,164,130)	(2,860,186)	7,674,630
At 31 December 2010	195,287,595	22,629,064	4,448,996	5,332,524	227,698,179

The accompanying notes form an integral part of the financial statements.

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Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2011

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Operating activities				
Profit/(loss) before tax	14,077,977	(18,115,606)	52,827	67,154
Adjustments for:				
Interest income	(1,023,164)	(2,233,050)	(593,538)	(995,220)
Interest recharged to subsidiaries	-	-	(22,740,555)	(28,011,058)
Depreciation of property, vessels and equipment (Note 12)	38,010,850	34,069,546	74,668	55,585
(Gain)/loss on disposal of property, vessels and equipment	(1,441,330)	113,457	(129,000)	-
Finance costs	35,174,783	31,228,729	22,756,754	28,019,000
Share options granted under ESOS (Note 5)	-	519,467	-	-
Fair value adjustment on ESOS	1,218,349	-	1,218,348	-
Provision for doubtful debts	436,598	28,020,284	-	-
Reversal of provision for doubtful debts	(4,453,750)	-	-	-
Unrealised foreign exchange losses	11,346,292	4,378,206	-	-
Amortisation of intangible assets	121,864	119,335	-	-
Share of results of associates	(12,413,755)	296,299	-	-
Share of results of jointly controlled entities	(2,094,807)	(12,347,733)	-	-
Total adjustments	64,881,930	84,164,540	586,677	(931,693)
Operating cash flows before working capital changes	78,959,907	66,048,934	639,504	(864,539)

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2011 (cont'd.)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Changes in working capital:				
Decrease inventories	2,252,375	14,855,831	-	-
Increase in receivables	(67,199,232)	(51,413,435)	-	-
Increase/(decrease) in payables	10,973,846	(65,592,120)	(2,315,941)	(360,665)
Total changes in working capital	(53,973,011)	(102,149,724)	(2,315,941)	(360,665)
Cash generated from/ (used in) operations	24,986,896	(36,100,790)	(1,676,437)	(1,225,204)
Tax refund	-	1,340,920	406,105	1,340,920
Taxes paid	(1,808,382)	(4,635,426)	-	(432,305)
Interest paid	(35,174,783)	(30,037,119)	(22,756,754)	(28,019,000)
Net cash used in operating activities	(11,996,269)	(69,432,415)	(24,027,086)	(28,335,589)
Investing activities				
Purchase of property, vessels and equipment (Note 12)	(18,062,406)	(171,570,033)	(451,338)	-
Proceeds from disposal of vessels to associates	75,150,660	254,150,360	-	-
Proceeds from disposal motor vehicles	-	-	129,000	-
Proceeds from disposal of diving equipment	-	6,500,355	-	-
Acquisition of non-controlling interests	-	(5,826,960)	-	-
Investment in jointly controlled entities	(417,913)	(22,732,457)	-	-
Investment in associates	(28,165,505)	(32,016,649)	-	-
Decrease in amount due from subsidiaries	-	-	69,234,713	12,656,031
Interest received	1,023,164	2,233,050	23,334,093	29,006,278
Net cash generated from investing activities	29,528,000	30,737,666	92,246,468	41,662,309

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2011 (cont'd.)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Financing activities				
Proceeds from issuance of ordinary shares (Note 24)	2,981,164	10,015,349	2,981,164	10,015,349
Proceeds from Murabahah Commercial Papers ("MCP")/ Murabahah Medium Term Notes ("MMTN")	40,000,000	95,862,712	40,000,000	95,862,712
Repayment of MCP/MMTN	(55,000,000)	(100,000,000)	(55,000,000)	(100,000,000)
Proceeds from Sukuk Ijarah MTN	-	25,000,000	-	25,000,000
Redemption of Sukuk Ijarah MTN	(80,000,000)	(30,000,000)	(80,000,000)	(30,000,000)
Proceeds from drawdown of term loans	34,090,201	6,296,624	-	-
Repayment of term loans	(3,470,914)	(8,045,078)	-	-
Proceeds from drawdown of revolving credits	10,000,000	20,000,000	-	-
Repayment of hire purchase and lease financing (Note 27)	(435,757)	(4,873,887)	(35,789)	(26,763)
Marginal deposit	4,488,814	-	-	-
Net cash set aside for collateral and sinking fund	-	(1,613,321)	-	-
Dividends paid	-	(2,860,186)	-	(2,860,186)
Net cash (used in)/ generated from financing activities	(47,346,492)	9,782,213	(92,054,625)	(2,008,888)

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2011 (cont'd.)

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Net (decrease)/increase in cash and cash equivalents	(29,814,761)	(28,912,536)	(23,835,243)	11,317,832
Effect of exchange rate changes on cash and cash equivalent	74,748	26,852	-	-
Cash and cash equivalents at beginning of year	158,321,420	187,207,104	88,319,606	77,001,774
Cash and cash equivalents at end of year (Note 23)	128,581,407	158,321,420	64,484,363	88,319,606

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements - 31 December 2011

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at 38F, Level 3, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.

The immediate and ultimate holding company of the Company is SAR Venture Holdings (M) Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 15.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2012.

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 Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 2.2.

The financial statements of the Group and of the Company have been prepared on the historical cost basis, unless otherwise disclosed in the significant accounting policies.

The financial statements are presented in Ringgit Malaysia ("RM") except where otherwise indicated.

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

2.2 Changes in accounting policies

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

On 1 January 2011, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 1: Limited Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
IC Interpretation 4 Determining Whether an Arrangement contains a Lease	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Group and of the Company.

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

2.3 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2012
Amendments to FRS 7: Transfers of Financial Assets	1 January 2012
Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets	1 January 2012
FRS 124 Related Party Disclosures	1 January 2012
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits	1 January 2013
FRS 127 Separate Financial Statements	1 January 2013
FRS 128 Investment in Associate and Joint Ventures	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 9 Financial Instruments	1 January 2015

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

2.3 Standards and interpretations issued but not yet effective (cont'd.)

Malaysian Financial Reporting Standards

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

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

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

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

The Company considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

2.4 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 used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

2.4 Basis of consolidation (cont'd.)

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the period in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.8(a). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders’ equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

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

2.6 Foreign currencies

(a) 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 consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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.

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

2.6 Foreign currencies (cont'd.)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

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

2.7 Property, vessels and equipment, and depreciation

All items of property, 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 statements of comprehensive income during the financial period in which they are incurred.

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

Vessels are depreciated in equal annual instalments calculated to reduce to residual value the cost of vessels over their estimated useful lives of 25 years.

Drydocking costs are capitalised and amortised over the period of the vessel's next drydocking cycle which is approximately over 2.5 years.

Assets under construction are not depreciated as the assets are not available for use.

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

2.7 Property, vessels and equipment, and depreciation (cont'd.)

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

Leasehold buildings	33-50 years
Diving equipment	10%
Equipment on vessel	10%
Computers	33.3%
Office equipment	10%
Furniture and fittings	10%
Renovations	10%
Motor vehicles	20%

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 items of property, vessels and equipment.

An item of property, 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.

2.8 Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

2.8 Intangible assets (cont'd.)

(b) Other intangible assets

Costs directly attributable to the development of design for deep sea remotely operated subsea vehicles and peripherals are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group's intention to complete, its ability to use or sell the asset, how the asset will generate future economic benefits, and the costs can be measured reliably. Such costs include payroll-related costs of employees directly involved in the project and other costs directly related to the project. Research costs are expensed as incurred.

Deferred development costs are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised to the profit and loss account using the straight-line method over their estimated useful lives of five years.

2.9 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units (“CGU”)).

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

2.10 Impairment of non-financial assets (cont'd.)

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset 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 groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. In the Company’s separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

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

2.12 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.

Under the equity method, unrealised profit and losses resulting from upstream (associate to investor) and downstream (investor to associate) associate should be eliminated to the extent of the investor's interest in the associate. However, unrealised losses should not be eliminated to the extent that the transaction provides evidence of an impairment of the assets transferred.

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

2.13 Joint venture

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. 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 as described in Note 2.12.

In the Company's separate financial statements, its investment in joint venture is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

2.14 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.

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

2.14 Financial assets (cont'd.)

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

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

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

The Group and the Company have not designated any financial assets at fair value through profit or loss during the year ended 31 December 2011.

(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.

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

2.14 Financial assets (cont'd.)

(c) Held-to-maturity investments (cont'd.)

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 do not have any held-to-maturity investments during the year ended 31 December 2011.

(d) Available-for-sale financial assets

Available-for-sale 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 asset 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.

The Group and the Company have not designated any financial assets as available-for-sale during the year ended 31 December 2011.

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

2.14 Financial assets (cont'd.)

A financial asset is derecognised where 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.

2.15 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.

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

2.15 Impairment of financial assets (cont'd.)

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

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

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

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group’s cash management. Cash and cash equivalents which are restricted in its use for more than twelve months are classified as non-current assets.

2.17 Construction contracts

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

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

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

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

2.18 Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

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

2.19 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 resources embodying economic benefits 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.

2.20 Financial liabilities

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

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

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

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

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

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

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

2.20 Financial liabilities (cont'd.)

(b) Other financial liabilities

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

Loans and 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.

2.21 Financial guarantee contracts

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

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

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

2.22 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.23 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

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Employee Share Options Scheme (“ESOS”)

The Company's Employee Share Options Scheme (“ESOS”), an equity-settled, share-based compensation plan, allows the Group’s employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest.

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

2.23 Employee benefits (cont'd.)

(c) Employee Share Options Scheme ("ESOS") (cont'd.)

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings. The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

2.24 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

2.24 Leases (cont'd.)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(a).

2.25 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:

(a) Charter hire of vessels and other shipping related income

Charter hire of vessels and other shipping related income are recognised when the services are rendered and are computed at the contracted daily rate. In the event invoices are yet to be issued at year end, the revenue is accrued to the extent of the services rendered at the reporting date.

(b) Revenue from offshore installation and construction

Revenue relating to offshore installation and construction are recognised in accordance with the policy set out in Note 2.17 above.

(c) Diving, underwater services and other shipping related income

The above revenue are recognised on an accrual basis when the services are rendered.

(d) Sales of diving equipment

Revenue from the sales of diving equipment is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

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

2.25 Revenue recognition (cont'd.)

(e) Management fees

Management fees are recognised on an accrual basis based on a predetermined rate.

(f) Interest income

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

(g) Dividend income

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

2.26 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.

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

2.26 Income taxes (cont'd.)

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.26 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

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

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of 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.

2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. Significant accounting judgements and estimates

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

3. Significant accounting judgements and estimates (cont'd.)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Development costs

Development costs are capitalised in accordance with the accounting policy in note 2.8(b). Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed. The carrying amount of development costs capitalised at the reporting date is RM182,798 (2010: RM298,338).

3.2 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 and liabilities within the next financial year are discussed below:

(a) Depreciation of vessels and equipment on vessel

The cost of vessels and equipment on vessel are depreciated on a straight-line basis over the assets' useful life. Management estimates the useful lives of the Group's vessels to be between 8 to 25 years and equipment on vessel to be 10 years. These are common life expectancies applied in the shipping industry. Changes in the expected level of usage could impact the economic useful lives and residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the Group's contractual entitlement to a debt, the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade receivable at the reporting date is disclosed in Note 20.

4. Revenue

	Group 2011 RM	Group 2010 RM
Charter hire	207,108,197	181,572,851
Offshore installation and construction	33,217,360	27,324,592
Ship catering	7,910,675	1,614,852
Rental of equipment	6,597,324	5,683,509
Diving and underwater services	31,854,542	1,807,427
Other shipping related income	12,714,607	12,276,457
Sales of diving equipment	820,966	5,691,220
Vessel's management fees	7,900,195	6,220,915
	308,123,866	242,191,823

5. Employee benefits expense

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Salaries, bonuses and allowances	16,952,761	16,625,581	261,092	129,540
Contributions to defined contribution plan - EPF	1,608,955	1,905,353	-	-
Social security contributions	91,404	150,237	-	-
Share options granted under ESOS (Note 25)	-	519,467	-	-
Fair value adjustment on ESOS period extension	1,218,349	-	-	-
Other staff related expenses	2,858,909	3,117,603	27,595	39,264
	22,730,378	22,318,241	288,687	168,804

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM2,405,592 (2010: RM4,023,457) as further disclosed in Note 6.

6. Directors' remuneration

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Executive directors' remuneration (Note 5):				
Fees	73,119	71,602	-	-
Other emoluments	2,332,473	3,951,855	-	-
	2,405,592	4,023,457	-	-
Non-executive directors remuneration (Note 8):				
Fees	207,000	170,965	207,000	170,965
Other emoluments	93,167	61,000	93,167	61,000
	300,167	231,965	300,167	231,965
Total directors' remuneration (Note 35(b))	2,705,759	4,255,422	300,167	231,965
Estimated money value of benefits-in-kind	95,416	113,500	17,083	15,000
Total directors' remuneration including benefits-in-kind	2,801,175	4,368,922	317,250	246,965

6. Directors' remuneration (cont'd.)

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Executive:				
Salaries and other emoluments	2,208,600	2,547,000	-	-
Bonus	-	730,200	-	-
Defined contribution plan - EPF	196,992	295,830	-	-
Share options granted under ESOS	-	450,427	-	-
Estimated money value of benefits-in-kind	78,333	98,500	-	-
Total executive directors' remuneration	2,483,925	4,121,957	-	-
Non-executive:				
Fees and other emoluments	300,167	231,965	300,167	231,965
Estimated money value of benefits-in-kind	17,083	15,000	17,083	15,000
Total non-executive directors' remuneration	317,250	246,965	317,250	246,965
Total directors' remuneration	2,801,175	4,368,922	317,250	246,965

6. Directors' remuneration (cont'd.)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2011	2010
Executive directors:		
RM200,001 - RM300,000	1	-
RM500,001 - RM600,000	1	1
RM700,001 - RM800,000	1	1
RM900,001 - RM1,000,000	1	-
RM1,100,001 - RM1,200,00	-	1
RM1,201,001 - RM1,300,00	-	1
Non-executive directors:		
RM10,001 - RM20,000	-	1
RM20,001 - RM30,000	1	1
RM80,001 - RM90,000	1	1
RM90,001 - RM100,000	1	-
RM110,001 - RM120,000	1	1

7. Finance costs

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Interest expense on:				
Term loans	1,016,009	3,023,667	-	-
Hire purchase and finance lease liabilities	1,126,365	1,477,280	16,199	7,942
MCP/MMTN	2,203,835	3,568,258	2,203,835	3,568,258
Sukuk Ijarah MTN	20,536,720	24,442,800	20,536,720	24,442,800
Other borrowings	10,291,854	1,819,908	-	-
	35,174,783	34,331,913	22,756,754	28,019,000
Less: Interest expense capitalised in qualifying assets-vessels under construction (Note 12)	-	(3,103,184)	-	-
Net finance expense	35,174,783	31,228,729	22,756,754	28,019,000

8. Profit/(loss) before tax

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

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Non-executive directors' remuneration (Note 6)	300,167	231,965	300,167	231,965
Auditors' remuneration:				
Auditors of the Company:				
- statutory audits	231,600	167,300	54,600	45,000
Other auditors	-	35,872	-	-
Operating leases:				
- lease payments for premises	658,272	141,024	-	-
- lease payments for survey equipment	-	1,866,075	-	-
- lease payments for third party vessels	97,201,919	43,831,324	-	-
Depreciation of property, vessels and equipment (Note 12)	38,010,850	34,069,546	74,668	55,585
Bad debts written off	(844,618)	(1,005,763)	-	-
Provision for doubtful debts	436,598	28,020,284	-	-
Provision for doubtful debts written off	-	(121,692)	-	-
Reversal of provision for doubtful debts	(4,453,750)	-	-	-
Amortisation of intangible assets	121,864	119,335	-	-
Unrealised foreign exchange losses	11,346,292	4,378,206	-	-
Realised foreign exchange losses	9,673,290	5,873,664	-	-
Interest income	(1,023,164)	(2,233,050)	(593,538)	(995,220)
Interest recharged to subsidiaries	-	-	(22,740,555)	(28,011,058)
(Gain)/loss on disposal of property, vessels and equipment	(1,441,330)	113,457	(129,000)	-

9. Income tax expense/(benefit)

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Current income tax:				
Malaysian income tax	1,494,383	212,009	68,557	165,784
Under/(over) provision in prior years:				
Malaysian income tax	188,422	1,653,727	21,202	1,562
Foreign tax	-	(620,941)	-	-
	1,682,805	1,244,795	89,759	167,346
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	349,527	(7,213,022)	(1,042)	-
(Over)/underprovision in prior year	(1,152,017)	801,526	-	-
	(802,490)	(6,411,496)	(1,042)	-
	880,315	(5,166,701)	88,717	167,346

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

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. Income tax expense/(benefit) (cont'd.)

A reconciliation of income tax expense applicable to profit/(loss) 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 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Profit/(loss) before tax	14,077,977	(18,115,606)	52,827	67,154
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	3,519,494	(4,528,902)	13,207	16,789
Different tax rates in other countries	78,604	10,605	-	-
Different tax rates in other jurisdiction	(568,781)	(207,225)	-	-
Effect of income not subject to tax	(121,150)	(112,082)	-	-
Effect of share of results of jointly controlled entities and associates	(3,627,140)	(3,012,859)	-	-
Effect of expenses not deductible for tax purposes	2,562,883	838,687	54,308	148,995
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	-	10,763	-	-
Underprovision of income tax in prior years	188,422	1,032,786	21,202	1,562
(Over)/underprovision of deferred tax in prior year	(1,152,017)	801,526	-	-
Income tax expense/(benefit) for the year	880,315	(5,166,701)	88,717	167,346

10. Earnings per share

(a) Basic

Basic earnings per share amounts are calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2011 RM	2010 RM
Profit/(loss) attributable to ordinary equity holders of the Company	12,475,545	(13,917,996)
Weighted average number of ordinary shares in issue	785,311,219	633,890,370
Basic earnings per share (Sen)	1.6	(2.2)

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares such as share options granted to employees.

	2011 RM	2010 RM
Profit/(loss) attributable to ordinary equity holders of the Company	12,475,545	(13,917,996)
Weighted average number of ordinary shares in issue	785,311,219	633,890,370
Effects of dilution from share options granted to employees	10,063,364	18,191,816
Adjusted weighted average number of ordinary shares in issue and issuable	795,374,583	652,082,186
Diluted earnings per share (Sen)	1.6	(2.1)

11. Dividends

	Dividends paid in respect of year		Dividends recognised in respect of year	
	2011	2010	2011	2010
	RM	RM	RM	RM
Recognised during the year:				
First and final dividend of 0.75 sen less 25% taxation, on 506,987,098 ordinary shares for 2009	-	2,860,186	-	-

12. Property, vessels and equipment

Group	Long term leasehold land RM	Leasehold building RM	Vessels RM	Drydocking RM	Diving equipment, equipment on vessel RM	Motor vehicles RM	Computers, office equipment, furniture and fittings RM	Renovations RM	Assets under construction RM	Total RM
Cost										
At 1 January 2011										
At 1 January 2011	12,039,510	15,987,824	592,131,642	21,592,355	89,080,892	4,628,985	4,861,117	3,866,035	80,540,433	824,728,793
Additions	-	1,162,300	10,981	6,297,800	7,300,480	490,050	480,580	891,765	1,428,450	18,062,406
Disposals	-	-	-	-	-	(277,926)	-	-	(79,547,973)	(79,825,899)
Exchange differences	-	213,663	-	-	741,948	-	15,249	16,626	-	987,486
At 31 December 2011	12,039,510	17,363,787	592,142,623	27,890,155	97,123,320	4,841,109	5,356,946	4,774,426	2,420,910	763,952,786

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12. Property, vessels and equipment (cont'd.)

Group (cont'd.)	Long term leasehold land RM	Leasehold building RM	Vessels RM	Drydocking RM	Diving equipment, equipment on vessel RM	Motor vehicles RM	Computers, office equipment, furniture and fittings RM	Renovations RM	Assets under construction RM	Total RM
Accumulated depreciation										
At 1 January 2011										
At 1 January 2011	20,649	891,750	106,654,881	13,033,701	17,006,740	3,524,263	2,192,037	1,174,979	-	144,499,000
Charge for the year	11,962	922,496	21,345,134	6,157,070	8,030,200	495,955	654,605	393,428	-	38,010,850
Disposals	-	-	-	-	-	(277,926)	-	-	-	(277,926)
Exchange differences	-	7,207	-	-	81,326	-	9,335	4,112	-	101,980
At 31 December 2011	32,611	1,821,453	128,000,015	19,190,771	25,118,266	3,742,292	2,855,977	1,572,519	-	182,333,904

12. Property, vessels and equipment (cont'd.)

Group (cont'd.)	Long term leasehold land RM	Leasehold building RM	Vessels RM	Drydocking RM	Diving equipment, equipment on vessel RM	Motor vehicles RM	Computers, office equipment, furniture and fittings RM	Renovations RM	Assets under construction RM	Total RM
Cost										
At 1 January 2010										
As previously stated	-	14,564,493	592,131,642	15,736,242	42,165,628	4,040,904	5,753,278	3,773,829	211,930,078	890,096,094
Effects of adopting the amendments to FRS 117	10,062,360	-	-	-	-	-	-	-	-	10,062,360
As restated	10,062,360	14,564,493	592,131,642	15,736,242	42,165,628	4,040,904	5,753,278	3,773,829	211,930,078	900,158,454
Additions	1,977,150	1,712,000	-	5,856,113	25,551,570	588,081	571,434	120,514	152,619,598	188,996,460
Reclassification	-	-	256,124,464	-	27,883,872	-	-	-	(284,008,336)	-
Disposals	-	-	(256,124,464)	-	(7,483,017)	-	-	-	-	(263,607,481)
Exchange differences	-	(288,669)	-	-	962,839	-	(1,463,595)	(28,308)	(907)	(818,640)
At 31 December 2010	12,039,510	15,987,824	592,131,642	21,592,355	89,080,892	4,628,985	4,861,117	3,866,035	80,540,433	824,728,793

12. Property, vessels and equipment (cont'd.)

Group (cont'd.)	Long term leasehold land RM	Leasehold building RM	Vessels RM	Drydocking RM	Diving equipment, equipment on vessel RM	Motor vehicles RM	Computers, office equipment, furniture and fittings RM	Renovations RM	Assets under construction RM	Total RM
Accumulated depreciation										
At 1 January 2010										
As previously stated	-	488,173	85,312,468	9,059,537	10,961,130	2,846,181	1,927,046	740,600	-	111,335,135
Effects of adopting the amendments to FRS 117	9,997	-	-	-	-	-	-	-	-	9,997
As restated	9,997	488,173	85,312,468	9,059,537	10,961,130	2,846,181	1,927,046	740,600	-	111,345,132
Charge for the year	10,652	406,679	21,342,413	3,974,164	6,645,765	678,082	599,466	412,325	-	34,069,546
Disposals	-	-	-	-	(869,205)	-	-	-	-	(869,205)
Exchange differences	-	(3,102)	-	-	269,050	-	(334,475)	22,054	-	(46,473)
At 31 December 2010	20,649	891,750	106,654,881	13,033,701	17,006,740	3,524,263	2,192,037	1,174,979	-	144,499,000
Net carrying amount										
At 31 December 2010	12,018,861	15,096,074	485,476,761	8,558,654	72,074,152	1,104,722	2,669,080	2,691,056	80,540,433	680,229,793
At 31 December 2011	12,006,899	15,542,334	464,142,608	8,699,384	72,005,054	1,098,817	2,500,969	3,201,907	2,420,910	581,618,882

12. Property, vessels and equipment (cont'd.)

Company	Motor vehicles 2011 RM	2010 RM
Cost		
At 1 January	277,926	277,926
Addition	451,338	-
Disposal	(277,926)	-
At 31 December	451,338	277,926
Accumulated depreciation		
At 1 January	240,869	185,284
Depreciation charge for the year	74,668	55,585
Disposal	(277,926)	-
At 31 December	37,611	240,869
Net carrying amount		
At 31 December	413,727	37,057

(a) Included in the Group's additions for the year are property, vessels and equipment of RM490,050 (2010: RM12,485,877) which were acquired by means of hire purchase and finance lease arrangements. Net carrying amounts of property, vessels and equipment held under hire purchase and finance lease arrangements are as follows:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Motor vehicles	1,098,817	1,104,722	413,727	37,057
Diving equipment	66,499,038	26,459,583	-	-
Assets under construction	2,420,910	-	-	-

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 27.

12. Property, vessels and equipment (cont'd.)

(b) The net carrying amounts of property, vessels and equipment of the Group which are pledged as securities for borrowings as disclosed in Note 26 are as follows:

	Group	
	2011 RM	2010 RM
Leasehold buildings	15,542,334	15,096,074
Vessels	464,142,608	485,476,761
	479,684,942	500,572,835

(c) As disclosed in Note 7, interest expense capitalised in relation to vessels under construction during the financial year, for the Group amounted to Nil (2010: RM3,103,184).

13. Land use rights

	Group	
	2011 RM	2010 RM
Cost		
At 1 January:		
As previously stated	-	10,062,360
Effects of adopting the amendments to FRS 117	-	(10,062,360)
At 1 January/31 December (restated)	-	-
Accumulated amortisation		
At 1 January:		
As previously stated	-	9,997
Effects of adopting the amendments to FRS 117	-	(9,997)
At 1 January/31 December (restated)	-	-
Net carrying amount	-	-

The land use rights were reclassified as long term leasehold land in 2010 pursuant to amendments to FRS117.

14. Intangible assets

	Goodwill on consolidation RM	Deferred development costs RM	Total RM
Group			
Cost			
At 1 January 2011	1,392,755	596,675	1,989,430
Exchange differences	41,801	12,650	54,451
At 31 December 2011	1,434,556	609,325	2,043,881
At 1 January 2010	1,422,263	611,300	2,033,563
Exchange differences	(29,508)	(14,625)	(44,133)
At 31 December 2010	1,392,755	596,675	1,989,430
Accumulated amortisation and impairment			
At 1 January 2011	-	298,337	298,337
Charge for the year	-	121,864	121,864
Exchange differences	-	6,326	6,326
At 31 December 2011	-	426,527	426,527
At 1 January 2010	-	183,390	183,390
Charge for the year	-	119,335	119,335
Exchange differences	-	(4,387)	(4,387)
At 31 December 2010	-	298,338	298,338
Net carrying amount			
At 31 December 2011	1,434,556	182,798	1,617,354
At 31 December 2010	1,392,755	298,337	1,691,092

Deferred development costs represent costs incurred to develop remotely operated vehicles and peripherals.

14. Intangible assets (cont'd.)

(a) Impairment tests for goodwill

Allocation of goodwill

Goodwill has been allocated to the Group's cash-generating unit ("CGU") identified according to business segment as follows:

	Underwater services RM	Offshore support vessels and services RM	Total RM
At 31 December 2011	1,250,678	183,878	1,434,556
At 31 December 2010	1,208,877	183,878	1,392,755

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Discount rate

The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

(iii) Bond rate

The bond rates used are the yield on 5-year Singaporean government bond rates at the beginning of the budgeted year.

15. Investments in subsidiaries

	Company 2011 RM	Company 2010 RM
Unquoted shares, at cost	100,302,070	100,302,070

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Group's effective interest 2011 %	Group's effective interest 2010 %
(i) Held by the Company:				
Alam Maritim (M) Sdn. Bhd. ("AMSB")	Malaysia	Ship owning, chartering and managing and other shipping related activities	100	100
Alam Maritim (L) Inc. ("AMLI")	Federal Territory of Labuan, Malaysia	Investment holding and ship owning	100	100
(ii) Held through AMSB:				
Alam Hidro (M) Sdn. Bhd. ("AHSB")	Malaysia	Offshore facilities construction and installation and underwater services	70	70
Alam Offshore Services & Logistics Sdn. Bhd. ("AOLSB")	Malaysia	Transportation, ship forwarding and agent, ship chandelling and other related activities	100	100
Alam Food Industries (M) Sdn. Bhd. ("AFI")	Malaysia	Catering & messing services	100	100

15. Investments in subsidiaries (cont'd.)

Name of subsidiaries	Country of incorporation	Principal activities	Group's effective interest 2011 %	2010 %
(ii) Held through AMSB (cont'd.):				
KJ Waja Engineering Sdn. Bhd. ("KJWE")	Malaysia	Ship repair & maintenance, ship spare supply and other related services	84	84
(iii) Held through KJWE:				
KJ Waja Services Sdn. Bhd. ("KJWS")	Malaysia	Ship spare supply and other related services	84	84
(iv) Held through AMLI:				
Eastar Offshore Pte. Ltd. ("EASTAR") *	Singapore	Designing, manufacturing and operating of remotely operated vehicles ("ROVs")	75	75
(v) Held through EASTAR:				
Alam Subsea Pte. Ltd. ("ASPL") *	Singapore	Rental of ROV and providing ROV Services	75	75

* Audited by firms other than Ernst & Young

16. Investments in associates

	Group 2011 RM	Group 2010 RM
Unquoted shares, at cost	86,594,449	56,911,582
Share of post-acquisition reserves	8,892,011	(2,004,382)
	95,486,460	54,907,200

Details of the associates are as follows:

Name of associate	Country of incorporation	Principal activities	Group's effective interest 2011 %	Group's effective interest 2010 %
(i) Held through AMLI				
Alam-PE Holdings (L) Inc. ("ALAM-PE(H)")	Federal Territory of Labuan, Malaysia	Ship management and operation, ship owning, ship maintenance and marine consultancy	49	49
TH-Alam Holdings (L) Inc ("THAH")	Federal Territory of Labuan, Malaysia	Investment holding	49	49
(ii) Held through ALAM-PE(H):				
Alam-PE I (L) Inc ("ALAM-PE I")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	49	49
Alam-PE II (L) Inc ("ALAM-PE II")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	49	49

16. Investments in associates (cont'd.)

Name of associate	Country of incorporation	Principal activities	Group's effective interest 2011 %	2010 %
(ii) Held through ALAM-PE(H) (cont'd.):				
Alam-PE III (L) Inc ("ALAM-PE III")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	49	49
Alam-PE IV (L) Inc ("ALAM-PE IV")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	49	49
Alam-PE V (L) Inc ("ALAM-PE V")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	49	49
Alam-PE Holdings Sdn Bhd ("ALAM-PE(H)SB")	Malaysia	Ship management	49	49
(iii) Held through THAH:				
Alam-JV DP 1 (L) Inc ("AJVDP1")	Federal Territory of Labuan, Malaysia	Ship owning	49	49
Alam-JV DP 2 (L) Inc ("AJVDP2")	Federal Territory of Labuan, Malaysia	Ship owning	49	49

16. Investments in associates (cont'd.)

The summarised financial information of the associates, adjusted for the proportion of ownership interest held by the Group, is as follows:

	2011 RM	2010 RM
Assets and liabilities		
Current assets	154,578,503	37,334,682
Non-current assets	248,146,109	215,762,167
Total assets	402,724,612	253,096,849
Current liabilities	168,686,066	53,582,179
Non-current liabilities	132,786,006	140,407,565
Total liabilities	301,472,072	193,989,744
Results		
Revenue	42,102,208	25,892,100
Profit/(loss) for the year	12,235,617	(247,299)

17. Investment in jointly controlled entities

	Group 2011 RM	Group 2010 RM
Unquoted shares, at cost	42,016,622	36,798,709
Share of post-acquisition reserves	41,177,002	43,882,195
	83,193,624	80,680,904

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Principal activities	Proportion of ownership interest 2011 %	Proportion of ownership interest 2010 %
(i) Held through AMSB:				
Alam Eksplorasi (M) Sdn. Bhd. ("AESB")	Malaysia	Ship owning, operating and chartering	60	60

17. Investment in jointly controlled entities (cont'd.)

Name of jointly controlled entities	Country of incorporation	Principal activities	Proportion of ownership Interest 2011 %	2010 %
(i) Held through AMSB (cont'd.):				
Alam Synergy I (L) Inc. ("AS I")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	60	60
Alam Synergy II (L) Inc. ("AS II")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	60	60
Alam Synergy III (L) Inc. ("AS III")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	60	60
Alam Swiber Offshore (M) Sdn Bhd ("ASOSB")	Malaysia	Ship operator	50	50
Alam Radiance (M) Sdn Bhd ("ARMSB")	Malaysia	Ship owning, ship management, ship operation, maintenance and consultancy	50	50
YSS Alam Energy (M) Sdn Bhd ("YSS Alam") *	Malaysia	Ship owning, ship management, ship operation, maintenance and consultancy	50	-
(ii) Held through AMLI:				
Workboat International FZCO ("WBI")	United Arab Emirates	Ship management and operation, ship owning, ship maintenance and marine consultancy	60	60

17. Investment in jointly controlled entities (cont'd.)

Name of jointly controlled entities	Country of incorporation	Principal activities	Proportion of ownership Interest 2011 %	2010 %
(ii) Held through AMLI (cont'd.):				
Alam Brompton (L) Inc. ("ABLI")	Federal Territory of Labuan, Malaysia	Ship management and operation, ship owning, ship maintenance and marine consultancy	51	51
Alam Fast Boats (L) Inc. ("AFBLI")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	50	50
Alam Swiber DLB 1 (L) Inc. ("ASDLB1")	Federal Territory of Labuan, Malaysia	Ship owning and chartering	50	50
Alam Radiance (L) Inc. ("ARLI")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	50	50
TH-Alam Management (M) Sdn Bhd ("THAM")	Malaysia	Ship management and consultancy	50	50
Globe Alam Marine Offshore Services Co. ("Globe Alam") ^	Saudi Arabia	Offshore facilities construction and installation services	40	-

* On 15 April 2011, AMSB entered into a Shareholders' Agreement ("SA") with Yayasan Sabah Shipping Sdn Bhd ("YSS") to jointly undertake oil and gas business activities, via a newly incorporated entity, YSS Alam Energy (M) Sdn Bhd ("YSS Alam").

^ On 27 September 2011, AMLI entered into a Memorandum of Understanding ("MoU") with Globe Marine Services Co. ("Globe") to jointly invest and undertake offshore installation and construction projects, via a newly incorporated entity, Globe Alam Marine Offshore Services Co. ("Globe Alam").

17. Investment in jointly controlled entities (cont'd.)

The Group's aggregate share of the income, expenses, assets and liabilities of the jointly controlled entities is as follows:

	2011 RM	2010 RM
Assets and liabilities		
Current assets	124,607,515	78,838,818
Non-current assets	276,239,377	225,681,283
Total assets	400,846,892	304,520,101
Current liabilities	178,709,009	95,032,261
Non-current liabilities	143,795,076	128,962,891
Total liabilities	322,504,085	223,995,152
Results		
Income	129,778,619	89,388,123
Expenses	(127,683,812)	(77,040,390)

18. Amount due from subsidiaries

Amount due from subsidiaries are non-trade in nature, unsecured and repayable on demand except for an amount of RM546,832,632 (2010: RM575,000,000) which bears interest rate between 4.58% per annum and 5.63% per annum (2010: between 4.58% per annum and 5.63% per annum).

Further details on related party transactions are disclosed in Note 35.

19. Inventories

	Group	
	2011 RM	2010 RM
Cost		
Raw materials	1,838,387	2,290,783
Work-in-progress	4,118,542	5,996,510
Spare parts	297,780	219,791
	6,254,709	8,507,084

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM2,549,201 (2010: RM2,964,014).

20. Trade receivables

	Group 2011 RM	Group 2010 RM
Third parties	203,826,709	127,518,450
Accrued charter hire income	43,038,020	24,487,474
Construction contracts:		
Due from customers on contract (Note 21)	3,467,500	3,467,500
	250,332,229	155,473,424
Less: provision for doubtful debts	(33,177,117)	(38,038,887)
Trade receivables, net	217,155,112	117,434,537

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2010: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other information on financial risks of trade receivables is disclosed in Note 37(a).

Ageing analysis of trade receivables

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

	Group 2011 RM	Group 2010 RM
Neither past due nor impaired	101,277,719	50,315,916
1 to 30 days past due not impaired	49,821,293	17,378,469
31 to 60 days past due not impaired	13,596,863	1,339,467
61 to 90 days past due not impaired	15,911,698	1,761,488
91to 120 days past due not impaired	3,393,298	661,405
More than 121 days past due not impaired	13,386,550	16,720,722
	96,109,702	37,861,551
Impaired	52,944,808	67,295,957
	250,332,229	155,473,424

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

20. Trade receivables (cont'd.)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM96,109,702 (2010: RM37,861,551) that are past due at the reporting date but not impaired.

At the reporting date, 26.5% (2010: 19.4%) of trade receivables that are past due but not impaired are amounts due from established creditworthy oil majors with minimum collection risk. The balance of receivables that are past due but not impaired are unsecured in nature. The Management is confident that the remaining receivables are recoverable as these accounts are still active.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2011	2010
	RM	RM
Individually impaired		
Trade receivables - nominal amounts	52,944,808	67,295,957
Less: allowance for impairment	(33,177,117)	(38,038,887)
	19,767,691	29,257,070

Movement in allowance accounts:

	Group	
	2011	2010
	RM	RM
At 1 January	38,038,887	10,140,295
Charge for the year (Note 8)	436,598	28,020,284
Reversal of provision for doubtful debts (Note 8)	(4,453,750)	-
Written off	(844,618)	(121,692)
At 31 December	33,177,117	38,038,887

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

21. Due from customers on contract

	Group 2011 RM	Group 2010 RM
Construction contract costs incurred to date	26,685,028	26,685,028
Less: Foreseeable losses	(11,340,698)	(11,340,698)
	15,344,330	15,344,330
Less: Progress billings	(11,876,830)	(11,876,830)
	3,467,500	3,467,500

22. Other receivables

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Amount due from related parties:				
- Jointly controlled entities	73,295,685	73,018,084	1,248	1,248
- Associates	50,722,075	76,711,991	1,872	1,872
	124,017,760	149,730,075	3,120	3,120
Deposits	365,196	10,130,429	-	-
Prepayments	3,471,163	5,632,074	-	-
Sundry receivables	6,828,426	4,046,683	-	-
	134,682,545	169,539,261	3,120	3,120
Less: provision for doubtful debts	-	(231,367)	-	-
Receivables, net	134,682,545	169,307,894	3,120	3,120
Trade receivables (Note 20)	217,155,112	117,434,537	-	-
Other receivables	134,682,545	169,307,894	3,120	3,120
Cash and bank balances (Note 23)	142,396,642	178,577,833	64,484,363	88,319,606
Less: Amount due from customers on contract	(3,467,500)	(3,467,500)	-	-
Total loans and receivables	490,766,799	461,852,764	64,487,483	88,322,726

Other details on financial risks of other receivables are disclosed in Note 37.

23. Cash and cash equivalents

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Non-current assets				
Deposits with a licensed bank	11,573,811	11,567,361	-	-
Current assets				
Cash on hand and at banks	124,071,860	142,806,877	64,484,363	78,319,606
Deposits with licensed banks	6,750,971	24,203,595	-	10,000,000
	130,822,831	167,010,472	64,484,363	88,319,606
	142,396,642	178,577,833	64,484,363	88,319,606
Bank overdrafts (Note 26)	(2,633,793)	(4,586,157)	-	-
Amounts set aside as sinking fund	(7,500,000)	(7,508,926)	-	-
Amounts set aside as margin deposits for bank guarantee facilities	(3,681,442)	(8,161,330)	-	-
Total cash and cash equivalents	128,581,407	158,321,420	64,484,363	88,319,606

The weighted average effective interest rate per annum and the remaining maturity of deposits of the Group as at 31 December 2011 are 1.90% (2010: 1.90%) and 915 days (2010: 1,280 days) respectively. The deposits with a licensed bank is pledged to secure the borrowings as disclosed in Note 26.

Amounts set aside as sinking fund are pledge to secure the borrowing as disclosed in Note 26.

Other information on financial risks of cash and cash equivalents are disclosed in Note 37.

24. Share capital and share premium

	Number of ordinary shares of RM0.25 each		Amount	
	2011	2010	2011 RM	2010 RM
Authorised share capital				
At 1 January/ 31 December	1,000,000,000	1,000,000,000	250,000,000	250,000,000

	Number of ordinary shares of RM0.25 each	←	Amount	→
	Share capital (issued and fully paid)	Share capital (issued and fully paid) RM	Share premium RM	Total RM
At 1 January 2010	506,987,098	126,746,775	78,470,938	205,217,713
Pursuant to ESOS (Note 31 (ii))	19,925,463	4,981,366	7,717,580	12,698,946
Pursuant to bonus issue (a)	254,237,816	63,559,454	(63,559,454)	-
At 31 December 2010	781,150,377	195,287,595	22,629,064	217,916,659
At 1 January 2011	781,150,377	195,287,595	22,629,064	217,916,659
Pursuant to ESOS (Note 31 (ii))	6,058,883	1,514,720	1,466,444	2,981,164
At 31 December 2011	787,209,260	196,802,315	24,095,508	220,897,823

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.

(a) Ordinary shares issued pursuant to bonus issue

In the previous financial year, the Company issued 254,237,816 ordinary shares of RM0.25 each pursuant to bonus issue, by way of capitalisation of the share premium on the basis of 1 new ordinary shares of RM0.25 each for every 2 existing ordinary shares of RM0.25 each.

24. Share capital and share premium (cont'd.)

(b) Ordinary shares issued pursuant to the Company's Employee Share Options Scheme

During the financial year, the Company issued 6,058,883 (2010: 19,925,463) ordinary shares of RM0.25 each for cash pursuant to the Company's Employee Share Options Scheme at the exercise price ranging from RM0.47 to RM0.55 (2010: RM0.44 to RM1.40) per ordinary share.

25. (a) Other reserves

	Employee share option reserve RM	Premium paid on acquisition of non-controlling interests RM	Foreign currency translation reserve RM	Total RM
Group				
At 1 January 2011	4,448,996	(5,511,517)	29,163	(1,033,358)
Foreign currency translation, representing other comprehensive income	-	-	236,702	236,702
Transaction with owners:				
Fair value adjustment on ESOS period extension recognised in income statement	1,218,349	-	-	1,218,349
At 31 December 2011	5,667,345	(5,511,517)	265,865	421,693

25. (a) Other reserves (cont'd.)

	Employee share option reserve RM	Premium paid on acquisition of non-controlling interests RM	Foreign currency translation reserve RM	Total RM
At 1 January 2010	6,613,126	-	172,407	6,785,533
Foreign currency translation, representing other comprehensive loss	-	-	(143,244)	(143,244)
Transaction with owners:				
Premium paid on acquisition of non-controlling interests	-	(5,511,517)	-	(5,511,517)
Share options granted under ESOS:				
Recognised in income statement	519,467	-	-	519,467
Exercised during the year	(2,683,597)	-	-	(2,683,597)
	(2,164,130)	(5,511,517)	-	(7,675,647)
At 31 December 2010	4,448,996	(5,511,517)	29,163	(1,033,358)

The nature and purpose of each category are as follows:

(i) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 31). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(ii) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group’s presentation currency.

25. (b) Retained earnings

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

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2011 and 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

As at 31 December 2011, the 108 balance of the Company is Nil (2010: Nil). The Company may distribute dividends out of its entire retained earnings as at 31 December 2011 and 2010 under the single tier system.

26. Borrowings

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Short term borrowings				
Secured:				
Bank overdrafts (Note 23)	2,633,793	4,586,157	-	-
Term loans	9,518,071	2,042,327	-	-
MCP/MMTN	81,763,123	96,920,629	81,763,123	96,920,629
Sukuk Ijarah MTN	30,000,000	80,000,000	30,000,000	80,000,000
Hire purchase and finance lease liabilities (Note 27)	5,141,146	5,300,077	35,833	28,288
	129,056,133	188,849,190	111,798,956	176,948,917
Unsecured:				
Revolving credits	55,000,000	45,000,000	-	-
	184,056,133	233,849,190	111,798,956	176,948,917
Long term borrowings				
Secured:				
Term loans	55,493,349	28,016,153	-	-
Sukuk Ijarah MTN	360,000,000	390,000,000	360,000,000	390,000,000
Hire purchase and finance lease liabilities (Note 27)	12,695,652	17,148,627	349,947	116,754
	428,189,001	435,164,780	360,349,947	390,116,754
Total borrowings				
Bank overdrafts (Note 23)	2,633,793	4,586,157	-	-
Revolving credits	55,000,000	45,000,000	-	-
Term loans	65,011,420	30,058,480	-	-
MCP/MMTN	81,763,123	96,920,629	81,763,123	96,920,629
Sukuk Ijarah MTN	390,000,000	470,000,000	390,000,000	470,000,000
Hire purchase and finance lease liabilities (Note 27)	17,836,798	22,448,704	385,780	145,042
	612,245,134	669,013,970	472,148,903	567,065,671

26. Borrowings (cont'd.)

Maturity of borrowings (excluding hire purchase and finance lease liabilities):

	Group 2011 RM	Group 2010 RM
Not later than 1 year	178,914,987	228,549,113
Later than 1 year not later than 2 years	96,170,146	32,164,762
Later than 2 years not later than 5 years	198,630,072	269,896,926
Later than 5 years	120,693,131	115,954,465
	594,408,336	646,565,266

The weighted average effective interest rates at the reporting date for borrowings, excluding hire purchase and finance lease liabilities of the Group, are as follows:

	Group 2011 %	Group 2010 %
Bank overdrafts	6.65	6.65
Revolving credits	5.36	4.68
Term loans	6.50	6.50
MCP/MMTN	4.20	4.15
Sukuk Ijarah MTN	5.00	4.96

Bank overdrafts:

The secured bank overdrafts of the Group are secured by deposits with licensed banks of the Group as disclosed in Note 23.

Term loans:

The term loans of the Group are secured by the following:

(a) First legal charge over the vessels and leasehold building of certain subsidiaries as disclosed in Note 12;

(b) 1st preferred statutory mortgage on vessels of certain subsidiaries;

(c) Legal assignments of charter proceeds of certain subsidiaries;

(d) Debentures incorporating fixed and floating asset of certain subsidiaries;

(e) Corporate guarantees by the Company;

(f) Assignment of the insurance policy for vessels of certain subsidiaries.

26. Borrowings (cont'd.)

MCP/MMTN and Sukuk Ijarah MTN Facility

The MCP/MMTN and Sukuk Ijarah MTN are secured by:

(i) a first legal charge over the designated accounts as defined in the Trust Deed;

(ii) third party second fixed legal charge over each of the Ijarah Assets/MCP/MMTN and Sukuk Ijarah MTN assets and assignment of all insurance thereon and charter contracts; and

(iii) sinking fund as disclosed in Note 23.

The features of the MCP/MMTN and Sukuk Ijarah MTN issued are as follows:

(i) The MCP/MMTN and Sukuk Ijarah MTN have a maximum principal limit of RM600,000,000.

The MCP/MMTN and Sukuk Ijarah MTN were constituted by a Trust Deed Program Agreement dated 6 July 2007 between the Company and the financial institutions concerned in relation to finance the purchase of beneficial interest in the Ijarah Assets (Syariah Compliant) from subsidiaries.

(ii) The MCP/MMTN are issued at a discount with yield to maturity ranging from 3.78% to 3.85% per annum. The Sukuk Ijarah MTN are issued with yield to maturity ranging from 4.58% to 5.63% per annum (2010: 4.58% to 5.63% per annum).

Interest on MCP/MMTN and Sukuk Ijarah MTN charged by bank is recharge to subsidiaries at the same rate charged by the bank.

The amounts recognised in respect of the MCP/MMTN is analysed as follows:

	Group and Company	
	2011	2010
	RM	RM
MCP/MMTN		
Nominal value	85,000,000	100,000,000
Less: Discount	(4,694,411)	(7,368,802)
Net proceeds from issuance of MCP/MMTN	80,305,589	92,631,198
Amortisation of discount	1,457,534	4,289,431
Total amount included within borrowings	81,763,123	96,920,629

Other information on financial risks of borrowings are disclosed in Note 37.

27. Hire purchase and finance lease liabilities

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Future minimum lease payments:				
Not later than 1 year	6,038,412	6,385,067	55,368	34,704
Later than 1 year and not later than 2 years	6,034,634	6,230,505	55,368	34,704
Later than 2 years and not later than 5 years	6,293,669	11,782,276	166,104	92,546
Later than 5 years	1,122,331	607,963	198,402	-
Total future minimum lease payments	19,489,046	25,005,811	475,242	161,954
Less: Future finance charges	(1,652,248)	(2,557,107)	(89,462)	(16,912)
Present value of finance lease liabilities (Note 26)	17,836,798	22,448,704	385,780	145,042
Analysis of present value of finance lease liabilities:				
Not later than 1 year	5,141,146	5,300,077	35,833	28,288
Later than 1 year and not later than 2 years	5,516,406	5,177,401	38,237	29,812
Later than 2 years and not later than 5 years	5,964,278	11,490,363	129,136	86,942
Later than 5 years	1,214,968	480,863	182,574	-
	17,836,798	22,448,704	385,780	145,042
Less: Amount due within 12 months (Note 26)	(5,141,146)	(5,300,077)	(35,833)	(28,288)
Amount due after 12 months (Note 26)	12,695,652	17,148,627	349,947	116,754

The Group's and the Company's hire purchase and finance lease liabilities bears weighted average effective interest rates of 8.46% (2010: 9.38%) per annum and 7.20% (2010: 7.44%) respectively .

Other information on financial risks of hire purchase and finance lease liabilities are disclosed in Note 37.

28. Deferred tax liabilities

	Group 2011 RM	Group 2010 RM
At 1 January	70,945,539	77,511,121
Recognised in statements of comprehensive income (Note 9)	(802,490)	(6,411,496)
Exchange differences	25,848	(154,086)
At 31 December	70,168,897	70,945,539

The components and movements prior to offsetting of deferred tax liabilities and assets of the Group during the financial year are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM
At 1 January 2011	91,005,114
Recognised in statements of comprehensive income	2,639,225
Exchange differences	51,884
At 31 December 2011	93,696,223
At 1 January 2010	80,519,978
Recognised in statements of comprehensive income	10,829,845
Exchange differences	(344,709)
At 31 December 2010	91,005,114

28. Deferred taxation (cont'd.)

Deferred tax assets of the Group:

	Provision for doubtful debts RM	Unutilised tax losses and unabsorbed capital allowances RM	Total RM
At 1 January 2011	(1,613,949)	(18,445,626)	(20,059,575)
Recognised in statements of comprehensive income	(5,810,794)	2,369,079	(3,441,715)
Exchange differences	-	(26,036)	(26,036)
At 31 December 2011	(7,424,743)	(16,102,583)	(23,527,326)
At 1 January 2010	(1,611,568)	(1,423,582)	(3,035,150)
Recognised in statements of comprehensive income	(25,416)	(17,215,925)	(17,241,341)
Exchange differences	23,035	193,881	216,916
At 31 December 2010	(1,613,949)	(18,445,626)	(20,059,575)

Deferred tax assets have not been recognised in respect of the following items:

	Group 2011 RM	2010 RM
Unutilised tax losses	89,041	89,041

The unutilised tax losses of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group. Deferred tax assets are not recognised in respect of these losses as they arise in Group companies with a history of losses.

29. Trade payables

Trade payables of the Group are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2010: 30 to 60 days).

30. Other payables

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Amount due to related parties:				
- Jointly controlled entities	-	16,571,492	-	-
- Associates	7,931,795	17,831,431	-	-
	7,931,795	34,402,923	-	-
Accrued expenses	12,643,495	13,422,399	8,922,564	10,948,267
Deposits from customers	82,868	85,055	-	-
Sundry payables	2,063,089	3,845,949	-	409,260
	22,721,247	51,756,326	8,922,564	11,357,527
Add:				
Trade payables (Note 29)	68,607,625	28,624,547	-	-
Other payables	22,721,247	51,756,326	8,922,564	11,357,527
Borrowings (Note 26)	612,245,134	669,013,970	472,148,903	567,065,671
Total financial liabilities carried at amortised costs	703,574,006	749,394,843	481,071,467	578,423,198

Other information on financial risks of other payables are disclosed in Note 37.

31. Employee benefits

Employee Share Options Scheme ("ESOS")

The Company's Employee Share Options Scheme ("ESOS") is governed by the bye-laws approved by the shareholders at an Extraordinary General Meeting held on 5 June 2006. The ESOS was implemented on 20 July 2006 and is to be in force for a period of 5 years from the date of implementation. The Board on 18 July 2011, announced the extension period of the ESOS with effective from 20 July 2011 to 19 July 2016 in accordance to the existing terms of the ESOS.

(a) The number of shares comprised in the options to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any point of time. Upon completion of the Initial Public Offering ("IPO") on 20 July 2006, the total number of new shares to be issued pursuant to the ESOS is 24,350,412.

(b) Where the options are granted on or after the Company is listed on Bursa Malaysia Securities Berhad ("Subsequent Grant"), the exercise price shall be at the higher of the following:

    (i) the weighted average market price of the shares for the five market days immediately preceding the date at which options are granted subject to a discount of up to 10%; or

    (ii) the par value of the shares.

(c) The new shares to be allotted upon any exercise of any option granted shall rank pari passu in all respects with the existing shares provided always that the new shares so allotted will not be entitled to any dividends, rights, allotments and/or any distributions declared, made or paid to shareholders which record date thereof precedes the date of allotment of the new shares and shall be subject to all provisions of the Articles of the Company.

(d) In the event of any alteration in the capital structure of the Company, whether by way of issue of new shares credited as fully paid up from capitalisation of profit or reserve, capitalisation issues, rights issues, reduction, subdivision or consolidation of capital or any other variation of capital:

    (i) the Exercise Price; and/or

    (ii) the number of new shares comprised in the Option so far as unexercised;

    shall be adjusted accordingly.

31. Employee benefits (cont'd.)

Employee share options scheme ("ESOS") (cont'd.)

(e) On 18 July 2011, pursuant to Bye-Law 20 of the Company's ESOS Bye-Laws, the Company had issued a Notice of Extended Duration of Company's Existing ESOS to all its option holder on the extension of the option period of its ESOS for another five (5) years with effect from 20 July 2011.

(f) The ESOS' new expiry date, unless terminated ealier pursuant to Bye-Laws 19.2 of the Company's ESOS Bye-Laws shall be on 19 July 2016 subject to the existing terms and conditions of the Company's ESOS Bye-Laws, including all approved revisions, where applicable.

The following table illustrates the number and movements in share options during the year:

	Number of share options						
	Outstanding at 1 January	Movement during the year Granted	Exercised	Bonus issue	Exercised	Outstanding at 31 December	Exercisable at 31 December
2011							
2009 Options	1,731,000	-	-	-	(36,000)	1,695,000	1,695,000
2008 Options	3,444,000	-	-	-	-	3,444,000	3,444,000
2007 Options	3,294,251	-	-	-	(182,375)	3,111,876	3,111,876
2006 Options	27,816,314	-	-	-	(5,840,508)	21,975,806	21,975,806
2010							
2009 Options	1,238,000	-	(3,000)	617,500	(121,500)	1,731,000	1,731,000
2008 Options	2,296,000	-	-	1,148,000	-	3,444,000	3,444,000
2007 Options	2,354,251	-	(6,500)	1,173,875	(227,375)	3,294,251	3,294,251
2006 Options	32,082,001	-	(1,479,100)	15,301,451	(18,088,038)	27,816,314	27,816,314

31. Employee benefits (cont'd.)

Employee share options scheme ("ESOS") (cont'd.)

(i) Details of share options outstanding at the end of the year:

	Weighted average exercise price RM	Exercise period
2011		
2006 Options	0.49	20.07.2011 - 19.07.2016
2007 Options	1.47	20.07.2011 - 19.07.2016
2010 Options	1.79	20.07.2011 - 19.07.2016
2010 Options	1.27	20.07.2011 - 19.07.2016
2010		
2006 Options	0.66	20.07.2006 - 19.07.2011
2007 Options	1.47	20.07.2007 - 19.07.2011
2010 Options	1.79	20.07.2010 - 19.07.2011
2010 Options	1.27	20.07.2010 - 19.07.2011

(ii) Share options exercised during the financial year

As disclosed in Note 24, options exercised during the financial year resulted in the issuance of 6,058,883 (2010: 19,925,463) ordinary shares at the exercise price between RM0.47 and RM0.55 (2010: RM0.44 and RM1.40) each. The related weighted average share price at the date of exercise was RM0.50 (2010: RM1.16).

(iii) Fair value of share options granted during the previous financial year

The fair value of the share options granted at the extension period was estimated internally using a Black Scholes Option Valuation model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at extension period date and the assumptions are as follows:

	Options extended on 19.7.2011
Fair value of share options at the grant date	0.38
Weighted average share price (RM)	1.37
Exercise price (RM)	0.49
Expected volatility (%)	38.43
Expected life (years)	4.50
Risk free interest rate (%)	2.98
Expected dividend yield (%)	0.53

31. Employee benefits (cont'd.)

Employee share options scheme ("ESOS") (cont'd.)

(iii) Fair value of share options granted during the previous financial year (cont'd.)

The expected life of the options is based on historical data and not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of the fair value.

32. Operating lease arrangements

(a) The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the use of office premise and vessels. Leases of the premise and vessels have an average life of between 1 and 5 years. These leases have renewal but no purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities are as follows:

	2011 RM	2010 RM
Future rental payments:		
Not later than 1 year	8,999,038	1,275,661
Later than 1 year and not later than 5 years	484,595	1,411,236
	9,483,633	2,686,897

The lease payments recognised in profit or loss during the financial year are disclosed in Note 8.

(b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its vessels. These leases have remaining non-cancellable lease terms of between 0.5 to 13 years. All leases include a clause to enable upward revision of the charter hire charge on an annual basis based on prevailing market conditions.

32. Operating lease arrangements (cont'd.)

(b) The Group as lessor (cont'd.)

The future lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2011 RM	2010 RM
Not later than 1 year	59,460,801	93,131,053
Later than 1 year and not later than 5 years	86,616,424	117,524,453
Later than 5 years	50,446,065	59,662,647
	196,523,290	270,318,153

Charter hire revenue earned from chartering the Group's vessels are recognised as revenue during the financial year as disclosed in Note 4.

33. Capital commitments

	Group	
	2011 RM	2010 RM
Share of associate's capital commitment in relation to purchase of vessels	56,793,083	49,892,535

34. Corporate guarantee

At the reporting date, the Company has extended its corporate guaratees given to banks for credit facilities granted to various subsidiaries amounting to RM129,500,000 (2010: RM159,148,500).

The financial guarantee have not been recognised since the fair value on initial recognition was not material.

35. 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.

	Note	2011 RM	2010 RM
Group			
Jointly controlled entities:			
Charter hire of vessels	(i)	39,716,968	15,463,635
Vessel management fees	(ii)	2,736,668	2,624,546
Associates:			
Charter hire of vessels		59,892,359	-
Vessel management fees from associates		5,163,527	3,515,144
Transfer of vessels to associates		79,547,973	254,150,360
Company			
Subsidiaries:			
ESOS costs charged to subsidiaries		1,218,348	519,467

(i) The charter hire expense and mobilisation fees paid to jointly controlled entities were made according to the published prices and conditions offered by these related parties to their major customers, except that a longer credit period of up to six months is normally granted.

(ii) The vessel management fees received from jointly controlled entities were made according to the published prices and conditions offered by these related parties to their major customers, except that a longer credit period of up to six months is normally granted.

Information regarding outstanding balances arising from related party transactions as at 31 December 2011 are disclosed in Notes 18, 22 and 30.

The directors are of the opinion that the transactions 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.

35. Related party disclosures (cont'd.)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short term employee benefits	6,368,606	6,554,947	317,250	246,965
Contributions to defined contribution plan - EPF	402,723	469,190	-	-

Included in the total key management personnel compensation are:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors' remuneration (Note 6)	2,705,759	4,255,422	300,167	231,965

In aggregate, executive directors of the Group and of the Company and other members of key management have been granted a number of options under the ESOS as follows:

	Group and Company	
	2011	2010
At 1 January	54,982,609	28,362,313
Exercised	-	(195,000)
Bonus issue	-	41,003,307
Exercised	(2,109,646)	(14,188,011)
At 31 December	52,872,963	54,982,609

36. Fair value of financial instruments

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

	Group 2011		Company 2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets:				
Due from subsidiaries	-	-	360,000,000	355,501,558
Financial liabilities:				
Loans and borrowings (non-current)				
- Obligations under finance leases	(12,695,652)	(12,400,795)	(349,947)	(334,931)
- Sukuk Ijarah MTN	(360,000,000)	(355,501,558)	(360,000,000)	(355,501,558)
- Fixed rate term loans	(55,493,349)	(53,853,016)	-	-

	Group 2010		Company 2010	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets:				
Due from subsidiaries	-	-	390,000,000	389,446,810
Financial liabilities:				
Loans and borrowings (non-current)				
- Obligations under finance leases	(17,148,627)	(17,239,654)	(116,754)	(136,476)
- Sukuk Ijarah MTN	(390,000,000)	(389,446,810)	(390,000,000)	(389,446,810)
- Fixed rate term loans	(28,016,153)	(23,899,543)	-	-

36. Fair value of financial instruments (cont'd.)

(a) (cont'd.)

The carrying amounts of receivables, cash and bank balances and payables for the Group and the Company approximate their fair values due to their short term maturity.

The carrying amount of deposits with a licensed bank are resonable approximation of fair values as the interest charge on these deposits are, close to market interest rates or near at reporting date.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair value are as follows:

(i) Borrowings and finance lease payable

The fair value of borrowings is determined by discounting the expected future cash flows based on current rates for similar types of borrowings and leasing arrangements.

37. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the various process owners. The Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

It is the Group’s policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group’s and Company’s exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification and evaluation procedures. In addition, trade receivable balances are monitored on an ongoing basis in view of reducing the Group's exposure to bad debts.

<u>Exposure to credit risk</u>

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; and

- A nominal amount of RM45,000,000 relating to corporate guarantee provided by the Company to banks on a subsidiary's bank loans.

At the reporting date, approximately:

- 64% (2010: 26%) of the Group's trade receivables were due from 8 major customers who are located in Malaysia;

- 30% (2010: 52%) of the Group's trade and other receivables were due from related parties.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 20. Deposits with banks and other financial institutions that are neither past due or impaired are placed with reputable financial institutions with high credit ratings.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

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

(b) Liquidity risk

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

The Group's and the Company's liquidity risk management policy is that not more than 40% of loans and borrowings (including overdrafts) should mature in the next one year period, and to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. At the reporting date, approximately 28% (2010: 31%) of the Group's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements. About 24% (2010: 27%) of the Company's loans and borrowings will mature in less than one year at the reporting date.

Analysis of financial instruments by remaining contractual maturities

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

	2011			
	On demand or within 1 year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities:				
Group				
Trade and other payables	93,718,950	-	-	93,718,950
Loans and borrowings	184,056,133	306,280,902	121,908,099	612,245,134
Total undiscounted financial liabilities	277,775,083	306,280,902	121,908,099	705,964,084
Company				
Trade and other payables	8,922,564	-	-	8,922,564
Loans and borrowings	111,798,956	285,349,947	75,000,000	472,148,903
Total undiscounted financial liabilities	120,721,520	285,349,947	75,000,000	481,071,467

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

(c) Interest rate risk

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

The Group’s and the Company’s exposure to interest rate risk arises primarily from their loans and borrowings. The Group does not hedge its interest rate but ensures that it has obtained borrowings at competitive interest rates under the most favourable terms and conditions.

The Group’s policy is to manage interest cost using a mix of fixed and floating rate debts. At the reporting date, approximately 93% (2010: 89%) of the Group’s borrowings are at fixed rates of interest.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group’s profit before tax would have been RM74,668 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

<u>Sources of interest rate risk</u>

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position on the loans and borrowings.

(d) Foreign currency risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective currencies of Group’s entities, primarily RM, United States Dollar (“USD”) and Singapore Dollar (“SGD”). The foreign currencies in which these transactions are denominated are mainly US Dollars (“USD”).

Approximately 11% of the Group’s sales are denominated in foreign currencies whilst almost 4% of cost are denominated in the respective functional currencies of the Group’s entities. The Group’s trade receivable and trade payable balances at the reporting date have similar exposure.

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

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

Sensitivity analysis for foreign currency risk

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

		Group 2011 RM'000
Financial assets		
USD/RM	- strengthened 3%	(219)
	- weakened 3%	219
Financial liabilities		
USD/RM	- strengthened 3%	(2,085)
	- weakened 3%	2,085
SGD/RM	- strengthened 3%	(265)
	- weakened 3%	265

38. 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.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

38. Capital management (cont'd.)

The Group 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 between 50% to 75%. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent less the fair value adjustment reserve, if any.

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Loans and borrowings	612,245,134	669,013,970	472,148,903	567,065,671
Trade and other payables	91,328,872	80,380,873	8,922,564	11,357,527
Less: Cash and bank balances	(130,822,831)	(167,010,472)	(64,484,363)	(88,319,606)
Net debt	572,751,175	582,384,371	416,587,104	490,103,592
Equity attributable to the owners of the parent, representing total capital	481,936,251	465,024,491	231,861,802	227,698,179
Capital and net debt	1,054,687,426	1,047,408,862	648,448,906	717,801,771
Gearing ratio	54.3%	55.6%	64.2%	68.3%

39. Segmental information

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

39. Segmental information (cont'd.)

(b) Business segments

The Group comprises the following two main business segments:

- **Offshore supply vessels and services**

  Provision of vessels for charter hire, assisting seismic operators in seismic survey related activities, transportation of crew and supplies, towing and mooring of rigs offshore, anchor-handling services and other support, repair and maintenance services for the oil and gas industry.

- **Underwater services**

  Provision of offshore facilities construction and installation services such as marine construction related services, sub-sea engineering services and offshore pipeline construction related services and designing, manufacturing and operating of remotely operated vehicles ("ROVs").

Other business segments include investment holding and provision of transportation, ship forwarding and agent and ship chandelling to the subsidiaries, none of which are of a sufficient size to be reported separately.

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

(c) Geographical segments

Segmental reporting by geographical segments has not been prepared as the Group's operations are carried out predominantly in Malaysia.

(d) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm’s length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

40. Segmental information (cont'd.)

	Offshore support vessel and services RM	Underwater services RM	Others RM	Eliminations RM	Total RM
31 December 2011					
Revenue					
Sales to external customers	267,711,650	39,233,031	1,179,185	-	308,123,866
Inter segment sales	16,653,228	-	-	(16,653,228)	-
Total revenue	284,364,878	39,233,031	1,179,185	(16,653,228)	308,123,866
Results					
Segment results	44,846,272	228,078	239,970	(10,570,122)	34,744,198
Finance costs	(34,102,177)	(1,056,407)	(16,199)	-	(35,174,783)
Share of results of associates	-	-	-	12,413,755	12,413,755
Share of results of jointly controlled entities	-	-	-	2,094,807	2,094,807
Profit/(loss) before tax	10,744,095	(828,329)	223,771	3,938,440	14,077,977
Income tax expense					(880,315)
Profit for the year					13,197,662
31 December 2011					
Assets					
Segment assets	492,496,920	79,591,536	1,398,859	8,131,567	581,618,882
Investment in associates	86,590,516	-	-	8,895,944	95,486,460
Investment in jointly controlled entities	42,016,622	-	-	41,177,002	83,193,624
Intangible assets	-	198,367	-	1,418,987	1,617,354
Unallocated assets	412,804,456	42,233,711	613,251,059	(540,247,964)	528,041,262
Total assets	1,033,908,514	122,023,614	614,649,918	(480,624,464)	1,289,957,582
Liabilities					
Segment liabilities	142,520,963	15,422,212	360,426,005	3,516,044	521,885,224
Unallocated liabilities	626,288,004	71,214,625	123,465,443	(543,192,989)	277,775,083
Total liabilities	768,808,967	86,636,837	483,891,448	(539,676,945)	799,660,307
Other segment information:					
Capital expenditure	8,543,094	9,037,190	482,122	-	18,062,406
Depreciation	29,948,900	7,816,313	132,563	113,074	38,010,850
Other significant non-cash expenses:					
Provision for doubtful debts	436,598	-	-	-	436,598
Fair value adjustment on ESOS period extension	1,218,348	-	-	-	1,218,348

40. Segmental information (cont'd.)

	Offshore support vessel and services RM	Underwater services RM	Others RM	Eliminations RM	Total RM
31 December 2010					
Revenue					
Sales to external customers	198,766,412	42,888,963	536,448	-	242,191,823
Inter segment sales	1,071,941	4,913,048	4,283,045	(10,268,034)	-
Total revenue	199,838,353	47,802,011	4,819,493	(10,268,034)	242,191,823
Results					
Segment results	(1,880,518)	4,960,375	31,748	(2,049,916)	1,061,689
Finance costs	(30,530,262)	(680,969)	(17,498)	-	(31,228,729)
Share of results of associates	-	-	-	(296,298)	(296,298)
Share of results of jointly controlled entities	-	-	-	12,347,732	12,347,732
(Loss)/profit before tax	(32,410,780)	4,279,406	14,250	10,001,518	(18,115,606)
Income tax benefit					5,166,701
Loss for the year					(12,948,905)
31 December 2010					
Assets					
Segment assets	589,968,821	80,555,024	1,743,358	7,962,590	680,229,793
Investment in associates	56,911,581	-	-	(2,004,381)	54,907,200
Investment in jointly controlled entities	36,798,708	-	-	43,882,196	80,680,904
Intangible assets	-	313,584	-	1,377,508	1,691,092
Unallocated assets	536,807,209	46,774,651	707,347,097	(792,587,436)	498,341,521
Total assets	1,220,486,319	127,643,259	709,090,455	(741,369,523)	1,315,850,510
Liabilities					
Segment liabilities	112,421,707	20,376,715	390,264,697	3,106,775	526,169,894
Unallocated liabilities	845,526,708	71,756,470	191,092,592	(791,200,383)	317,175,387
Total liabilities	957,948,415	92,133,185	581,357,289	(788,093,608)	843,345,281
Other segment information:					
Capital expenditure	152,097,652	35,184,473	1,714,335	-	188,996,460
Depreciation	27,504,334	5,738,308	147,380	679,524	34,069,546
Other significant non-cash expenses:					
Provision for doubtful debts	28,020,284	-	-	-	28,020,284
Share options granted under ESOS	450,427	51,252	17,788	-	519,467

41. Supplementary information – breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries		
- realised	294,373,008	5,296,634
- unrealised	(81,515,189)	-
	212,857,819	5,296,634
Total share of retained earnings from associates:		
- realised	13,809,378	-
- unrealised	(4,917,367)	-
Total share of retained earnings from jointly controlled entities:		
- realised	28,204,597	-
- unrealised	12,972,405	-
	262,926,832	5,296,634
Less: consolidation adjustments	(2,310,097)	-
Retained earnings as per financial statements	260,616,735	5,296,634