

**ALAM MARITIM RESOURCES
BERHAD
(700849 - K)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial
Statements
31 December 2012**

700849-K

**Alam Maritim Resources Berhad
(Incorporated in Malaysia)**

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Alam Maritim Resources Berhad
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Directors' report

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

Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 14 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	<u>55,708,226</u>	<u>(491,647)</u>
Profit/(loss) for the year attributable to:		
Owners of the parent	58,264,371	(491,647)
Non-controlling interest	<u>(2,556,145)</u>	-
	<u>55,708,226</u>	<u>(491,647)</u>

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

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2012, of 1% per ordinary shares of RM0.25 each will be proposed for shareholders' approval and to be paid to shareholders registered in the Register of Members on a date to be determined later. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

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
Datuk Azmi bin Ahmad
Shaharuddin bin Warno @ Rahmad
Mohd Abd Rahman bin Mohd Hashim
Ahmad Hassanudin bin Ahmad Kamaluddin
Fina Norhizah binti Haji Baharu Zaman

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 30 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 7 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 1.1.2012 Acquired Sold At 31.12.2012

Direct interest:

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid	950,000	-	-	950,000
Dato' Haji Ab Wahab bin Haji Ibrahim	1,500	-	-	1,500
Datuk Azmi bin Ahmad	33,261	-	-	33,261
Shaharuddin bin Warno @ Rahmad	1,015,498	-	-	1,015,498
Ahmad Hassanudin bin Ahmad Kamaluddin	1,875	-	-	1,875

Indirect interest:

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid	5,000	-	-	5,000
Datuk Azmi bin Ahmad	355,646,061	-	-	355,646,061
Shaharuddin bin Warno @ Rahmad	355,415,436	-	-	355,415,436
Mohd Abd Rahman bin Mohd Hashim	355,415,436	-	-	355,415,436
Ahmad Hassanudin bin Ahmad Kamaluddin	123,750	-	-	123,750

Number of options over ordinary shares of RM0.25
At 1.1.2012 Granted Exercised At 31.12.2012

Datuk 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

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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 impairment loss on trade receivables 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.
- (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 impairment loss on trade receivables 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.

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Other statutory information (cont'd)

(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.

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 16 April 2013.



Dato' Captain Ahmad Sufian @ Qurnain
bin Abdul Rashid



Datuk Azmi bin Ahmad

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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 Datuk Azmi bin Ahmad, being two of the directors of Alam Maritim Resources Berhad, state that in the opinion of the Directors, the financial statements set out on pages 10 to 111 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. The financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The supplementary information set out in Note 41 to the financial statements on page 112 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 16 April 2013.


Dato' Captain Ahmad Sufian @ Qurnain
bin Abdul Rashid

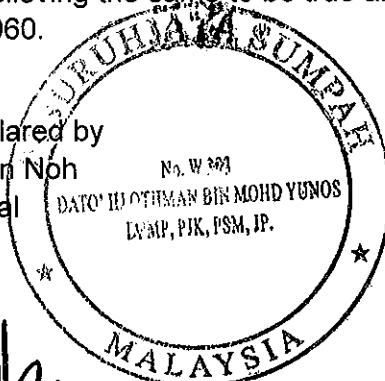

Datuk Azmi bin Ahmad

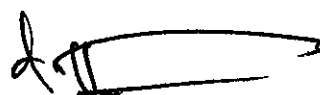
Statutory declaration

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 10 to 111 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 16 April 2013




Md Nasir bin Noh

Before me,


KUALA LUMPUR
WILAYAH PERSEKUTUAN

Kios 2, aras G
Kompleks KDN, WP. KUALA LUMPUR
Jalan Sri Hartamas 1,
50400 Kuala Lumpur

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**Independent auditors' report to the members of
Alam Maritim Resources Berhad
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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 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 111.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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.)
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Opinion

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 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 14 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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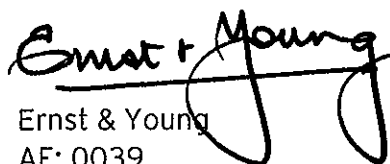
Independent auditors' report to the members of
Alam Maritim Resources Berhad (cont'd.)
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Other reporting responsibilities

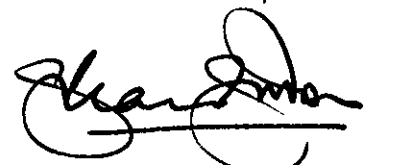
The supplementary information set out in Note 41 to the financial statements on page 112 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination 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.

Other matters

- (a) As stated in Note 40 to the financial statements, Alam Maritim Resources Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.
- (b) 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. 1697/03/15 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
16 April 2013

Alam Maritim Resources Berhad
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Statements of comprehensive income
For the financial year ended 31 December 2012

	Note	Group		Company	
		2012 RM	2011 RM	2012 RM	2011 RM
Revenue	4	502,389,636	308,123,866	-	-
Cost of sales		(444,419,667)	(247,270,124)	-	-
Gross profit		57,969,969	60,853,742	-	-
Other income	5	7,081,523	19,172,838	22,265,425	23,415,072
Employee benefits expense	6	(24,722,156)	(22,730,378)	(496,567)	(288,687)
Other expenses		(18,808,445)	(21,266,352)	(396,428)	(316,804)
Operating profit		21,520,891	36,029,850	21,372,430	22,809,581
Finance costs	8	(27,075,739)	(35,174,783)	(21,889,504)	(22,756,754)
Share of results of jointly controlled entities		40,434,054	2,221,032	-	-
Share of results of associates		21,039,110	12,413,755	-	-
Profit/(loss) before tax	9	55,918,316	15,489,854	(517,074)	52,827
Income tax (expense)/credit	10	(210,090)	(880,315)	25,427	(88,717)
Profit/(loss) for the year		55,708,226	14,609,539	(491,647)	(35,890)

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Statements of comprehensive income
For the financial year ended 31 December 2012 (cont'd.)

	Note	Group		Company	
		2012	2011	2012	2011
		RM	RM	RM	RM
Other comprehensive income:					
Foreign currency translation, representing other comprehensive income for the year, net of tax		411,483	394,871	-	-
Total comprehensive income for the year		<u>56,119,709</u>	<u>15,004,410</u>	<u>(491,647)</u>	<u>(35,890)</u>
Profit/(loss) attributable to:					
Owners of the parent		58,264,371	13,593,673	(491,647)	(35,890)
Non-controlling interests		(2,556,145)	1,015,866	-	-
		<u>55,708,226</u>	<u>14,609,539</u>	<u>(491,647)</u>	<u>(35,890)</u>
Total comprehensive income attributable to:					
Owners of the parent		58,617,145	13,830,375	(491,647)	(35,890)
Non-controlling interests		(2,497,436)	1,174,035	-	-
		<u>56,119,709</u>	<u>15,004,410</u>	<u>(491,647)</u>	<u>(35,890)</u>
Earnings per share attributable to owners of the parent:					
Basic (Sen)	11	7.4	1.7		
Diluted (Sen)	11	<u>7.4</u>	<u>1.7</u>		

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

Alam Maritim Resources Berhad
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Statements of financial position
As at 31 December 2012

	Note	2012 RM	2011 RM	As at 1 January 2011 RM
Group				
Assets				
Non-current assets				
Property, vessels and equipment	12	543,327,617	567,748,370	665,073,629
Intangible assets	13	1,533,408	1,617,354	1,691,092
Investment in associates	15	116,525,569	95,486,460	54,907,200
Investments in jointly controlled entities	16	121,856,726	78,626,350	75,987,405
Deferred tax assets	27	20,383,132	23,527,326	20,059,575
Deposits with a licensed bank	22	11,573,811	11,573,811	11,567,361
Trade receivables	19	7,486,145	-	-
		<u>822,686,408</u>	<u>778,579,671</u>	<u>829,286,262</u>
Current assets				
Inventories	18	8,239,400	6,254,709	8,507,084
Trade receivables	19	192,374,365	217,155,112	117,434,537
Other receivables	21	155,168,257	134,682,545	169,307,894
Tax recoverable		3,033,884	4,024,928	4,454,598
Cash and bank balances	22	118,116,479	130,822,831	167,010,472
		<u>476,932,385</u>	<u>492,940,125</u>	<u>466,714,585</u>
Total assets		<u>1,299,618,793</u>	<u>1,271,519,796</u>	<u>1,296,000,847</u>

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(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2012 (cont'd.)

Group (cont'd.)	Note	2012 RM	2011 RM	As at 1 January 2011 RM
Equity and liabilities				
Current liabilities				
Borrowings	25	213,829,176	184,056,133	233,849,190
Trade payables	28	67,530,369	68,607,625	28,624,547
Other payables	29	55,727,283	22,721,247	51,756,326
Tax payable		467,015	2,390,078	2,945,324
		<u>337,553,843</u>	<u>277,775,083</u>	<u>317,175,387</u>
Net current assets		<u>139,378,542</u>	<u>215,165,042</u>	<u>149,539,198</u>
Non-current liabilities				
Borrowings	25	346,482,343	428,189,001	435,164,780
Deferred tax liabilities	27	87,603,409	93,696,223	91,005,114
		<u>434,085,752</u>	<u>521,885,224</u>	<u>526,169,894</u>
Total liabilities		<u>771,639,595</u>	<u>799,660,307</u>	<u>843,345,281</u>
Net assets		<u>527,979,198</u>	<u>471,859,489</u>	<u>452,655,566</u>
Equity attributable to owners of the parent				
Share capital	23	196,802,315	196,802,315	195,287,595
Share premium	23	24,095,508	24,095,508	22,629,064
Other reserves	24(a)	774,467	421,693	(1,033,358)
Retained earnings	24(b)	303,902,468	245,638,097	232,044,425
		<u>525,574,758</u>	<u>466,957,613</u>	<u>448,927,726</u>
Non-controlling interests		2,404,440	4,901,876	3,727,840
Total equity		<u>527,979,198</u>	<u>471,859,489</u>	<u>452,655,566</u>
Total equity and liabilities		<u>1,299,618,793</u>	<u>1,271,519,796</u>	<u>1,296,000,847</u>

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2012 (cont'd.)

Company	Note	2012 RM	2011 RM	As at 1 January 2011 RM
Assets				
Non-current assets				
Property, vessels and equipment	12	323,459	413,727	37,057
Investment in subsidiaries	14	100,302,070	100,302,070	100,302,070
		<u>100,625,529</u>	<u>100,715,797</u>	<u>100,339,127</u>
Current assets				
Due from subsidiaries	17	488,860,451	546,832,632	616,067,346
Due from related corporations	21	3,120	3,120	3,120
Other receivables	21	55,836	-	-
Tax recoverable		954,786	897,357	1,392,178
Cash and bank balances	22	42,904,388	64,484,363	88,319,606
		<u>532,778,581</u>	<u>612,217,472</u>	<u>705,782,250</u>
Total assets		<u>633,404,110</u>	<u>712,933,269</u>	<u>806,121,377</u>
Equity and liabilities				
Current liabilities				
Borrowings	25	122,834,400	111,798,956	176,948,917
Other payables	29	8,887,844	8,922,564	11,357,527
		<u>131,722,244</u>	<u>120,721,520</u>	<u>188,306,444</u>
Net current assets		<u>401,056,337</u>	<u>491,495,952</u>	<u>517,475,806</u>

Alam Maritim Resources Berhad
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Statements of financial position
As at 31 December 2012 (cont'd.)

Company (cont'd.)	Note	2012 RM	2011 RM	As at 1 January 2011 RM
Non-current liabilities				
Borrowings	25	<u>270,311,711</u>	<u>360,349,947</u>	<u>390,116,754</u>
Total liabilities		<u>402,033,955</u>	<u>481,071,467</u>	<u>578,423,198</u>
Net assets		<u>231,370,155</u>	<u>231,861,802</u>	<u>227,698,179</u>
Equity attributable to owners of the parent				
Share capital	23	196,802,315	196,802,315	195,287,595
Share premium	23	24,095,508	24,095,508	22,629,064
Other reserves	24(a)	5,667,345	5,667,345	4,448,996
Retained earnings	24(b)	4,804,987	5,296,634	5,332,524
Total equity		<u>231,370,155</u>	<u>231,861,802</u>	<u>227,698,179</u>
Total equity and liabilities		<u>633,404,110</u>	<u>712,933,269</u>	<u>806,121,377</u>

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

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**Alam Maritim Resources Berhad
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**Statements of changes in equity
For the financial year ended 31 December 2012**

Group	Share capital (Note 23)		Share premium (Note 23)		Other reserves (Note 24(a))		Retained earnings (Note 24(b))		Total equity RM
	RM	RM	RM	RM	RM	RM	RM		
Opening balance at 1 January 2012	196,802,315	-	24,095,508	421,693	245,638,097	466,957,613	4,901,876	471,859,489	
Total comprehensive income for the year	-	-	-	352,774	58,264,371	58,617,145	(2,497,436)	56,119,709	
Closing balance at 31 December 2012	196,802,315	-	24,095,508	774,467	303,902,468	525,574,758	2,404,440	527,979,198	

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Alam Maritim Resources Berhad
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Statements of changes in equity
For the financial year ended 31 December 2012 (cont'd.)

Group	Share capital (Note 23)		Share premium (Note 23)		Other reserves (Note 24(a))		Retained earnings (Note 24(b))		Total RM	Non-controlling interests RM	Total equity RM
	RM	RM	RM	RM	RM	RM	RM	RM			
Opening balance at 1 January 2011	195,287,595	22,629,064	(1,033,358)	232,044,424	448,927,725	3,727,841	452,655,566				
Total comprehensive income for the year	-	-	236,702	13,593,673	13,830,375	1,174,035	15,004,410				
Transactions with owners:											
Issue of ordinary shares:											
- pursuant to Employee Share Options Scheme ("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	245,638,097	466,957,613	4,901,876	471,859,489				

Alam Maritim Resources Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2012 (cont'd.)

Company	Share capital (Note 23) RM	Non-Distributable		Distributable		Total equity RM
		Share premium (Note 23) RM	Other reserves (Note 24(a)) RM	Retained earnings (Note 24(b)) RM		
At 1 January 2012	196,802,315	24,095,508	5,667,345	5,296,634	231,861,802	
Total comprehensive loss for the year	-	-	-	(491,647)	(491,647)	
At 31 December 2012	<u>196,802,315</u>	<u>24,095,508</u>	<u>5,667,345</u>	<u>4,804,987</u>	<u>231,370,155</u>	

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Statements of changes in equity
For the financial year ended 31 December 2012 (cont'd.)

Company (cont'd.)	Share capital (Note 23) RM	Non-Distributable Share premium (Note 23) RM	Other reserves (Note 24(a)) RM	Distributable Retained earnings (Note 24(b)) RM	Total equity RM
At 1 January 2011	195,287,595	22,629,064	4,448,996	5,332,524	227,698,179
Total comprehensive income for the year	-	-	-	(35,890)	(35,890)

Transactions with owners:

Issue of ordinary shares:

- pursuant to ESOS

Fair value adjustment on ESOS period extension recognised in profit or loss

Total transactions with owners

At 31 December 2011

1,514,720	1,466,444	-	-	-	2,981,164
-	-	1,218,349	-	-	1,218,349
1,514,720	1,466,444	1,218,349	-	-	4,199,513
196,802,315	24,095,508	5,667,345	5,296,634	-	231,861,802

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

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Statements of cash flows
For the financial year ended 31 December 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Operating activities				
Profit/(loss) before tax	55,918,316	15,489,854	(517,074)	52,827
Adjustments for:				
Interest income	(2,110,786)	(1,023,164)	(395,456)	(593,538)
Interest recharged to subsidiaries	-	-	(21,869,968)	(22,692,534)
Depreciation of property, vessels and equipment (Note 12)	36,951,426	38,010,850	90,268	74,668
Gain on disposal of property, vessels and equipment	(2,599,002)	(8,871,640)	-	(129,000)
Finance costs	27,075,739	35,174,783	21,889,504	22,708,733
Fair value adjustment on ESOS	-	1,218,349	-	1,218,348
Impairment loss on trade receivables	6,131,560	436,598	-	-
Writeback impairment on trade receivables	(2,199,462)	-	-	-
Reversal of provision for foreseeable losses	-	(4,453,750)	-	-
Net unrealised foreign exchange (gain)/loss	(460,772)	11,346,292	-	-
Amortisation of intangible assets	125,150	121,864	-	-
Share of results of associates	(21,039,110)	(12,413,755)	-	-
Share of results of jointly controlled entities	(40,434,054)	(2,221,032)	-	-
Total adjustments	1,440,689	57,325,395	(285,652)	586,677
Operating cash flows before working capital changes	57,359,005	72,815,249	(802,726)	639,504

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Statements of cash flows

For the financial year ended 31 December 2012 (cont'd.)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Changes in working capital:				
(Increase)/decrease in inventories	(1,984,691)	2,252,375	-	-
Decrease/(increase) in receivables	13,319,640	(61,054,574)	(113,265)	-
Increase/(decrease) in payables	31,289,738	10,973,846	1,023,748	(2,315,941)
Total changes in working capital	42,624,687	(47,828,353)	910,483	(2,315,941)
Cash generated from/ (used in) operations activities	99,983,692	24,986,896	107,757	(1,676,437)
Tax refund	-	-	-	406,105
Income tax paid	(4,090,726)	(1,808,382)	-	-
Interest paid	(27,075,739)	(35,174,783)	(21,889,504)	(22,708,733)
Net cash flows (used in)/ from operating activities	68,817,227	(11,996,269)	(21,781,747)	(23,979,065)
Investing activities				
Purchase of property, vessels and equipment	(27,944,537)	(17,572,356)	-	(451,338)
Proceeds from disposal of vessels to associates	-	75,150,660	-	-
Proceeds from disposal of property, vessels and equipment	750,000	-	-	129,000
Investment in jointly controlled entities	(2,883,823)	(417,913)	-	-
Investment in associates	-	(28,165,505)	-	-
Decrease in amount due from subsidiaries	-	-	79,842,149	69,234,713
Interest received	2,110,786	1,023,164	395,456	23,286,072
Net cash flows (used in)/ from investing activities	(27,967,574)	30,018,050	80,237,605	92,198,447

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Statements of cash flows

For the financial year ended 31 December 2012 (cont'd.)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Financing activities				
Proceeds from issuance of ordinary shares (Note 23)	-	2,981,164	-	2,981,164
Proceeds from Murabahah Commercial Papers ("MCP")/ Murabahah Medium Term Notes ("MMTN")	-	40,000,000	-	40,000,000
Repayment of MCP/MMTN	(50,000,000)	(55,000,000)	(50,000,000)	(55,000,000)
Redemption of Sukuk Ijarah Murabahah Term Notes ("MTN")	(30,000,000)	(80,000,000)	(30,000,000)	(80,000,000)
Proceeds from drawdown of term loans	23,656,175	34,090,201	-	-
Repayment of term loans	(7,617,272)	(3,470,914)	-	-
Proceeds from drawdown of revolving credits	15,000,000	10,000,000	-	-
Repayment of hire purchase and lease financing (Note 26)	(5,129,192)	(925,807)	(35,833)	(35,789)
Net cash set aside for marginal deposit	(2,656,990)	4,479,888	-	-
Net cash set aside for collateral and sinking fund	(20,272,452)	8,926	-	-
Net cash flows used in financing activities	(77,019,731)	(47,836,542)	(80,035,833)	(92,054,625)

Alam Maritim Resources Berhad
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Statements of cash flows

For the financial year ended 31 December 2012 (cont'd.)

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Net decrease in cash and cash equivalents	(36,170,078)	(29,814,761)	(21,579,975)	(23,835,243)
Effect of exchange rate changes on cash and cash equivalent	(41,204)	74,748	-	-
Cash and cash equivalents at beginning of year	<u>128,581,407</u>	<u>158,321,420</u>	<u>64,484,363</u>	<u>88,319,606</u>
Cash and cash equivalents at end of year (Note 22)	<u>92,370,125</u>	<u>128,581,407</u>	<u>42,904,388</u>	<u>64,484,363</u>

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

**Alam Maritim Resources Berhad
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Notes to the financial statements - 31 December 2012

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 14.

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 16 April 2013.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. The financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

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

**Alam Maritim Resources Berhad
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2. Summary of significant accounting policies (cont'd.)

2.2 First-time adoption of MFRS

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

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

The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011. The reconciliations of equity for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided in Note 40.

2.3 Standards and interpretations issued but not yet effective

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

Description	Effective for annual periods beginning on or after
MFRS 101: Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101);	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 <i>Business Combinations</i> issued by IASB in March 2004)	1 January 2013
MFRS 10: Consolidated Financial Statements	1 January 2013
MFRS 11: Joint Arrangements	1 January 2013
MFRS 12: Disclosure of interests in Other Entities	1 January 2013

**Alam Maritim Resources Berhad
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2. Summary of significant accounting policies (cont'd.)

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

Description	Effective for annual periods beginning on or after
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employee Benefits	1 January 2013
MFRS 127: Separate Financial Statements	1 January 2013
MFRS 128: Investment in Associate and Joint Ventures	1 January 2013
MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 132: Offsetting Financial Asset and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
MFRS 9 Financial Instruments	1 January 2015

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

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

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 10: Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

MFRS 11: Joint Arrangements

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities - Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

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

MFRS 11: Joint Arrangements (cont'd.)

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

MFRS 12: Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

MFRS 127: Separate Financial Statements

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

MFRS 128: Investments in Associates and Joint Ventures

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

MFRS 13: Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

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

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

MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to the Group and the Company.

Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position and performance.

MFRS 9 Financial Instruments: Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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

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

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.

Acquisitions of subsidiaries are accounted for by applying the purchase 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. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

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

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.

2.6 Foreign currencies

(a) Functional and presentation currency

The financial statements of the Group and of the Company are measured using the currency of the primary economic environment in which the Group and the Company 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.

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 in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

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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, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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.

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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%

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

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the 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 is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

2.8 Intangible assets (cont'd.)

(a) Goodwill (cont'd.)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(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 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")).

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

2.9 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 as profit or loss. 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. Impairment loss on goodwill is not reversed in a subsequent period.

2.10 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.

2.11 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.

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

2.11 Associates (cont'd.)

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.

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

2.12 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, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.11.

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

2.13 Financial instruments - initial recognition and subsequent measurement

(a) Financial assets

Initial recognition and measurement

Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, the date that the Group commits to purchase or sell the asset.

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

2.13 Financial instruments - initial recognition and subsequent measurement (cont'd.)

(a) Financial assets (cont'd.)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial assets

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the profit or loss in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the

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

2.13 Financial instruments - initial recognition and subsequent measurement (cont'd.)

(a) Financial assets (cont'd.)

Subsequent measurement (cont'd.)

Available-for-sale financial assets (cont'd.)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(b) Financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is extinguished and the resulting gains or losses are recognised in profit or loss.

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

2.14 Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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

2.14 Impairment of financial assets (cont'd.)

(a) Financial assets carried at amortised cost (cont'd.)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

(b) Available for sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair values after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss.

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

2.14 Impairment of financial assets (cont'd.)

(b) Available for sale financial investments (cont'd.)

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

2.15 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.

2.16 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 estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense 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.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

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.

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

2.17 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.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of 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.

2.19 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.

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

2.20 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.

2.21 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.

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

2.21 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.

2.22 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.

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

2.22 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 2.23(a).

2.23 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 2.16 above.

(c) Diving, sub-sea 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.

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

2.23 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.

2.24 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.

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

2.24 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.

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

2.24 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.

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

2.25 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 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.26 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.

2.27 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.

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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 RM46,470 (2011: RM182,798).

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 19.

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4. Revenue

	Group	
	2012	2011
	RM	RM
Charter hire	207,360,107	207,108,197
Offshore installation and construction	238,328,644	33,217,360
Ship catering	3,268,821	7,910,675
Rental of equipment	12,194,303	6,597,324
Diving and sub-sea services	23,859,279	31,854,542
Other shipping related income	6,984,876	12,714,607
Sales of diving equipment	439,513	820,966
Vessel's management fees	9,954,093	7,900,195
	<u>502,389,636</u>	<u>308,123,866</u>

5. Other Income

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Reversal of provision for foreseeable losses	-	4,453,750	-	-
Interest income	2,110,786	1,023,164	395,456	593,538
Gain on foreign exchange	1,732,014	2,175,526	-	-
Rental of premises	639,721	572,936	-	-
Gain on disposal of property, vessels and equipment	2,599,002	8,871,640	-	129,000
Interest recharged to subsidiaries	-	-	21,869,969	22,692,534
Other income	-	2,075,822	-	-
	<u>7,081,523</u>	<u>19,172,838</u>	<u>22,265,425</u>	<u>23,415,072</u>

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6. Employee benefits expense

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Salaries, bonuses and allowances	18,634,763	16,952,761	476,065	261,092
Contributions to defined contribution plan - EPF	2,107,334	1,608,955	-	-
Social security contributions	135,550	91,404	-	-
Fair value adjustment on ESOS period extension	-	1,218,349	-	-
Other staff related expenses	3,844,509	2,858,909	20,502	27,595
	<u>24,722,156</u>	<u>22,730,378</u>	<u>496,567</u>	<u>288,687</u>

Included in employee benefits expense of the Group is executive directors' remuneration amounting to RM3,586,477 (2011: RM2,405,592) as further disclosed in Note 7.

7. Directors' remuneration

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Executive directors' remuneration (Note 6):				
Fees	169,865	73,119	-	-
Other emoluments	3,416,612	2,332,473	-	-
	<u>3,586,477</u>	<u>2,405,592</u>	<u>-</u>	<u>-</u>
Non-executive directors' remuneration (Note 9):				
Fees	252,000	207,000	252,000	207,000
Other emoluments	100,000	93,167	100,000	93,167
	<u>352,000</u>	<u>300,167</u>	<u>352,000</u>	<u>300,167</u>
Total directors' remuneration (Note 35(b))	3,938,477	2,705,759	352,000	300,167
Estimated money value of benefits-in-kind	88,750	95,416	21,250	17,083
Total directors' remuneration including benefits-in-kind	<u>4,027,227</u>	<u>2,801,175</u>	<u>373,250</u>	<u>317,250</u>

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7. Directors' remuneration (cont'd.)

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

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Executive:				
Salaries and other emoluments	3,000,265	2,208,600	-	-
Bonus	338,100	-	-	-
Defined contribution plan - EPF	248,112	196,992	-	-
Estimated money value of benefits-in-kind	67,500	78,333	-	-
Total executive directors' remuneration	3,653,977	2,483,925	-	-
Non-executive:				
Fees and other emoluments	352,000	300,167	352,000	300,167
Estimated money value of benefits-in-kind	21,250	17,083	21,250	17,083
Total non-executive directors' remuneration	373,250	317,250	373,250	317,250
Total directors' remuneration	4,027,227	2,801,175	373,250	317,250

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7. 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	
	2012	2011
Executive directors:		
RM200,001 - RM300,000	-	1
RM500,001 - RM600,000	-	1
RM700,001 - RM900,000	1	1
RM900,001 - RM1,000,000	-	1
RM1,200,001 - RM1,300,000	1	-
RM1,501,001 - RM1,600,00	1	-
	<hr/>	<hr/>
Non-executive directors:		
RM20,001 - RM30,000	-	1
RM60,001 - RM70,000	1	-
RM80,001 - RM90,000	2	1
RM90,001 - RM100,000	-	1
RM100,001 - RM110,000	1	1
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8. Finance costs

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense on:				
Term loans	1,972,481	1,016,009	-	-
Hire purchase and finance lease liabilities	819,719	1,126,365	19,536	16,199
MCP/MMTN	3,526,769	2,203,835	3,526,769	2,203,835
Sukuk Ijarah MTN	18,343,199	20,536,720	18,343,199	20,536,720
Other borrowings	2,413,571	10,291,854	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	27,075,739	35,174,783	21,889,504	22,756,754

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9. Profit/(loss) before tax

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

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Non-executive directors' remuneration (Note 7)	299,000	300,167	299,000	300,167
Auditors' remuneration:				
Auditors of the Company:				
- statutory audits	235,000	212,000	50,000	45,000
- other services	75,000	-	-	-
Operating leases:				
- lease payments for premises	1,356,985	658,272	-	-
- lease payments for third party vessels	89,920,467	97,201,919	-	-
Depreciation of property, vessels and equipment (Note 12)	36,951,426	38,010,850	90,268	74,668
Bad debts written off	-	(844,618)	-	-
Impairment loss on trade receivables	6,131,560	436,598	-	-
Reversal of impairment loss on trade receivables	(2,199,462)	-	-	-
Reversal of provision for foreseeable losses	-	(4,453,750)	-	-
Amortisation of intangible assets (Note 13)	125,150	121,864	-	-
Net unrealised foreign exchange (gain)/loss	(460,772)	11,346,292	-	-
Net realised foreign exchange losses	1,295,956	9,673,290	-	-
Interest income	(2,110,786)	(1,023,164)	(395,456)	(593,538)
Interest recharged to subsidiaries	-	-	(21,869,969)	(22,692,534)
Gain on disposal of property, vessels and equipment	(2,599,002)	(8,871,640)	-	(129,000)

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10. Income tax expense/(benefit)

Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Statement of comprehensive income:				
Current income tax:				
Malaysian income tax	1,361,786	1,494,383	-	68,557
Under/(over) provision in prior years:				
Malaysian income tax	1,271,757	188,422	(25,427)	21,202
Foreign tax	112,744	-	-	-
	<u>2,746,287</u>	<u>1,682,805</u>	<u>(25,427)</u>	<u>89,759</u>
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	(368,458)	349,527	-	(1,042)
Overprovision in prior year	(2,167,739)	(1,152,017)	-	-
	<u>(2,536,197)</u>	<u>(802,490)</u>	<u>-</u>	<u>(1,042)</u>
	<u>210,090</u>	<u>880,315</u>	<u>(25,427)</u>	<u>88,717</u>

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

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

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10. 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		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Profit/(loss) before tax	55,918,316	15,489,854	(517,074)	52,827
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	13,979,579	3,872,464	(129,411)	13,207
Different tax rates in other countries	(40,258)	78,604	-	-
Different tax rates in other jurisdiction	(82,841)	(568,781)	-	-
Effect of income not subject to tax	(113,092)	(121,150)	-	-
Effect of share of results of jointly controlled entities and associates	(15,368,291)	(3,627,140)	-	-
Non-deductible for tax purposes	2,561,135	2,209,913	72,315	54,308
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	57,096	-	57,096	-
Under/(over) provision of income tax in prior years	1,384,501	188,422	(25,427)	21,202
Overprovision of deferred tax in prior year	(2,167,739)	(1,152,017)	-	-
Income tax expense/(benefit) for the year	210,090	880,315	(25,427)	88,717

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11. 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.

	2012	2011
	RM	RM
Profit attributable to ordinary equity holders of the Company	58,264,371	13,593,673
Weighted average number of ordinary shares in issue	<u>787,209,260</u>	<u>785,311,219</u>
Basic earnings per share (Sen)	<u>7.4</u>	<u>1.7</u>

(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.

	2012	2011
	RM	RM
Profit attributable to ordinary equity holders of the Company	58,264,371	13,593,673
Weighted average number of ordinary shares in issue	787,209,260	785,311,219
Effects of dilution from share options granted to employees	<u>3,906,147</u>	<u>10,063,364</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>791,115,407</u>	<u>795,374,583</u>
Diluted earnings per share (Sen)	<u>7.4</u>	<u>1.7</u>

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12. Property, vessels and equipment

Group	Long term leasehold land RM	Leasehold building RM	Vessels RM	Drydocking RM	Diving 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 2012										
At 1 January 2012	12,039,510	17,363,787	589,496,119	27,890,155	84,613,660	4,841,109	5,356,946	4,774,426	2,420,910	748,796,622
Additions	-	8,255	-	5,710,417	5,088,840	679,980	96,919	-	16,908,273	28,492,684
Disposals	-	-	(2,237,093)	(4,034,516)	(392,402)	-	-	-	(16,835,500)	(23,499,511)
Exchange differences	-	277,425	(10,981)	-	1,118,986	-	19,799	21,620	-	1,426,849
At 31 December 2012	12,039,510	17,649,467	587,248,045	29,566,056	90,429,084	5,521,089	5,473,664	4,796,046	2,493,683	755,216,644
Accumulated depreciation										
At 1 January 2012	32,611	1,821,453	127,693,528	19,190,771	24,139,101	3,742,292	2,855,977	1,572,519	-	181,048,252
Charge for the year	121,611	388,673	21,015,758	5,786,782	7,985,289	784,850	687,645	405,869	-	37,176,477
Disposals	-	-	(1,961,918)	(4,034,397)	(346,742)	-	-	-	-	(6,343,057)
Adjustment	298,937	(523,988)	-	-	-	-	-	-	-	(225,051)
Exchange differences	-	15,963	-	-	191,935	-	14,814	9,694	-	232,406
At 31 December 2012	453,159	1,702,101	146,747,368	20,943,156	31,969,583	4,527,142	3,558,436	1,988,082	-	211,889,027

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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
At 1 January 2011										
At 1 January 2011	12,039,510	15,987,824	589,485,138	21,592,355	76,571,232	4,628,985	4,861,117	3,866,035	80,540,433	809,572,629
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	589,496,119	27,890,155	84,613,660	4,841,109	5,356,946	4,774,426	2,420,910	748,796,622
Accumulated depreciation										
At 1 January 2011	20,649	891,750	106,348,394	13,033,701	16,027,575	3,524,263	2,192,037	1,174,979	-	143,213,348
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	127,693,528	19,190,771	24,139,101	3,742,292	2,855,977	1,572,519	-	181,048,252

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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
Net carrying amount										
At 31 December 2011	12,006,899	15,542,334	461,802,591	8,699,384	60,474,559	1,098,817	2,500,969	3,201,907	2,420,910	567,748,370
At 31 December 2012	11,586,351	15,947,366	440,500,677	8,622,900	58,459,501	993,947	1,915,228	2,807,964	2,493,683	543,327,617

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

Company	Motor vehicles	
	2012 RM	2011 RM
Cost		
At 1 January	451,338	277,926
Addition	-	451,338
Disposal	-	(277,926)
At 31 December	<u>451,338</u>	<u>451,338</u>
Accumulated depreciation		
At 1 January	37,611	240,869
Depreciation charge for the year	90,268	74,668
Disposal	-	(277,926)
At 31 December	<u>127,879</u>	<u>37,611</u>
Net carrying amount		
At 31 December	<u>323,459</u>	<u>413,727</u>

- (a) Included in the Group's additions for the year are property, vessels and equipment of RM548,147 (2011: RM490,050) 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		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Motor vehicles	993,946	1,098,817	323,459	413,727
Diving equipment	51,501,464	66,499,038	-	-
Assets under construction	2,493,684	2,420,910	-	-
	<u>2,493,684</u>	<u>2,420,910</u>	<u>-</u>	<u>-</u>

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 26.

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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 25 are as follows:

	Group	
	2012	2011
	RM	RM
Leasehold buildings	15,947,366	15,542,334
Vessels	440,500,677	461,802,591
	<u>456,448,043</u>	<u>477,344,925</u>

13. Intangible assets

	Goodwill on consolidation	Deferred development costs	Total
	RM	RM	RM
Group			
Cost			
At 1 January 2012	1,434,556	609,325	2,043,881
Exchange differences	52,382	16,845	69,227
At 31 December 2012	<u>1,486,938</u>	<u>626,170</u>	<u>2,113,108</u>
At 1 January 2011	1,392,755	596,675	1,989,430
Exchange differences	41,801	12,650	54,451
At 31 December 2011	<u>1,434,556</u>	<u>609,325</u>	<u>2,043,881</u>
Accumulated amortisation and impairment			
At 1 January 2012	-	426,527	426,527
Charge for the year	-	125,150	125,150
Exchange differences	-	28,023	28,023
At 31 December 2012	<u>-</u>	<u>579,700</u>	<u>579,700</u>

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13. Intangible assets (cont'd.)

**Accumulated amortisation and
impairment (cont'd.)**

	Goodwill on consolidation RM	Deferred development costs RM	Total RM
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
Net carrying amount			
At 31 December 2012	1,486,938	46,470	1,533,408
At 31 December 2011	1,434,556	182,798	1,617,354

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

(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:

	Sub-sea services RM	Offshore support vessels and services RM	Total RM
At 31 December 2012	1,303,060	183,878	1,486,938
At 31 December 2011	1,250,678	183,878	1,434,556

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.

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13. Intangible assets (cont'd.)

(a) Impairment tests for goodwill (cont'd.)

Key assumptions used in value-in-use calculations (cont'd.)

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.

14. Investments in subsidiaries

	Company	
	2012	2011
	RM	RM
Unquoted shares, at cost	<u>100,302,070</u>	<u>100,302,070</u>

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Group's effective interest	
			2012	2011
			%	%
(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

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14. Investments in subsidiaries (cont'd.)

Name of subsidiaries	Country of incorporation	Principal activities	Group's effective interest	
			2012 %	2011 %
(ii) Held through AMSB:				
Alam Hidro (M) Sdn. Bhd. ("AHSB")	Malaysia	Offshore facilities construction and installation and sub-sea 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
KJ Waja Engineering Sdn. Bhd. ("KJWE")	Malaysia	Ship repair & maintenance, ship spare supply and other related services	84	84
Alam Maritim Properties (M) Sdn. Bhd. ("AMP") ^	Malaysia	Property owner and management	100	-
(iii) Held through KJWE:				
KJ Waja Services Sdn. Bhd. ("KJWS")	Malaysia	Ship spare supply and other related services	84	84

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14. Investments in subsidiaries (cont'd.)

Name of subsidiaries	Country of incorporation	Principal activities	Group's effective interest	
			2012 %	2011 %
(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.

^ On 4 December 2012, Alam Maritim (M) Sdn. Bhd., a wholly owned subsidiary of the Company acquired a newly subsidiary called Alam Maritim Properties (M) Sdn. Bhd..

15. Investments in associates

	Group	
	2012 RM	2011 RM
Unquoted shares, at cost	86,594,449	86,594,449
Share of post-acquisition reserves	29,931,120	8,892,011
	<u>116,525,569</u>	<u>95,486,460</u>

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15. Investments in associates (cont'd.)

Details of the associates are as follows:

Name of associate	Country of incorporation	Principal activities	Group's effective interest	
			2012 %	2011 %
(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

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15. Investments in associates (cont'd.)

Name of associate	Country of incorporation	Principal activities	Group's effective interest	
			2012 %	2011 %
(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

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15. 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:

	2012 RM	2011 RM
Assets and liabilities		
Current assets	153,830,985	154,578,503
Non-current assets	251,356,808	248,146,109
Total assets	<u>405,187,793</u>	<u>402,724,612</u>
Current liabilities	178,172,795	168,686,066
Non-current liabilities	104,942,454	132,786,006
Total liabilities	<u>283,115,249</u>	<u>301,472,072</u>
Results		
Revenue	55,431,864	42,102,208
Profit for the year	<u>21,039,110</u>	<u>12,413,755</u>

16. Investment in jointly controlled entities

	Group	
	2012 RM	2011 RM
Unquoted shares, at cost	44,900,445	42,016,622
Share of post-acquisition reserves	76,956,281	36,609,728
	<u>121,856,726</u>	<u>78,626,350</u>

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Principal activities	Proportion of ownership interest	
			2012 %	2011 %
(i) Held through AMSB:				
Alam Eksplorasi (M) Sdn. Bhd. ("AESB")	Malaysia	Ship owning, operating and chartering	60	60

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

Name of jointly controlled entities	Country of incorporation	Principal activities	Proportion of ownership Interest	
			2012 %	2011 %
(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	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

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

Name of jointly controlled entities	Country of incorporation	Principal activities	Proportion of ownership Interest	
			2012 %	2011 %
(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	60	60
Alam Swiber DLB 1 (L) Inc. ("ASDLB1")	Federal Territory of Labuan, Malaysia	Ship owning and chartering	51	50
Alam Radiance (L) Inc. ("ARLI")	Federal Territory of Labuan, Malaysia	Ship owning, operating and chartering	51	51
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	40

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16. 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:

	2012 RM	2011 RM
Assets and liabilities		
Current assets	177,173,286	124,607,515
Non-current assets	329,263,327	271,798,358
Total assets	<u>506,436,613</u>	<u>396,405,873</u>
Current liabilities	227,251,688	178,709,009
Non-current liabilities	162,278,175	143,637,788
Total liabilities	<u>389,529,863</u>	<u>322,346,797</u>
Results		
Income	321,245,350	129,778,619
Profit for the year	<u>40,434,054</u>	<u>2,221,032</u>

17. Amount due from subsidiaries

Amount due from subsidiaries are non-trade in nature, unsecured and repayable on demand except for an amount of RM486,478,902 (2011: RM546,832,632) which bears interest rate between 4.58% per annum and 5.63% per annum (2011: between 4.58% per annum and 5.63% per annum).

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

18. Inventories

	Group	
	2012 RM	2011 RM
Cost		
Raw materials	1,891,815	1,838,387
Work-in-progress	6,058,209	4,118,542
Spare parts	289,376	297,780
	<u>8,239,400</u>	<u>6,254,709</u>

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM2,669,607 (2011: RM2,549,201).

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19. Trade receivables

	Group	
	2012	2011
	RM	RM
Current		
Third parties	136,664,909	203,826,709
Accrued charter hire income	55,709,456	43,038,020
Construction contracts:		
Due from customers on contract (Note 20)	-	7,921,250
Less: allowance for impairment	-	(37,630,867)
	<u>192,374,365</u>	<u>217,155,112</u>
Non-current		
Third parties	49,049,110	-
Less: allowance for impairment	(41,562,965)	-
	<u>7,486,145</u>	<u>-</u>
Trade receivables, net	<u>199,860,510</u>	<u>217,155,112</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2011: 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.

Ageing analysis of trade receivables

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

	Group	
	2012	2011
	RM	RM
Neither past due nor impaired	124,761,512	101,277,719
1 to 30 days past due not impaired	294,376	49,821,293
31 to 60 days past due not impaired	36,948,330	13,596,863
61 to 90 days past due not impaired	30,370,147	15,911,698
91 to 120 days past due not impaired	-	3,393,298
More than 121 days past due not impaired	7,486,145	13,386,550
	75,098,998	96,109,702
Impaired	41,562,965	57,398,558
	<u>241,423,475</u>	<u>254,785,979</u>

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19. Trade receivables (cont'd.)

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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM75,098,998 (2011: RM96,109,702) that are past due at the reporting date but not impaired.

At the reporting date, 73.8% (2011: 26.5%) 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	
	2012	2011
	RM	RM
Individually impaired		
Trade receivables - nominal amounts	41,562,965	57,398,558
Less: allowance for impairment	(41,562,965)	(37,630,867)
	<u>-</u>	<u>19,767,691</u>

Movement in allowance accounts:

	Group	
	2012	2011
	RM	RM
At 1 January	37,630,867	38,038,887
Charge for the year (Note 9)	6,131,560	436,598
Write back (Note 9)	(2,199,462)	-
Written off	-	(844,618)
At 31 December	<u>41,562,965</u>	<u>37,630,867</u>

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19. Trade receivables (cont'd.)

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.

20. Due from customers on contract

	Group	
	2012	2011
	RM	RM
Construction contract costs incurred to date	-	26,685,028
Less: Foreseeable losses	-	(6,886,948)
	-	19,798,080
Less: Progress billings	-	(11,876,830)
	-	7,921,250

21. Other receivables

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Amount due from related parties:				
- Jointly controlled entities	71,089,390	73,295,685	1,248	1,248
- Associates	76,855,594	50,722,075	1,872	1,872
	147,944,984	124,017,760	3,120	3,120
Deposits	583,513	365,196	-	-
Prepayments	777,421	3,471,163	55,836	-
Sundry receivables	5,862,339	6,828,426	-	-
Total other receivables	155,168,257	134,682,545	58,956	3,120
Add: Trade receivables (Note 19)	199,860,510	217,155,112	-	-
Other receivables	155,168,257	134,682,545	58,956	3,120
Cash and bank balances (Note 22)	129,690,290	142,396,642	42,904,388	64,484,363
Less: Amount due from customers on contract	-	(7,921,250)	-	-
Prepayments	(777,421)	(3,471,163)	(55,836)	-
Total loans and receivables	483,941,636	482,841,886	42,907,508	64,487,483

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

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22. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Non-current assets				
Deposits with a licensed bank	11,573,811	11,573,811	-	-
Current assets				
Cash on hand and at banks	88,586,595	124,071,860	42,904,388	64,484,363
Deposits with licensed banks	29,529,884	6,750,971	-	-
	<u>118,116,479</u>	<u>130,822,831</u>	<u>42,904,388</u>	<u>64,484,363</u>
	<u>129,690,290</u>	<u>142,396,642</u>	<u>42,904,388</u>	<u>64,484,363</u>
Bank overdrafts (Note 25)	(3,209,281)	(2,633,793)	-	-
Amounts set aside as sinking fund	(27,772,452)	(7,500,000)	-	-
Amounts set aside as margin deposits for bank guarantee facilities	(6,338,432)	(3,681,442)	-	-
Total cash and cash equivalents	<u>92,370,125</u>	<u>128,581,407</u>	<u>42,904,388</u>	<u>64,484,363</u>

The weighted average effective interest rate per annum and the remaining maturity of deposits of the Group as at 31 December 2012 are 1.90% (2011: 1.90%) and 550 days (2011: 915 days) respectively. The amount set aside as margin deposits for bank guarantee facilities are pledged to secure the borrowings as disclosed in Note 25.

Amounts set aside as sinking fund are pledged to secure the borrowings as disclosed in Note 25.

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

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23. Share capital and share premium

	Number of ordinary shares of RM0.25 each		Amount	
	2012	2011	2012 RM	2011 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	Share capital (issued and fully paid)	Share premium RM	Total RM
		Share capital (issued and fully paid) RM		
At 1 January 2011	781,150,377	195,287,595	22,629,064	217,916,659
Pursuant to ESOS (Note 30 (ii))	6,058,883	1,514,720	1,466,444	2,981,164
At 31 December 2011	<u>787,209,260</u>	<u>196,802,315</u>	<u>24,095,508</u>	<u>220,897,823</u>
At 1 January 2012/ 31 December 2012	<u>787,209,260</u>	<u>196,802,315</u>	<u>24,095,508</u>	<u>220,897,823</u>

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.

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

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

In the previous financial year, the Company issued 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.

24. (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 2012	5,667,345	(5,511,517)	265,865	421,693
Foreign currency translation, representing other comprehensive income	-	-	352,774	352,774
At 31 December 2012	<u>5,667,345</u>	<u>(5,511,517)</u>	<u>618,639</u>	<u>774,467</u>
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	<u>5,667,345</u>	<u>(5,511,517)</u>	<u>265,865</u>	<u>421,693</u>

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24. (a) Other reserves

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 30). 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.

24. (b) Retained earnings

The Company may distribute dividends out of its entire retained earnings under the single tier system.

25. Borrowings

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Short term borrowings				
Secured:				
Bank overdrafts (Note 22)	3,209,281	2,633,793	-	-
Term loans	12,616,749	9,518,071	-	-
MCP/MMTN	32,796,163	81,763,123	32,796,163	81,763,123
Sukuk Ijarah MTN	90,000,000	30,000,000	90,000,000	30,000,000
Hire purchase and finance lease liabilities (Note 26)	5,206,983	5,141,146	38,237	35,833
	<u>143,829,176</u>	<u>129,056,133</u>	<u>122,834,400</u>	<u>111,798,956</u>
Unsecured:				
Revolving credits	70,000,000	55,000,000	-	-
	<u>213,829,176</u>	<u>184,056,133</u>	<u>122,834,400</u>	<u>111,798,956</u>

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25. Borrowings (cont'd.)

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Long term borrowings				
Secured:				
Term loans	69,263,546	55,493,349	-	-
Sukuk Ijarah MTN	270,000,000	360,000,000	270,000,000	360,000,000
Hire purchase and finance lease liabilities (Note 26)	7,218,797	12,695,652	311,711	349,947
	<u>346,482,343</u>	<u>428,189,001</u>	<u>270,311,711</u>	<u>360,349,947</u>

Total borrowings

Bank overdrafts (Note 22)	3,209,281	2,633,793	-	-
Revolving credits	70,000,000	55,000,000	-	-
Term loans	81,880,295	65,011,420	-	-
MCP/MMTN	32,796,163	81,763,123	32,796,163	81,763,123
Sukuk Ijarah MTN	360,000,000	390,000,000	360,000,000	390,000,000
Hire purchase and finance lease liabilities (Note 26)	12,425,780	17,836,798	349,948	385,780
	<u>560,311,519</u>	<u>612,245,134</u>	<u>393,146,111</u>	<u>472,148,903</u>

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

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Not later than 1 year	208,622,193	178,914,987	122,796,163	111,763,123
Later than 1 year not later than 2 years	45,243,596	96,170,146	40,000,000	90,000,000
Later than 2 years not later than 5 years	242,650,526	198,630,072	185,000,000	195,000,000
Later than 5 years	51,369,424	120,693,131	45,000,000	75,000,000
	<u>547,885,739</u>	<u>594,408,336</u>	<u>392,796,163</u>	<u>471,763,123</u>

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25. Borrowings (cont'd.)

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		Company	
	2012	2011	2012	2011
	%	%	%	%
Bank overdrafts	6.50	6.65	-	-
Revolving credits	4.30	5.36	-	-
Term loans	6.60	6.50	-	-
MCP/MMTN	4.20	4.20	4.20	4.20
Sukuk Ijarah MTN	5.00	5.00	5.00	5.00

(a) Bank overdrafts:

The secured bank overdrafts of the Group are secured by deposits with licensed banks of the Group as disclosed in Note 22.

(b) Term loans:

During the year, Alam Maritim (L) Inc. has sought consent from Malaysian Debt Ventures Berhad to revise repayment schedule of Bai Al-Inah loan to better match its cashflow profile.

The revision is as follows:

- (i) The availability period of the loan to be extended from March 2015 to August 2017.

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

- (i) First legal charge over the vessels and leasehold building of certain subsidiaries as disclosed in Note 12;
- (ii) 1st preferred statutory mortgage on vessels of certain subsidiaries;
- (iii) Legal assignments of charter proceeds of certain subsidiaries;
- (iv) Debentures incorporating fixed and floating asset of certain subsidiaries;
- (v) Corporate guarantees by the Company;
- (vi) Assignment of the insurance policy for vessels of certain subsidiaries.

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25. Borrowings (cont'd.)

(c) 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 22.

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 (2011: 4.58% to 5.63% per

Interest on MCP/MMTN and Sukuk Ijarah MTN charged by bank is recharged 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	
	2012	2011
	RM	RM
MCP/MMTN		
Nominal value	35,000,000	85,000,000
Less: Discount	(2,640,906)	(4,694,411)
Net proceeds from issuance of MCP/MMTN	<u>32,359,094</u>	<u>80,305,589</u>
Amortisation of discount	437,069	1,457,534
Total amount included within borrowings	<u>32,796,163</u>	<u>81,763,123</u>

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

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26. Hire purchase and finance lease liabilities

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Future minimum lease payments:				
Not later than 1 year	11,050,339	6,038,412	55,368	55,368
Later than 1 year and not later than 2 years	572,419	6,034,634	55,368	55,368
Later than 2 years and not later than 5 years	1,242,986	6,293,669	166,104	166,104
Later than 5 years	473,646	1,122,331	143,035	198,402
Total future minimum lease payments	13,339,390	19,489,046	419,875	475,242
Less: Future finance charges	(913,610)	(1,652,248)	(69,927)	(89,462)
Present value of finance lease liabilities (Note 25)	12,425,780	17,836,798	349,948	385,780
Analysis of present value of finance lease liabilities:				
Not later than 1 year	5,206,983	5,141,146	38,237	35,833
Later than 1 year and not later than 2 years	5,325,210	5,516,406	40,642	38,237
Later than 2 years and not later than 5 years	1,097,343	5,964,278	136,350	129,136
Later than 5 years	796,244	1,214,968	134,719	182,574
	12,425,780	17,836,798	349,948	385,780
Less: Amount due within 12 months (Note 25)	(5,206,983)	(5,141,146)	(38,237)	(35,833)
Amount due after 12 months (Note 25)	7,218,797	12,695,652	311,711	349,947

The Group's and the Company's hire purchase and finance lease liabilities bear weighted average effective interest rates of 2.45% (2011: 2.50%) per annum and 2.73% (2011: 2.73%) respectively .

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

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27. Deferred taxation

	Group	
	2012	2011
	RM	RM
At 1 January	70,168,897	70,945,539
Recognised in statements of comprehensive income (Note 10)	(2,536,197)	(802,490)
Exchange differences	(412,423)	25,848
At 31 December	<u>67,220,277</u>	<u>70,168,897</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	(20,383,132)	(23,527,326)
Deferred tax liabilities	87,603,409	93,696,223
	<u>67,220,277</u>	<u>70,168,897</u>

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 2012	93,696,223
Recognised in statements of comprehensive income	(5,651,305)
Exchange differences	(441,509)
At 31 December 2012	<u>87,603,409</u>
At 1 January 2011	91,005,114
Recognised in statements of comprehensive income	2,639,225
Exchange differences	51,884
At 31 December 2011	<u>93,696,223</u>

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27. 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 2012	(7,424,743)	(16,102,583)	(23,527,326)
Recognised in statements of comprehensive income	7,002,436	(3,887,328)	3,115,108
Exchange differences	-	29,086	29,086
At 31 December 2012	<u>(422,307)</u>	<u>(19,960,825)</u>	<u>(20,383,132)</u>
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	<u>(7,424,743)</u>	<u>(16,102,583)</u>	<u>(23,527,326)</u>

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

	Group 2012 RM	2011 RM
Unutilised tax losses	<u>216,552</u>	<u>89,041</u>

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.

28. 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 (2011: 30 to 60 days).

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29. Other payables

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Amount due to related parties:				
- Jointly controlled entities	10,360,001	-	-	-
- Associates	26,512,305	7,931,795	-	-
	<u>36,872,306</u>	<u>7,931,795</u>	<u>-</u>	<u>-</u>
Accrued expenses	14,868,224	12,643,495	8,887,844	8,922,564
Deposits from customers	-	82,868	-	-
Sundry payables	3,986,753	2,063,089	-	-
	<u>55,727,283</u>	<u>22,721,247</u>	<u>8,887,844</u>	<u>8,922,564</u>
Trade payables	67,530,369	68,607,625	-	-
Other payables	55,727,283	22,721,247	8,887,844	8,922,564
Borrowings (Note 25)	560,311,519	612,245,134	393,146,111	472,148,903
Total financial liabilities carried at amortised costs	<u>683,569,171</u>	<u>703,574,006</u>	<u>402,033,955</u>	<u>481,071,467</u>

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

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30. 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.

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30. 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 earlier 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 31 December	Exercisable at 31 December
	Outstanding at 1 January	Granted	Movement during the year Exercised	Bonus issue	Exercised			
2012								
2009 Options	1,695,000	-	-	-	-	1,695,000	1,695,000	
2008 Options	3,444,000	-	-	-	-	3,444,000	3,444,000	
2007 Options	3,111,876	-	-	-	-	3,111,876	3,111,876	
2006 Options	21,975,806	-	-	-	-	21,975,806	21,975,806	
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	

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

	Weighted average exercise price	Exercise period
	RM	
2012		
2006 Options	0.49	20.07.2012 - 19.07.2016
2007 Options	1.47	20.07.2012 - 19.07.2016
2010 Options	1.79	20.07.2012 - 19.07.2016
2010 Options	1.27	20.07.2012 - 19.07.2016
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

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30. Employee benefits (cont'd.)

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

(ii) Share options exercised during the previous financial year

As disclosed in Note 23, options exercised during the previous financial year resulted in the issuance of 6,058,883 ordinary shares at the exercise price between RM0.47 and RM0.55 each. The related weighted average share price at the date of exercise was RM0.50. No share option was exercised during the financial year.

31. 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:

	2012	2011
	RM	RM
Future rental payments:		
Not later than 1 year	96,426,773	8,999,038
Later than 1 year and not later than 5 years	189,595,575	484,595
	<u>286,022,348</u>	<u>9,483,633</u>

The lease payments recognised in profit or loss during the financial year are disclosed in Note 9.

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31. Operating lease arrangements (cont'd.)

(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.

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:

	2012	2011
	RM	RM
Not later than 1 year	200,820,870	59,460,801
Later than 1 year and not later than 5 years	376,865,831	86,616,424
Later than 5 years	48,221,541	50,446,065
	<u>625,908,242</u>	<u>196,523,290</u>

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

32. Capital commitments

	Group	
	2012	2011
	RM	RM
Share of associate's capital commitment in relation to purchase of vessels	<u>57,952,000</u>	<u>56,793,083</u>

33. Corporate guarantee

At the reporting date, the Company has extended its corporate guarantees given to banks for credit facilities granted to various subsidiaries amounting to RM134,500,000 (2011: RM129,500,000).

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

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34. Contingent liabilities

The Board of Directors is not aware of any other material commitments, save for those arising from the ordinary course of business and contingent liabilities arising from an arbitration proceeding against Alam Hidro Sdn Bhd ("AHSB"), due to trade dispute. AHSB's appointed legal advisers remain of the view that AHSB has a reasonably good case and defence and/or counterclaim against the owner of the vessel and further of the opinion that the charter party was impossible to be performed by the owner of the vessel and therefore the charter party and the related agreement are voidable. Based on the legal opinions, the Board of Directors believes that the claim amounting to USD1,859,093.83 has no merit and AHSB will file its defence if the arbitration proceeding is initiated. The claim, if becoming enforceable, may have impact on the profits of AHSB. However, the amount involved is not expected to have a material impact on the Group's financial performance.

Save as disclosed above, there were no material contingent liabilities that may, upon materialisation, have a material effect on the Group's financial results or position.

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	2012 RM	2011 RM
Group			
Jointly controlled entities:			
Charter hire of vessels	(i)	97,731,324	39,716,968
Vessel management fees	(ii)	3,587,978	2,736,668
Associates:			
Charter hire of vessels		117,919,724	59,892,359
Vessel management fees from associates		6,906,340	5,163,527
Transfer of vessels to associates		16,835,500	79,547,973
Company			
Subsidiaries:			
ESOS costs charged to subsidiaries		-	1,218,348

- (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.

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35. Related party disclosures (cont'd.)

- (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 2012 are disclosed in Notes 17, 21 and 29.

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.

(b) Compensation of key management personnel

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

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Short term employee benefits	5,706,431	6,368,606	316,083	317,250
Contributions to defined contribution plan - EPF	509,220	402,723	-	-

Included in the total key management personnel compensation are:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Directors' remuneration (Note 7)	3,938,477	2,705,759	352,000	300,167

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	
	2012	2011
At 1 January	52,872,963	54,982,609
Exercised	-	(2,109,646)
At 31 December	52,872,963	52,872,963

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36. Fair value of financial instruments

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 2012		Company 2012	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets:				
Due from subsidiaries	-	-	270,000,000	267,347,422
Financial liabilities:				
Loans and borrowings (non-current)				
- Obligations under finance leases	(7,218,797)	(6,839,991)	(311,711)	(306,072)
- Sukuk Ijarah MTN	(270,000,000)	(267,347,422)	(270,000,000)	(267,347,422)
- Fixed rate term loans	(69,263,546)	(68,129,684)	-	-
	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)	-	-

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36. Fair value of financial instruments (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 reasonable approximation of fair values as the interest earns 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.

(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.

**Alam Maritim Resources Berhad
(Incorporated in Malaysia)****37. Financial risk management objectives and policies (cont'd.)****(a) Credit risk (cont'd.)**

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.

Exposure to credit risk

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

- The carrying amount of each class of financial assets recognised in the statements of financial position; and

At the reporting date, approximately:

- 63% (2011: 64%) of the Group's trade receivables were due from 10 major customers who are located in Malaysia;
- 42% (2011: 30%) of the Group's trade and other receivables were due from related parties.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with banks and other financial institutions that are neither past due or impaired are placed with reputable financial institutions with high credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(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.

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

(b) Liquidity risk (cont'd.)

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 38% (2011: 30%) of the Group's loans and borrowings (Note 25) will mature in less than one year based on the carrying amount reflected in the financial statements. About 31% (2011: 24%) 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.

	2012			Total RM
	On demand or within 1 year RM	One to five years RM	Over five years RM	
Financial liabilities:				
Group				
Trade and other payables	123,257,652	-	-	123,257,652
Loans and borrowings	219,672,532	289,709,527	51,843,070	561,225,129
Total undiscounted financial liabilities	342,930,184	289,709,527	51,843,070	684,482,781
Company				
Trade and other payables	8,887,844	-	-	8,887,844
Loans and borrowings	122,851,531	225,221,472	45,143,034	393,216,037
Total undiscounted financial liabilities	131,739,375	225,221,472	45,143,034	402,103,881

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

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	2011			Total RM
	On demand or within 1 year RM	One to five years RM	Over five years 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	<u>277,775,083</u>	<u>306,280,902</u>	<u>121,908,099</u>	<u>705,964,084</u>
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	<u>120,721,520</u>	<u>285,349,947</u>	<u>75,000,000</u>	<u>481,071,467</u>

(c) Interest rate risk

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

The Group's 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 80% (2011: 93%) of the Group's borrowings are at fixed rates of interest.

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

(c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

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 RM129,383 (2011: 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.

Sources of interest rate risk

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

Foreign currency 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").

Approximately 9% (2011: 11%) of the Group's sales are denominated in foreign currencies whilst almost 93% (2011: 96%) 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.

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.

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

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

		Group	
		Profit net of Tax	
		2012	2011
		RM'000	RM'000
Financial assets			
USD/RM	- strengthened 3% (2011: 3%)	(37)	(219)
	- weakened 3% (2011: 3%)	37	219
Financial liabilities			
USD/RM	- strengthened 3% (2011: 3%)	(1,417)	(2,085)
	- weakened 3% (2011: 3%)	1,417	2,085
SGD/RM	- strengthened 3% (2011: 3%)	(183)	(265)
	- weakened 3% (2011: 3%)	183	265
		<u>183</u>	<u>265</u>

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 2012 and 31 December 2011.

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 2012 and 31 December 2011.

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.

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38. Capital management (cont'd.)

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Loans and borrowings	560,311,519	612,245,134	393,146,111	472,148,903
Trade and other payables	123,257,652	91,328,872	8,887,844	8,922,564
Less: Cash and bank balances	(118,116,479)	(130,822,831)	(42,904,388)	(64,484,363)
Net debt	<u>565,452,692</u>	<u>572,751,175</u>	<u>359,129,567</u>	<u>416,587,104</u>
Equity attributable to the owners of the parent, representing total capital	<u>525,574,758</u>	<u>466,957,613</u>	<u>231,370,155</u>	<u>231,861,802</u>
Capital and net debt	<u>1,091,027,450</u>	<u>1,039,708,788</u>	<u>590,499,722</u>	<u>648,448,906</u>
Gearing ratio	<u>51.8%</u>	<u>55.1%</u>	<u>60.8%</u>	<u>64.2%</u>

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.

(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.

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39. Segmental information (cont'd.)

(b) Business segments (cont'd.)

- Sub-sea 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.

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39. Segmental information (cont'd.)

	Offshore support vessel and services RM	Sub-sea services RM	Others RM	Eliminations RM	Total RM
31 December 2012					
Revenue					
Sales to external customers	239,006,712	259,425,058	3,635,471	-	502,067,241
Inter segment sales	11,625,042	22,731,308	2,953,617	(37,309,967)	-
Total revenue	250,631,754	282,156,366	6,589,088	(37,309,967)	502,067,241
Results					
Segment results	26,963,853	(6,196,783)	1,391,329	(637,508)	21,520,891
Finance costs	(25,994,039)	(1,027,164)	(54,536)	-	(27,075,739)
Share of results of associates	21,039,110	-	-	-	21,039,110
Share of results of jointly controlled entities	20,652,439	19,781,615	-	-	40,434,054
Profit before tax	42,661,363	12,557,668	1,336,793	(637,508)	55,918,316
Income tax expense					(210,090)
Profit for the year					55,708,226
31 December 2012					
Assets					
Segment assets	468,561,478	65,182,955	2,946,881	6,636,303	543,327,617
Investment in associates	86,594,449	-	-	29,931,120	116,525,569
Investment in jointly controlled entities	44,900,444	-	-	76,956,282	121,856,726
Intangible assets	-	78,564	-	1,454,844	1,533,408
Unallocated assets	455,948,577	43,309,477	541,514,316	(524,396,897)	516,375,473
Total assets	1,056,004,948	108,570,996	544,461,197	(409,418,348)	1,299,618,793
Liabilities					
Segment liabilities	152,622,872	7,505,330	271,182,347	2,775,203	434,085,752
Unallocated liabilities	637,934,852	82,069,437	140,710,229	(523,160,675)	337,553,843
Total liabilities	790,557,723	89,574,768	411,892,576	(520,385,472)	771,639,595
Other segment information:					
Capital expenditure	26,691,605	1,732,452	68,627	-	28,492,684
Depreciation	29,705,679	7,015,963	229,784	-	36,951,426
Other significant non-cash expenses:					
Impairment loss of trade receivables	5,980,279	151,281	-	-	6,131,560

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39. Segmental information (cont'd.)

	Offshore support vessel and services RM	Sub-sea 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	45,152,759	1,207,243	239,970	(10,570,122)	36,029,850
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	2,221,032	-	-	-	2,221,032
Profit/(loss) before tax	25,685,369	150,836	223,771	(10,570,122)	15,489,854
Income tax expense	-	-	-	-	(880,315)
Profit for the year					14,609,539
31 December 2011					
Assets					
Segment assets	490,156,903	68,061,041	1,398,859	8,131,567	567,748,370
Investment in associates	86,590,516	-	-	8,895,944	95,486,460
Investment in jointly controlled entities	37,449,348	-	-	41,177,002	78,626,350
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	1,027,001,223	110,493,119	614,649,918	(480,624,464)	1,271,519,796
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:					
Impairment loss of trade receivables	436,598	-	-	-	436,598
Fair value adjustment on ESOS period extension	1,218,349	-	-	-	1,218,349

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40. Explanation of transition to MFRS

As stated in Note 2.2, these are the first financial statements of the Group and of the Company prepared in accordance with MFRS.

The accounting policies set out in Note 2 have been applied in preparing:

- the financial statements of the Group and of the Company for the year ended 31 December 2012;
- the comparative information presented in these financial statements for the year ended 31 December 2011; and
- the MFRS statement of financial position as at 1 January 2011 (the Group's date of transition of MFRS).

Exemptions applied

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain MFRS. The Group has applied the following exemptions:

(a) Business combination

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

Acquisition before date of transition

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

- (i) The classification of former business combination under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

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40. Explanation of transition to MFRS (cont'd.)

(b) Property, vessels and equipment

The Group has adopted cost model to measure its property, vessels and equipment under FRS. Upon transition to MFRS, the Group has elected to still maintain the measurement of its property, vessels and equipment using the cost model under MFRS 116: Property, Plant and Equipment.

At the date of transition to MFRS, the Group elected to regard carrying amount of property, vessels and equipment at date of transition as their deemed costs at that date. As at transition date of 1 January 2011, a downward adjustment of approximately RM15,156,000 (31 December 2011: RM13,871,000) and RM4,693,000 (31 December 2011: RM4,567,000) were made to the Group property, vessels and equipment carrying values and investment in jointly controlled entities respectively. The corresponding adjustments were recognised against retained earnings and non-controlling interests amounted to approximately RM16,096,000 (31 December 2011: RM14,979,000) and RM3,753,000 (31 December 2011: RM3,459,000) respectively.

(c) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

The transition from FRS to MFRS has not had any material impact on the statement of cash flows.

The reconciliations of equity and statement of comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

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40. Explanation of transition to MFRS (cont'd.)

(i) Reconciliation of equity as at 1 January 2011

	FRS as at 1.1.2011 RM	Note 39(b) RM	MFRS as at 1.1.2011 RM
Assets			
Non-current Assets			
Property, vessels and equipment	680,229,793	(15,156,164)	665,073,629
Intangible assets	1,691,092	-	1,691,092
Investments in jointly controlled entities	80,680,904	(4,693,499)	75,987,405
Investments in associated companies	54,907,200	-	54,907,200
Deferred tax assets	20,059,575	-	20,059,575
Deposits with a licensed bank	11,567,361	-	11,567,361
	<u>849,135,925</u>		<u>829,286,262</u>
Current Assets			
Inventories	8,507,084	-	8,507,084
Trade receivables	117,434,537	-	117,434,537
Other receivables	169,307,894	-	169,307,894
Tax recoverable	4,454,598	-	4,454,598
Cash and bank balances	167,010,472	-	167,010,472
	<u>466,714,585</u>		<u>466,714,585</u>
Total Assets	<u>1,315,850,510</u>		<u>1,296,000,847</u>

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40. Explanation of transition to MFRS (cont'd.)

(i) Reconciliation of equity as at 1 January 2011 (cont'd.)

	FRS as at 1.1.2011 RM	Note 39(b) RM	MFRS as at 1.1.2011 RM
Equity And Liabilities			
Equity Attributable To Equity			
Holders Of The Parent			
Share capital	195,287,595	-	195,287,595
Share premium	22,629,064	-	22,629,064
Other reserves	(1,033,358)	-	(1,033,358)
Retained earnings	248,141,190	(16,096,765)	232,044,425
	<u>465,024,491</u>		<u>448,927,726</u>
Non-controlling interests	7,480,738	(3,752,898)	3,727,840
Total Equity	<u>472,505,229</u>		<u>452,655,566</u>
Non-current Liabilities			
Borrowings	435,164,780	-	435,164,780
Deferred tax liabilities	91,005,114	-	91,005,114
	<u>526,169,894</u>		<u>526,169,894</u>
Current Liabilities			
Borrowings	233,849,190	-	233,849,190
Trade payables	28,624,547	-	28,624,547
Other payables	51,756,326	-	51,756,326
Tax payable	2,945,324	-	2,945,324
	<u>317,175,387</u>		<u>317,175,387</u>
Total Liabilities	<u>843,345,281</u>		<u>843,345,281</u>
Total Equity And Liabilities	<u>1,315,850,510</u>		<u>1,296,000,847</u>

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40. Explanation of transition to MFRS (cont'd.)

(i) Reconciliation of equity as at 31 December 2011

	FRS as at 31.12.2011 RM	Note 39(b) RM	MFRS as at 31.12.2011 RM
Assets			
Non-current Assets			
Property, vessels and equipment	581,618,882	(13,870,512)	567,748,370
Intangible assets	1,617,354	-	1,617,354
Investments in jointly controlled entities	83,193,624	(4,567,274)	78,626,350
Investments in associated companies	95,486,460	-	95,486,460
Deferred tax assets	23,527,326	-	23,527,326
Deposits with a licensed bank	11,573,811	-	11,573,811
	<u>797,017,457</u>		<u>778,579,671</u>
Current Assets			
Inventories	6,254,709	-	6,254,709
Trade receivables	217,155,112	-	217,155,112
Other receivables	134,682,545	-	134,682,545
Tax recoverable	4,024,928	-	4,024,928
Cash and bank balances	130,822,831	-	130,822,831
	<u>492,940,125</u>		<u>492,940,125</u>
Total Assets	<u>1,289,957,582</u>		<u>1,271,519,796</u>
Equity And Liabilities			
Equity Attributable To Equity			
Holders Of The Parent			
Share capital	196,802,315	-	196,802,315
Share premium	24,095,508	-	24,095,508
Other reserves	421,693	-	421,693
Retained earnings	260,616,735	(14,978,638)	245,638,097
	<u>481,936,251</u>		<u>466,957,613</u>
Non-controlling interests	8,361,024	(3,459,148)	4,901,876
Total Equity	<u>490,297,275</u>		<u>471,859,489</u>

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40. Explanation of transition to MFRS (cont'd.)

(i) Reconciliation of equity as at 31 December 2011 (cont'd.)

	FRS as at 31.12.2011 RM	Note 39(b) RM	MFRS as at 31.12.2011 RM
Non-current Liabilities			
Borrowings	428,189,001	-	428,189,001
Deferred tax liabilities	93,696,223	-	93,696,223
	<u>521,885,224</u>		<u>521,885,224</u>
Current Liabilities			
Borrowings	184,056,133	-	184,056,133
Trade payables	68,607,625	-	68,607,625
Other payables	22,721,247	-	22,721,247
Tax payable	2,390,078	-	2,390,078
	<u>277,775,083</u>		<u>277,775,083</u>
Total Liabilities	<u>799,660,307</u>		<u>799,660,307</u>
Total Equity And Liabilities	<u>1,289,957,582</u>		<u>1,271,519,796</u>

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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 2012 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.

	2012		2011	
	Group RM	Company RM	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries				
- realised	343,474,560	4,804,987	294,373,008	5,296,634
- unrealised	(40,090,195)	-	(91,926,553)	-
	<u>303,384,365</u>	<u>4,804,987</u>	<u>202,446,455</u>	<u>5,296,634</u>
Total share of retained earnings from associates:				
- realised	35,199,647	-	13,809,378	-
- unrealised	69,251	-	(4,917,367)	-
Total share of retained earnings from jointly controlled entities:				
- realised	71,906,748	-	28,204,597	-
- unrealised	5,360,889	-	8,405,131	-
	<u>415,920,900</u>	<u>4,804,987</u>	<u>247,948,194</u>	<u>5,296,634</u>
Less: consolidation adjustments	(112,018,432)	-	(2,310,097)	-
Retained earnings as per financial statements	<u>303,902,468</u>	<u>4,804,987</u>	<u>245,638,097</u>	<u>5,296,634</u>