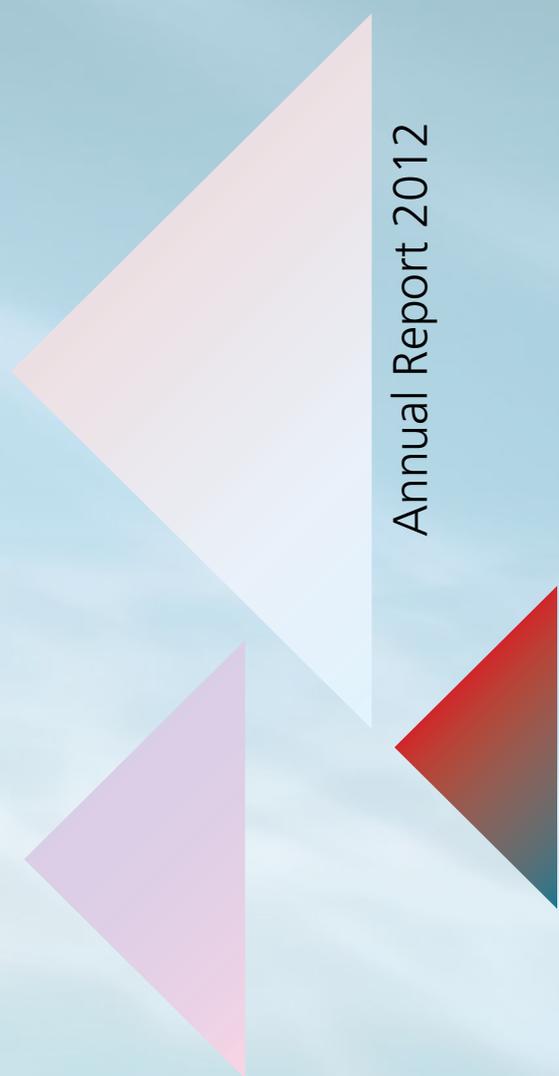




Atlantic Navigation
Holdings (Singapore) Limited



New Start New Opportunity



Annual Report 2012

MARINE LOGISTICS SERVICES AND SHIP REPAIR, FABRICATION AND OTHER MARINE SERVICES

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*This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Canaccord Genuity Singapore Pte. Ltd. for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's Sponsor has not independently verified the contents of this annual report.*

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The details of the contact person for the Sponsor is:

Name: Mr. Chia Beng Kwan

Address: 77 Robinson Road, #21-02 Singapore 068896

Tel: (65) 6854 6160

CORPORATE PROFILE



The Company had changed its name to Atlantic Navigation Holdings (Singapore) Limited on 31 July 2012 following the completion of the acquisition by Fastube Limited (the “**Reverse Acquisition**”).

The Company’s history dates back to 1997 when our operations began under Atlantic Maritime Services LLC (“**AMS LLC**”) in Dubai, United Arab Emirates (“**UAE**”). The principal business activities of AMS LLC were to provide ship repair, fabrication and other marine services to ship owners in the UAE region. Today, we are an integrated offshore supply operation principally engaged in the provision of marine logistics services, ship repair, fabrication and other marine services.

As an integrated offshore service provider, we operate out of the UAE serving primarily customers in the Middle East and India. We operate through our subsidiaries, Atlantic Maritime Group FZE, which is based in Hamriyah Freezone, Sharjah, as well as Atlantic Ship Management LLC.

Over the years, our dedicated services has enabled us to establish strong and stable relationships with various leading oil companies, contractors, survey companies, ship owners, ship yards and charterers in the region. We

count amongst our customers leading companies in the oil and gas industry, such as Abu Dhabi Marine Operating Company (ADMA-OPCO), BGP Arabia Co. Ltd, Bunduq Oil Company, Fugro, Global Industries Offshore LLC., J Ray McDermott M.E Inc., Larsen & Toubro Limited, Maersk Oil, MUSC FZE, UTEC Survey, Zakum Development Company (ZADCO), and Wintershall.

Our business activities can be broadly segmented into two (2) operating divisions, which are vertically integrated to provide a one-stop solution to our customers:-

Marine Logistics Services (“MLS”)

The MLS division provides ship chartering as well as technical management services principally for the offshore oil and gas and marine construction industries in the Middle East and India. Our MLS division is supported by our own fleet of 13 vessels, which comprise a variety of AHT, AHTS, jack-up accommodation barges, barges, tugs vessels and supply vessels, in addition to the vessels from our exclusively managed fleet. We also cross charter vessels from third parties to serve the specific tonnage, duration and technical needs of our customers.

In relation to the oil and gas industry, we provide a range of services spanning the different phases of the oil and gas cycle, namely, in the exploration, construction and development, production and post-production phases.

The MLS division is the main business segment in our business, consistently contributing to more than 90% of our revenues for the past four (4) years. The MLS division accounted for approximately 91% of the Group’s revenue in FY2012.

Ship Repair, Fabrication and other Marine Services (“SRM”)

Our SRM division provides afloat and drydock repair and maintenance services, including mechanical works, electrical works, air-conditioning works, steel works, blasting and painting and carpentry, which is supported by the workshop facilities at our premises at Hamriyah Free Zone to customers in the shipping industry and vessels utilised in our marine logistics services as part of our strategy to provide a vertically integrated service.

Our SRM division accounted for approximately 9% of the Group’s revenue in FY2012.



CHAIRMAN'S STATEMENT

Dear Valued Shareholders

On behalf of the Board and Management, I am pleased to present the results of Atlantic Navigation Holdings (Singapore) Limited (the "Company" and together with its subsidiaries and associated companies, the "Group") for the financial year ended 31 December 2012 ("FY2012").

FY2012 was an eventful year for the Company. With the completion of the Reverse Acquisition, the Company changed its name to Atlantic Navigation Holdings (Singapore) Limited, which positioned the Group as an integrated offshore marine logistics and repair services business operating out of the United Arab Emirates. The old steel business of the Group was disposed off. We also successfully completed a share placement exercise raising US\$8.8 million.

Established in 1997, our MLS division ("**MLS**") provides logistics services to the marine and oil and gas sector in the Middle East. The MLS division is supported by our own fleet of 13 vessels and cross chartering and management of third party vessels. Our SRM division ("**SRM**") provides repair and maintenance services to vessels under the care of our MLS division as well as third party vessels.

Financial Performance

For FY2012, we reported revenue of US\$35.3 million, which was 13.1% lower than FY2011. Our MLS division's revenue was US\$32.2 million was 15.6% lower versus FY2011 while the SRM division achieved a healthy increase in revenue to US\$3.1 million. The lower revenue for our MLS division as compared to FY2011 was mainly due to the reduced capacity as a result of the sale of two of our older vessels in Q1 FY2012 and a lower utilisation rate for one of our older vessels. Nevertheless, overall vessel utilisation rate for FY2012 was high at 90.5%. Group net profit after tax was



CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

US\$0.6 million after taking into account non-operating expenses related to the Reverse Acquisition of US\$ 5.4 million. Excluding the expenses incurred for the Reverse Acquisition, the Group's net profit would have been US\$6.0 million as compared to the Group's net profit of US\$7.6 million in FY2011 (which excludes one-time gains of US\$3.7 million).

We generated positive cashflows from operating activities of US\$20.3 million which, together with the net proceeds from share placement of US\$8.8 million, enabled us to fund part of the acquisition costs of two vessels amounting to US\$23.5 million. The Group ended FY2012 with a strong cash position of US\$7.5 million.

In line with the Group's continuous fleet upgrading program, we disposed of 2 old vessels and took delivery of a new-build Anchor Handling Tug in Q1 FY2012. In the second half of the year we purchased a jack-up rig for conversion to a jack-up accommodation barge. The modification was completed in January 2013 and the vessel is now deployed on a 2 year contract with an Abu Dhabi oil company, with the option for a 1 year extension to the contract. The Group has also begun new marketing and business development initiatives in 2012 which resulted in our securing more long-term charters and diversifying from our traditional markets. Our firm charters as at the end of FY2012 stood at US\$31.7 million, substantially higher than the US\$10.1 million as at the end of FY2011. We have also made our first successful foray into the African market.

Outlook and Prospects

2012 has been a stable year. The Middle East continues to be one of the world's most active offshore regions. The Directors believe that spending in the Middle East is expected to rise in 2013. The sustained high price of oil has encouraged continued investment and enhancement of existing fields. However, charter rates for some vessels may face some downward pressure due to the anticipated delivery of new capacity in 2013.

Against this environment, the Group sees opportunities for growth and is continuing with its plan to renew and grow its fleet to capitalise on opportunities in the industry. We will continue to invest in specialised vessels that meet the unique demands of the region. We are also exploring projects in West Africa. There are also opportunities in new businesses synergistic with our core capabilities.

Our strategic focus is to renew, grow and optimise our fleet and capabilities so as to build a quality stream of recurrent income. We have also converted three charters to long term charters, including the two new vessels we purchased during the year, and this should further improve our utilisation rate in 2013. The new jack-up accommodation barge has been successfully refurbished and deployed in January 2013 under a two year charter agreement, with the option for a one year extension to the agreement. We expect these firm contracts to have a positive impact on our performance in 2013. To support the Group's growth initiatives, we are also taking steps to build up our human resource to cater for our planned fleet expansion and wider market coverage.

I would like to thank the members of the Board and our advisors for their guidance and support. I would also like to recognise the hard work and dedication of all members of the management and staff, who are the true assets of the Group.

Mr Wong Siew Cheong

*Executive Chairman
and Chief Executive Officer*

BOARD OF DIRECTORS



Mr Eu Lee Koon

Mr Wong Siew Cheong

Mr Lee Kah Hoo

Mr Goh Boon Chye

Mr Tong Choo Cherng

Mr Wong Siew Cheong
Executive Chairman
and Chief Executive Officer

Mr Wong was appointed to the Board on 31 July 2012 and is responsible for the strategic planning and development of the Group's business and spearheading the expansion and growth of the Group. Mr Wong is the founder of the Group and has more than thirty years experience in the marine chartering and shipbuilding, repair, fabrication and maintenance business. Prior to establishing the Group, Mr Wong served as general manager of Selat Marine Service Co. Ltd. from 1991 to 1996, where he was responsible for the overall marketing, technical management and operations of their offshore vessels. Prior to joining Selat Marine Service Co. Ltd., Mr Wong was the shipyard manager at Marine Engineering Services Co (LLC) in Sharjah, UAE, where he was in charge of running the shipyard's operations and expansion program. Mr Wong has also worked with Qubaiai Int'l Est. Abu Dhabi, and the Keppel Group in Singapore.

Mr Wong graduated with a Bachelor of Mechanical Engineering from the University of Singapore in 1977.

Mr Tong Choo Cherng
Executive Director
(Finance)

Mr Tong was appointed to the Board on 31 July 2012 and is responsible for the overall financial management and administrative management of the Group. Prior to joining the Group, from March to August 2010 Mr Tong sat on the Board of Hi-P International Ltd., a company listed on the Mainboard of the SGX-ST, as an independent director and as a member of its audit committee. In August 2010, he resigned as independent director of Hi-P International Ltd., and was appointed as a senior consultant to the chief executive officer of Hi-P International Ltd, a post he held until November 2011. Mr Tong has also served as chief executive officer and executive director of mDR Limited, a company listed on the Mainboard of the SGX-ST from 2005 to 2010, and had worked in various senior management positions with Flextronics International Ltd., JIT Limited, Thomson Consumer Electronics Marketing Asia Pte. Ltd., United Circuits (HK) Ltd and United Greatwall (China) Ltd. and Motorola Electronics Pte Ltd.

Mr Tong graduated from the South West London College, Faculty of Accountancy in 1977, and is a certified accountant under the Chartered Association of Certified Accountants (UK).

BOARD OF DIRECTORS

Mr Lee Kah Hoo*Lead Independent Director*

Mr Lee was appointed to the Board on 22 August 2011 as an independent director, Chairman of the Remuneration Committee, and member of the Nominating Committee and Audit Committee. Upon the completion of the acquisition by Fastube Limited on 31 July 2012, Mr Lee was re-designated as Lead Independent Director of the Group. Mr Lee is presently a consultant to Fortis Hospitality Management Pte Ltd. Between 2010 and 2011, Mr Lee was the acting president and senior advisor of Vina Properties Development Group, a Vietnamese corporation based in Ho Chi Minh City with businesses in logistics, aviation, hospitality and property/construction. Previously, Mr Lee had worked with mDR Limited, a company listed on the Mainboard of the SGX-ST, Singapore Technologies Kinetics Ltd, and assumed various general management positions and directorships in companies within Chartered Industries and Sembawang Corporation.

Mr Lee holds a degree in mechanical engineering from the University of Singapore, a diploma in management studies from the Singapore Institute of Management and had attended the Program for Management Development at the Harvard Business School.

Mr Goh Boon Chye*Independent Director*

Mr Goh was appointed to the Board on 31 July 2012. Mr Goh is currently the managing director of MG Capital (Asia) Limited. He is also a consultant to KS Energy Services Limited, a company listed on the Mainboard of the SGX-ST. Prior to this, Mr Goh held various positions in KS Energy Services Limited between 1999 to 2010, including chief financial officer, executive director, chief operating officer, chief business development officer and managing director where his duties mainly involved overseeing financial, accounting and internal control matters. Prior to that, Mr Goh was the managing director of Ampwatts Electric Pte Ltd, and had worked in Motorola Electronics Pte Ltd, KBC Group, Malaysia, Parker Hannifin Singapore Pte Ltd. and Arthur Anderson & Company.

Mr Goh graduated from the National University of Singapore with a Bachelor of Accountancy, and is a fellow of the Singapore Institute of Certified Public Accountants. He also holds a Masters in Business Administration from Oklahoma City University.

Mr Eu Lee Koon*Independent Director*

Mr Eu was appointed to the Board on 31 July 2012. Mr Eu is currently the Chief Executive Officer of Sharjah Asset Management, a wholly-owned subsidiary of the Government of Sharjah, where he is responsible for strategic developments and directing all investment activities. Prior to that, he was the executive director of Capital Plus Pte Ltd from 2000 to 2008 and from 1997 to 2000 he was a vice president at GIC Special Investments Private Limited, which is a subsidiary of the Government of Singapore Investment Corporation, where he was responsible for the portfolio management of the global portfolio. Mr Eu had also previously worked in senior management positions with Myanmar Capital Management Pte Ltd, AIA-Waldern Management Pte Ltd, ST Aerospace Ltd. and the Ministry of Defence, Singapore.

Mr Eu graduated with a Bachelor of Engineering from the National University of Singapore in 1984 and obtained a Master of Business Administration from the same university in 1992. Mr Eu was awarded the Singapore Government Scholarship in 1980.

EXECUTIVE OFFICERS

Mr Mohammad Reza Sadeghi
Chief Operating Officer

Mr Sadeghi is the Group's Chief Operating Officer, and is responsible for the day-to-day operations of the Group. Prior to joining the Group, Mr Sadeghi was a technical operation manager of the AQUA Group in Dubai, and between 1999 and 2001, Mr Sadeghi was a technical operation manager of Irano-Hind Shipping Co., a joint venture between Islamic Republic of Iran Shipping Lines Co (IRISL) and Shipping Corporation of India. Mr Sadeghi has also held various technical and managerial roles in IRISL, including responsibility for new vessels in IRISL's Guangzhou shipyard from 1985 to 1999.

Mr Sadeghi graduated with a Bachelor of Science in Marine Engineering in 1985 from the Marine Engineering College of Calcutta, India.

Mr Wong Sek Pun
*Sales and Marketing Manager
(MLS Division)*

Mr Wong is the Group's Sales and Marketing Manager and is responsible for the sales, business development and management of clients for the Group's MLS segment. Mr Wong joined the Group as the Business Development Manager of the Group's MLS segment in 2011 and was re-designated as Sales and Marketing Manager (MLS Division) in January 2013 to focus on the Group's sales and marketing activities. Prior to joining the Group, Mr Wong was a manager of communications and design for TransGrid Australia from 2002 to 2011. Mr Wong has also held various managerial and engineering positions in PowerTel Australia, Binariang Malaysia, and Cable & Wireless Optus Pty Ltd Australia from 1994 to 2001.

Mr Wong graduated with a Bachelor of Electrical Engineering from Sydney University in 1994 and a Master of Business Administration from Deakin University in 2000.

Mr Wong is the nephew of the Group's Executive Chairman and CEO, Mr Wong Siew Cheong.

Mr Zamirul Hassan Bayezid
Group Finance Manager

Mr Bayezid joined the Group in 2002 and is the Group's Finance Manager. He is responsible for assisting the Group's Executive Director (Finance), Mr Tong Choo Cherng in managing the Group's accounting and finance functions, including the development and implementation of financial policies. Prior to joining the Group, Mr Bayezid was an independent financial controller cum functional accounting consultant to various companies based in the UAE. He has also previously worked in accounting and /or internal auditing positions for Farnek Service LLC, Arab Supply and Trading Corporation, Tabuk, Saudi Arabia, Anjuman Engineering College, Bhatkal, Karnataka, India, Fastrade International, Dubai and Gulf Furnishing Establishment, Dubai.

Mr Bayezid graduated with a Bachelor of Commerce from Bangalore University, India in 1979.

OPERATIONAL REVIEW



FINANCIAL PERFORMANCE

Our revenue of US\$35.3 million in FY2012 was 13.1% lower than FY2011 mainly due to reduced capacity in the MLS division resulting from the sale of two old vessels and lower utilisation for one of our older vessels. Revenue for the SRM division for FY2012 increased by US\$0.6 million or 25.5% compared to FY2011 mainly due to higher level of activities resulting from a general increase in vessel utilisation and stronger industry performance.

Gross profit decreased by 17.9% to US\$11.0 million mainly due to:

- a decrease in revenue contribution from the MLS division, and a lower gross profit margin resulting from the cessation of charter contracts for three (3) of the Group's vessels which carried comparatively higher charter rates in FY2011;
- an increase in crew costs in the MLS division; and
- a decrease in gross profit margin for the SRM division from 39.2% in FY2011 to 34.7% in FY2012 due to a change in the job mix.

Other income of US\$0.2million comprised mainly the claims against the delay in delivery of a vessel and gains arising from the disposal of investment securities.

Administrative expenses decreased by 13.1% to US\$3.8 million in FY2012. The decrease was in line with the decrease in our revenue.

Finance costs remained fairly consistent in FY2012 at US\$1.4 million as compared to US\$1.5 million for FY2011.

The non-operating expenses of US\$5.4 million for FY2012 were mainly expenses incurred in relation to the Reverse Acquisition.

As such, profit after tax for the Group in FY2012 was US\$0.6 million. Excluding expenses of US\$5.4 million relating to the Reverse Acquisition, the Group's net profit would have been US\$6.0 million in FY2012, as compared to the Group's net profit of US\$7.4 million in FY2011 (excluding one-time gains of US\$3.7 million).

FINANCIAL POSITION

Non-current assets increased by US\$16.5 million from US\$57.7 million as at 31 December 2011 to US\$74.2 million as at 31 December 2012 due mainly to an increase in property, vessels and equipment arising from the acquisition of a new vessel which has been deployed for operation as well as a jack-up accommodation barge. This was partially offset by the disposal of two old vessels.

OPERATIONAL REVIEW



Current assets increased by US\$7.4 million from US\$11.3 million as at 31 December 2011 to US\$18.7 million as at 31 December 2012 due mainly to an increase in trade and other receivables and an increase in cash and cash equivalents as a result of the proceeds from placement of new shares undertaken in September 2012. The increase was partially offset by a decrease in bank deposits pledged of US\$1.9 million due to the repayment of bank loans.

Non-current liabilities decreased by US\$5.1 million from US\$15.5 million as at 31 December 2011 to US\$10.4 million as at 31 December 2012 due mainly to the repayment of a term loan.

Current liabilities increased by US\$15.7 million from US\$8.8 million as at 31 December 2011 to US\$24.5 million as at 31 December 2012 due mainly to an increase in trade and other payables, which was mainly in relation to the purchase and refurbishment of jack-up accommodation barge.

Net Current Liabilities

The Group had negative working capital of approximately US\$5.8 million as at 31 December 2012 as the Group had utilised internal sources of funds for the acquisition and refurbishment of a jack-up accommodation barge. Notwithstanding the negative working capital position of the Group, the Directors believe that the Group will be able to meet its financial obligations. The Group is finalising a 4 year term loan of approximately US\$15.0 million to partially refinance the purchase and modification cost of the jack-up and accommodation barge.

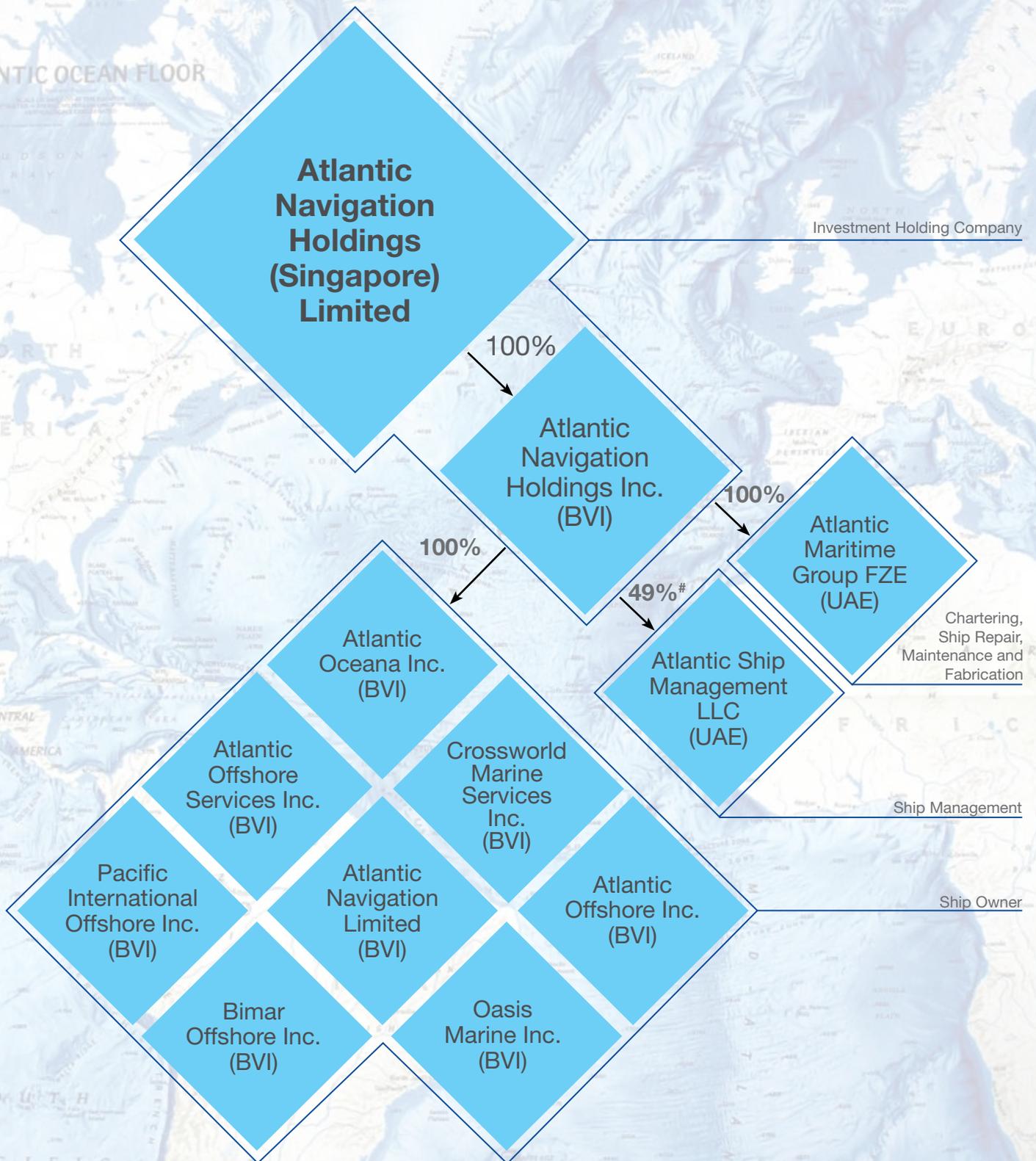
OUTLOOK

The Middle East continues to be one of the world's most active offshore regions with spending in the Middle East expected to rise in 2013. The sustained high price of oil has encouraged continued investment and enhancement of existing fields. However, charter rates for some vessels may face some downward pressure due to the delivery of new capacity in 2013.

Our strategic focus is to renew, grow and optimise our fleet so as to build a quality stream of recurrent income. We have invested in new vessels such as the jack-up accommodation barge and will continue to invest in specialised vessels that meet the unique demands of the region.

Barring unforeseen circumstances, 2013 is expected to be a better year for the Group. We have also converted three charters to long term charters and this should provide a firm support for our utilisation rates this year. Our new jack-up accommodation barge has been successfully refurbished and deployed in January 2013 under a two plus one year charter agreement. As a result, our firm charters as at the end of FY2012 stood at US\$31.7 million, substantially higher than the US\$10.1 million as at the end of FY2011 and will have a positive impact on our performance in 2013. The Group is also actively looking at opportunities outside of the Middle East, and are looking to increase our presence in Africa, where we have a vessel currently deployed.

GROUP STRUCTURE



This represents the legal interests of the Group in Atlantic Ship Management LLC. The Directors consider Atlantic Ship Management LLC a subsidiary of the Group as the Group has control over the financial and operating policies and activities of this entity.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wong Siew Cheong
Executive Chairman and CEO

Tong Choo Cherng
Executive Director (Finance)

Lee Kah Hoo
Lead Independent Director

Goh Boon Chye
Independent Director

Eu Lee Koon
Independent Director

COMPANY SECRETARIES

Chew Kok Liang
Loh Siew Lee

REGISTERED OFFICE

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BUSINESS OFFICE

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Atlantic Ship Management LLC
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No: M/1011 Building 2
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United Arab Emirates
Tel: +971 2 4453838
Fax +971 2 4453837

AUDIT COMMITTEE

Goh Boon Chye (Chairman)
Lee Kah Hoo
Eu Lee Koon

NOMINATING COMMITTEE

Lee Kah Hoo (Chairman)
Goh Boon Chye
Eu Lee Koon

REMUNERATION COMMITTEE

Eu Lee Koon (Chairman)
Wong Siew Cheong
Lee Kah Hoo
Goh Boon Chye

ATLANTIC EMPLOYEE SHARE OPTION SCHEME COMMITTEE

Eu Lee Koon (Chairman)
Wong Siew Cheong
Tong Choo Cherng

ATLANTIC PERFORMANCE SHARE PLAN COMMITTEE

Eu Lee Koon (Chairman)
Wong Siew Cheong
Tong Choo Cherng

ATLANTIC RESTRICTED SHARE PLAN COMMITTEE

Eu Lee Koon (Chairman)
Wong Siew Cheong
Tong Choo Cherng

KEY EXECUTIVES

Mohammad Reza Sadeghi
Chief Operating Officer

Wong Sek Pun
Sales and Marketing Manager (MLS Division)

Zamirul Hassan Bayezid
Group Finance Manager

SHARE REGISTRARS

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-Charge: Max Loh Khum Wai
(Appointed on 20 July 2012)

PRINCIPAL BANKERS

Standard Chartered Bank



CORPORATE GOVERNANCE REPORT

Atlantic Navigation Holdings (Singapore) Limited (“**Atlantic**” or the “**Company**”) is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (collectively, the “**Group**”).

The Company believes that it is in compliance in all material respects with the principles and guidelines as set out in the Singapore Code of Corporate Governance 2005 (the “**Code**”) and the requirements of the SGX-ST Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) and has, where appropriate, put in place effective self-regulatory corporate practices to protect its shareholders’ interests and enhance long-term shareholders’ value.

A. BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and Management remains accountable to the Board.

The primary role of the board of directors (the “**Board**”) is to lead and control the Company’s operations and affairs and to protect and enhance shareholders’ value. The Board establishes the corporate strategies of the Group and oversees the management of the Group’s business. The Board also ensures that the necessary resources are in place for the Company to meet its objectives.

The principal functions of the Board are:-

- Reviewing the financial results of the Group, internal controls and external audit;
- Reviewing and approving the remuneration packages for the Board;
- Identifying principal risks of the Group’s business, ensuring the implementation of appropriate systems to manage these risks;
- Approving corporate strategies;
- Approving major funding proposals;
- Approving and monitoring major investments, divestments, acquisition and disposal of assets; and
- Assuming responsibility for corporate governance.

The Board objectively takes decisions in the interests of the Company. To assist in the efficient and effective discharge of its duties and responsibilities, the Board has established the Audit Committee (“**AC**”), Remuneration Committee (“**RC**”) and Nominating Committee (“**NC**”). These committees operate within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The Board conducts regular scheduled meetings at least four (4) times a year to review the strategic policies of the Group, significant business transactions, performance of the business and approve the release of the quarterly and year-end results. As and when required, ad-hoc Board meetings are also held to address significant transactions or issues that may arise.

Our Board was re-constituted following the completion of the acquisition by Fastube Limited on 31 July 2012.

CORPORATE GOVERNANCE REPORT

Details of Board and Board Committee meetings held during the financial year ended 31 December 2012 (“FY2012”) and members’ attendance are summarized in the table below:

Meetings	Board	Board Committees		
		Audit	Nominating	Remuneration
Total held in FY2012	3[#]	3[#]	1[#]	1[#]
	Number of meetings attended			
<i>Board and Board Committee meetings held after 31 July 2012</i>				
Wong Siew Cheong ⁽¹⁾	1	1*	–	–
Tong Choo Cherng ⁽²⁾	1	1*	–	–
Lee Kah Hoo ⁽³⁾	1	1	–	–
Goh Boon Chye ⁽⁴⁾	1	1	–	–
Eu Lee Koon ⁽⁵⁾	1	1	–	–
<i>Board and Board Committee meetings held from 1 January 2012 to 31 July 2012</i>				
Gong Haitao ⁽⁶⁾	1	1	1	1
Gong Yucai ⁽⁶⁾	2	2*	1*	1*
Koh Kiat Huat ⁽⁶⁾	2	2*	1*	1*
Lim Chin Tong ⁽⁶⁾	2	2	1	1
Lee Kah Hoo ⁽³⁾	2	2	1	1

Notes:

- (1) Mr Wong Siew Cheong was appointed as Executive Chairman and Chief Executive Officer (“CEO”) on 31 July 2012 following the completion of the acquisition by Fastube Limited on 31 July 2012.
 - (2) Mr Tong Choo Cherng was appointed as Executive Director (Finance) on 31 July 2012 following the completion of the acquisition by Fastube Limited on 31 July 2012.
 - (3) Mr Lee Kah Hoo was re-designated as Lead Independent Director and Chairman of the Nominating Committee, and a member of the Audit Committee and Remuneration Committee with effect from 31 July 2012, following the completion of the acquisition by Fastube Limited on 31 July 2012.
 - (4) Mr Goh Boon Chye was appointed as Independent Director, Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee on 31 July 2012, following the completion of the acquisition by Fastube Limited on 31 July 2012.
 - (5) Mr Eu Lee Koon was appointed as Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee on 31 July 2012, following the completion of the acquisition by Fastube Limited on 31 July 2012.
 - (6) Mr Gong Haitao, Mr Gong Yucai, Mr Koh Kiat Huat and Mr Lim Chin Tong had resigned as Directors of the Company with effect from 31 July 2012. No remuneration were payable to Mr Gong Haitao, Mr Gong Yucai and Mr Koh Kiat Huat for FY2012. The amount of Director’s fee payable to Mr Lim Chin Tong for FY2012 was S\$18,083.88.
- # One (1) Board meeting and one (1) Audit Committee meeting was held by the re-constituted Board subsequent to completion of the acquisition by Fastube Limited on 31 July 2012.
- * By invitation.

Directors are kept informed on the relevant new laws, regulations and changing commercial risks, from time to time. Newly appointed directors would be provided with background information on the Group’s history, business operations and policies.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this report, the Board consists of five (5) Directors, three (3) of whom are independent:

Mr Wong Siew Cheong ⁽¹⁾	Executive Chairman & CEO
Mr Tong Choo Cherng ⁽²⁾	Executive Director (Finance)
Mr Lee Kah Hoo ⁽³⁾	Lead Independent Director
Mr Eu Lee Koon ⁽⁴⁾	Independent Director
Mr Goh Boon Chye ⁽⁵⁾	Independent Director

Notes:

- (1) Mr Wong Siew Cheong was appointed as Executive Chairman and CEO on 31 July 2012.
- (2) Mr Tong Choo Cherng was appointed as Executive Director (Finance) on 31 July 2012.
- (3) Mr Lee Kah Hoo was re-designated as Lead Independent Director on 31 July 2012.
- (4) Mr Eu Lee Koon was appointed as Independent Director on 31 July 2012.
- (5) Mr Goh Boon Chye was appointed as Independent Director on 31 July 2012.

The NC reviews the independence of directors on an annual basis. The Board is of the view that there is a good balance between the executive and non-executive directors and a strong and independent element on the Board.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning.

The Board, taking into account the scope and nature of the operations of the Group, is of the view that its current size of five (5) directors and the composition is appropriate to meet the Company's objectives.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr Wong Siew Cheong is the Group's Executive Chairman and CEO who is responsible for providing guidance on the corporate and business direction of the Group, scheduling and chairing of Board meetings, monitoring the quality, quantity and timeliness of information flow between the Board and the management, as well as managing the day-to-day operations of the Group with the help of senior management. Mr Wong is the founder of the Group and has played a key role in developing the Group's business. Through the Group's successful development in these few years, Mr Wong has demonstrated his vision, strong leadership and enthusiasm in the Group's business.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Three out of five of the Board members are Independent Directors and all the Board committees are chaired by the Independent Directors. As such, the Board believes that there is a good balance of power and authority within the Board and no individual or small group can dominate the Board's decision-making process.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The NC comprises three (3) members, all of whom, including the Chairman, are Independent Directors. The members of the NC are:

Mr Lee Kah Hoo	Chairman	Lead Independent Director
Mr Eu Lee Koon	Member	Independent Director
Mr Goh Boon Chye	Member	Independent Director

The NC is governed by its written terms of reference. The principal functions of the NC are:

- (a) to make recommendations to the Board on the appointment of new executive and non-executive directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board;
- (b) to determine the process for search, nomination, selection and appointment of new board members and be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;
- (c) to be responsible for assessing the effectiveness of the Board as a whole. The results of the performance evaluation will be reviewed by the Chairman and the assessment process shall be disclosed annually;
- (d) to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple Board representations; and
- (e) to determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company should disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The NC may at its discretion determine a Director as non-independent even if he has no business or, other relationships with the Company, its related companies or its officers.

The NC has also put in place a process for selection and appointment of new Directors. In selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, experience, commitment and ability to contribute to the Board process and such qualities and attributes that may be required by the Board.

The Company's Articles of Association requires at least one-third of the directors to retire by rotation at every Annual General Meeting ("AGM") and a retiring director is eligible for re-election by the shareholders of the Company at the AGM. A newly appointed director can only hold office until the next AGM and then be eligible for re-election. In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also their time and efforts devoted to the Group's business and affairs, especially the operational and technical contributions.

Mr Tong Choo Cherng, Mr Goh Boon Chye and Mr Eu Lee Koon are due to retire in accordance with Article 88 of the Company's Articles of Association and Mr Lee Kah Hoo under Article 89 of the Company's Articles of Association respectively at the Company's forthcoming AGM and will be eligible for re-election.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or re-nomination as Director.

Key information regarding the directors is provided on pages 6 and 7 of the Annual Report.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC examines its size to satisfy that it is appropriate for effective decision making, taking into account the nature and scope of the Company's operations.

The NC is of the view that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively. The NC, with the participation of the Executive Directors, reviewed and discussed the performance of the Board during the year, and where improvements might be necessary to enhance the effectiveness of the Board.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

The Board has independent and separate access to Management at all times in carrying out their duties. Management provides the Board with adequate and timely information and updates on initiatives and developments for the Group's business whenever possible.

For subjects that require the Board's decision, relevant members of management are invited to brief the Directors at the board and board committee meetings. Periodic financial reports, budgets, forecasts, material variance reports, disclosure documents are provided to the Board, where appropriate, prior to the Board meeting.

At least one of the Company Secretaries or their representatives attends all Board meetings and Board committee meetings to ensure that Board procedures are followed and that applicable rules and regulations are complied with. The Board may, either individually or as a group, seek independent professional advice in furtherance of their duties, if necessary, at the Company's expense.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

As at the date of this report, the RC comprises four (4) members, with a majority of whom, including the Chairman, are Independent Directors:

Mr Eu Lee Koon	Chairman	Independent Director
Mr Lee Kah Hoo	Member	Lead Independent Director
Mr Goh Boon Chye	Member	Independent Director
Mr Wong Siew Cheong	Member	Chairman and CEO

The RC is governed by its written terms of reference, which sets out its responsibilities:

- (a) to review and recommend to the Board a framework of remuneration and to determines specific remuneration packages and terms of employment for each Director, the CEO, senior management of the Group and employees related to directors or, controlling shareholders of the Group; and
- (b) as part of its review, the RC shall ensure that:
 - i. all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;
 - ii. the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual directors' and senior management's performance; and

CORPORATE GOVERNANCE REPORT

- iii. The remuneration package of employees related to directors or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

Each member of the RC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. When necessary, the RC may seek independent professional advice on remuneration matters at the expense of the Company.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the RC considers the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual director. Directors' fees are recommended by the Board for approval at the Company's AGM.

The Executive Directors do not receive Directors' fees. The remuneration for the Executive Directors and the key senior executives comprise a basic salary component and a variable component, an annual bonus, based on the performance of the Group as well as their individual performance.

A new service agreement was entered into with the CEO for an initial term of three (3) years ("**Service Agreement**"). The CEO appointment shall automatically continue for a further period of one (1) year until terminated by either party giving not less than three (3) months' notice in writing to the other in accordance with the provisions of the Service Agreement.

Annual reviews of the remuneration of the CEO and key executives are carried out by the RC to ensure that their remuneration is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The level and mix of each individual Director's remuneration band for the year ended 31 December 2012 is as follows:

	Directors' fees	Salary	Bonus	Other Benefits	Total
Above S\$250,000					
Wong Siew Cheong	–	100%	–	–	100%
Below S\$250,000					
Tong Choo Cherng	–	100%	–	–	100%
Lee Kah Hoo	100%	–	–	–	100%
Goh Boon Chye	100%	–	–	–	100%
Eu Lee Koon	100%	–	–	–	100%
Lim Chin Tong	100%	–	–	–	100%
Gong Haitao	–	–	–	–	–
Gong Yucai	–	–	–	–	–
Koh Kiat Huat	–	–	–	–	–

CORPORATE GOVERNANCE REPORT

For the financial year ended 31 December 2012, the remuneration of the key executives of the Group were as follows:

Above S\$250,000

Steve Addison⁽¹⁾ Chief Financial Officer

Below S\$250,000

Mohammad Reza Sadeghi Chief Operating Officer
Wong Sek Pun Business Development Manager
Zamirul Hassan Bayezid Group Finance Manager

Note:

(1) Ceased being an employee of the Group in FY2012.

Mr Wong Sek Pun is the nephew of Mr Wong Siew Cheong, the Company's Chairman and CEO. There was no employee of the Group who are immediate family members of a Director or the CEO.

In developing long-term incentive schemes, the Company's main objectives are to provide its employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key senior management and employees. In line with these objectives, the Company has on 18 November 2008, implemented the Atlantic Employee Share Option Scheme, Atlantic Performance Share Plan and Atlantic Restricted Share Plan. The Company believes that these long-term incentive schemes will align the interests of its employees with those of its shareholders.

There were no options or awards granted in FY2012. Further information on the Atlantic Employee Share Option Scheme, Atlantic Performance Share Plan and Atlantic Restricted Share Plan are set out in the Directors' Report on pages 24 to 27 of this Annual Report.

C. ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Company provides information pertaining to the operations, performance and financial position of the Group to all shareholders through SGXNET and the Company's Annual Report.

In presenting the annual financial statements and quarterly results to shareholders, the Board ensures that there are detailed analyses, explanations and assessments made on the Group's financial performance, position and prospects.

The Directors may seek independent professional advice and receive relevant training whenever applicable so as to maintain continuing standards and vigilance.

Audit Committee

Principle 11: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC performs its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50 and the requirements of the Catalyst Rules.

The AC comprises three (3) members, all of whom, including the Chairman, are independent. The members are:

Mr Goh Boon Chye	Chairman	Independent Director
Mr Lee Kah Hoo	Member	Lead Independent Director
Mr Eu Lee Koon	Member	Independent Director

CORPORATE GOVERNANCE REPORT

The AC members have many years of experience in senior management positions and have sufficient financial management expertise to discharge their responsibilities.

The AC meets at least four times a year and as and when deemed appropriate to carry out its functions.

The AC assists the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and in developing and maintaining effective systems of internal controls.

The AC is governed by its written terms of reference. The principal functions of AC are as follows:

- (a) to review with the external auditors the audit plan (including the nature and scope of the audit before the audit commences), their evaluation of the system of internal controls, their audit report, their management letter and Management's response;
- (b) to review the quarterly and annual financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards, compliance with stock exchange and statutory/regulatory requirements, any significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and all announcements relating to the Company's financial performance;
- (c) to review the adequacy of the Company's internal financial controls, operational and compliance controls and risk management policies and systems;
- (d) to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;
- (e) to consider the appointment/re-appointment of the external auditors, the audit fee and matters relating to the resignation or dismissal of the auditors;
- (f) to review interested person transactions (IPTs) falling within the scope of the Catalist Rules;
- (g) to undertake such other reviews and projects as may be requested by the Board; and
- (h) to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has put in place a whistle-blowing policy whereby employees may in confidence, report possible improprieties which may cause financial or non-financial loss to the Company.

The AC has full access to and co-operation from Management and full discretion to invite any director or executive officer to attend its meetings, and has been given resources to enable the AC to discharge its functions properly. The external auditors have unrestricted access to the AC.

The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP, in FY2012, was US\$75,000 comprising approximately US\$61,000 of audit fees and US\$14,000 of non-audit fees. The AC confirms that it has undertaken a review of all the non-audit services provided by the Company's external auditors during the year and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors.

The Company has complied with Rules 712 and 715 of the Catalist Rules.

CORPORATE GOVERNANCE REPORT

Internal Audit and Internal Controls

Principle 12: The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Company's internal auditors are Horwath MAK, a member firm of Crowe Horwath International. Horwath MAK reports directly to the Chairman of the AC. The main objective of the internal audit function is to assist the Group in evaluating and testing the effectiveness of internal controls and to reduce the risk that the Group might not achieve its business objectives.

The Board notes that all internal control systems contain inherent limitations and no system of internal controls or risk management could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, the Board with the concurrence of the AC is satisfied with the adequacy of the Group's internal controls, addressing financial, operational and compliance risks.

Risk Management

Management, headed by the CEO, regularly reviews the Group's operations and activities to identify areas of risks as well as implement appropriate measures to control and mitigate these risks. Significant matters will be reported to the AC and the Board.

The Group's financial risk management is discussed under Note 29 of the Notes to the Financial Statements and pages 69 to 73 of the Annual Report.

D. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

The Company is committed to regular and proactive communication with its shareholders. It is the Board's policy that the shareholders be informed of the major developments that impact the Group.

Information is communicated to shareholders on a timely basis through:

- (a) SGXNet releases and press releases;
- (b) annual reports that are prepared and issued to all shareholders; and
- (c) quarterly and annual financial statements containing a summary of the financial information and affairs of the Group for the period.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are encouraged to attend the Company's AGM to clarify issues and to share their opinions or concerns. The Board, including the Chairmen of the AC, NC and RC, external auditors and Management will normally be in attendance to address shareholders' queries.

Risk Management Policies and Processes

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

CORPORATE GOVERNANCE REPORT

The management regularly reviews the Group's business and operational activities to identify areas of business risks and the appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board for further discussion. The Board also works with the external auditors on their recommendations and institutes and executes relevant controls with a view to managing business risks.

Dealing in Securities

In compliance with Rule 1204(19) of the Catalist Rules, the Company has in place a policy prohibiting share dealings by officers of the Company for the period of two (2) weeks prior to the announcement of the Company's quarterly results and one (1) month prior to the announcement of the full year results as the case may be, and ending on the date of the announcement of the relevant results. Directors and employees who are in possession of unpublished material price-sensitive information of the Group should not deal in the Company's securities on short term considerations. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

Non-Sponsor Fees

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Sponsor, Canaccord Genuity Singapore Pte. Ltd., subsequent to the completion of the acquisition by Fastube Limited on 31 July 2012 to the date of printing of this annual report. The fees paid to the Sponsor in FY2012 for acting as Financial Adviser to the Company in relation to the Reverse Acquisition was US\$213,776.

Interested Person Transactions

The Company has established review and approval procedures to ensure that interested person transactions entered into by the Group are conducted on normal terms and are not prejudicial to the interests of shareholders.

The AC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are entered on normal terms and are not prejudicial to the interests of shareholders.

The aggregate values of IPTs entered into as at financial year ended 31 December 2012 were as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	USD'000	USD'000
Atlantic Offshore Services LLC	-	177
Atlantic Marine Services LLC	-	628
Sealantic FZE	6,205	-

CORPORATE GOVERNANCE REPORT

Material Contracts

On 2 July 2012, the Company's Executive Chairman and CEO, Mr Wong Siew Cheong, had provided a loan amounting to US\$2,000,000 to Atlantic Maritime Group FZE, the Group's wholly owned subsidiary. The loan is unsecured and bears interest at 2.5% per annum and is repayable on demand.

Use of Placement Proceeds

As at the date of the Auditors' report, the Group has utilised S\$8.6 million out of net proceeds from its placement of S\$8.8 million for the expansion of the Group's fleet and for general working capital purposes. This is in accordance with the stated use and percentages allocated as stated on page 37 of the Circular to Shareholders dated 27 June 2012.

The Company will make periodic announcements on the use of the balance net proceeds as and when the funds are materially disbursed.

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Atlantic Navigation Holdings (Singapore) Limited (the Company) and its subsidiaries (collectively, the Group) for the financial year ended 31 December 2012 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2012.

1. Directors

The directors of the Company in office at the date of this report are:

Wong Siew Cheong	Executive Chairman and CEO
Tong Choo Cherng	Executive Director (Finance)
Lee Kah Hoo	Lead Independent Director
Eu Lee Koon	Independent Director
Goh Boon Chye	Independent Director

2. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At the date of appointment	At the end of financial year	At the date of appointment	At the end of financial year
<i>Ordinary shares of the Company</i>				
Wong Siew Cheong	173,000,000	173,000,000	33,375,000	33,375,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2013.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

4. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the 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.

DIRECTORS' REPORT

5. Share plans

In developing long-term incentive schemes, the Company's main objectives are to provide its employees an opportunity to participate in the equity of the Company and to enhance its competitive edge in attracting, recruiting and retaining talented key senior management and employees. In line with these objectives, the Company has adopted the following schemes:

Atlantic Employee Share Option Scheme ("Atlantic ESOS")

The Company has adopted the Atlantic ESOS, which was approved by shareholders at the Extraordinary General Meeting held on 18 November 2008. Under the Scheme, the number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company but subject to the aggregate number of shares available under all schemes (including Atlantic ESOS, Atlantic PSP (as defined herein) and Atlantic RSP (as defined herein)) not exceeding 15% of total number of issued shares, from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. The Atlantic ESOS was last renewed on 27 April 2012. As at the date of this report, no options have been granted under the Atlantic ESOS.

Atlantic Performance Share Plan ("Atlantic PSP")

The Company has adopted the Atlantic PSP, which was approved by the shareholders at the Extraordinary General Meeting held on 18 November 2008. Under the Scheme, the number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company but subject to the aggregate number of shares available under all schemes (including Atlantic ESOS, Atlantic PSP and Atlantic RSP (as defined herein)) not exceeding 15% of total number of issued shares, from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. The Atlantic PSP was last renewed on 27 April 2012. As at the date of this report, no performance shares have been granted under the Atlantic PSP.

Atlantic Navigation Restricted Share Plan ("Atlantic RSP")

The Company has adopted the Atlantic RSP, which was approved by shareholders of the Company at the Extraordinary General Meeting held on 18 November 2008. Under the Scheme, the number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company but subject to the aggregate number of shares available under all schemes (including Atlantic ESOS, Atlantic PSP and Atlantic RSP) not exceeding 15% of total number of issued shares, from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. The Atlantic RSP was last renewed on 27 April 2012. The details of the share awards are as follows:

Date of grant	Number of performance shares/awards	Market price	Vesting period
6 May 2009	1,718,000	S\$0.165	5 years

At the date of this report, the committee which administers the Atlantic ESOS, Atlantic PSP and Atlantic RSP comprises Mr. Eu Lee Koon, Mr. Wong Siew Cheong and Mr. Tong Choo Cherg.

DIRECTORS' REPORT

5. Share plans (cont'd)

The details of awards granted to employees who received 5% or more of the total awards available under Atlantic RSP are as follows:

Name of participants	Awards granted during the financial year	Aggregate awards granted since commencement of scheme to 31.12.12	Aggregate awards exercised since commencement of scheme to 31.12.2012	Aggregate awards forfeited since commencement of scheme to 31.12.2012	Aggregate awards outstanding as at 31.12.2012
Various ⁽¹⁾	–	1,718,000	–	1,718,000 ⁽²⁾	–

(1) The awards were granted to various employees and key management personnel of the Company and its subsidiaries prior to the completion of the Reverse Acquisition of the Company on 31 July 2012.

(2) 470,000 awards outstanding as at 31 December 2011 were forfeited pursuant to the resignation of the respective employees in the financial year ended 31 December 2012. There were no awards outstanding as at 31 December 2012.

There were no awards granted to the directors, controlling shareholders and their associates of the Company since the commencement of the Atlantic RSP to the end of the financial year under review.

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2012, there are no options on the unissued shares of the Company or its subsidiaries which were outstanding.

6. Audit committee

The members of the Audit Committee ("AC") at the date of this report are:

Goh Boon Chye (Chairman)	Independent Director
Lee Kah Hoo (Member)	Lead Independent Director
Eu Lee Koon (Member)	Independent Director

The AC carried out its functions in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. The functions performed and further details are set out in the Corporate Governance Report.

The AC has nominated Ernst & Young LLP for re-appointment as auditor of the Company at the forthcoming Annual General Meeting.

DIRECTORS' REPORT

7. Independent auditor

The independent auditor, Ernst & Young LLP, has expressed their willingness to accept re-appointment as auditor of the Company.

On behalf of the board of directors:

Wong Siew Cheong
Executive Chairman and CEO

Tong Choo Cherng
Executive Director (Finance)

28 March 2013

STATEMENT BY DIRECTORS

We, Wong Siew Cheong and Tong Choo Cherng, being two of the directors of Atlantic Navigation Holdings (Singapore) Limited, do hereby state that, in the opinion of the directors:

- (i) the accompanying statements of financial position, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Wong Siew Cheong
Executive Chairman and CEO

Tong Choo Cherng
Executive Director (Finance)

28 March 2013

INDEPENDENT AUDITOR'S REPORT

to the Members of Atlantic Navigation Holdings (Singapore) Limited

Report on the financial statements

We have audited the accompanying financial statements of Atlantic Navigation Holdings (Singapore) Limited (the "Company") and its subsidiaries (collectively, the "Group"), set out on pages 30 to 76, which comprise the statements of financial position of the Group and the Company as at 31 December 2012, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of a true and fair profit and loss account and balance sheets and to maintain accountability of assets.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2012

(Amounts expressed in United States Dollars)

	Note	2012 US\$'000	2011 US\$'000
Revenue	4	35,347	40,677
Cost of services		(24,341)	(27,273)
Gross profit		11,006	13,404
Other income	5	235	3,866
Other items of expense			
Marketing and distribution expenses		(48)	(113)
Administrative expenses		(3,787)	(4,357)
Finance costs	6	(1,427)	(1,454)
Other operating expenses	7	–	(90)
Non-operating expenses	8	(5,369)	–
Profit before tax	9	610	11,256
Income tax expense	10	–	–
Profit for the year attributable to owners of the Company		610	11,256
Other comprehensive income:			
Gain/(loss) on fair value changes in derivatives	18	318	(618)
Total comprehensive income for the year attributable to owners of the Company		928	10,638
Earnings per share attributable to owners of the Company (US\$ cents)			
Basic and diluted	11	0.25	4.93

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2012

(Amounts expressed in United States Dollars)

	Note	Group		Company		
		31.12.2012 US\$'000	31.12.2011 US\$'000	31.12.2012 US\$'000	31.12.2011 US\$'000 (Restated)	1.1.2011 US\$'000 (Restated)
ASSETS						
Non-current assets						
Property, vessels and equipment	12	74,048	57,325	–	2	3
Investment in subsidiaries	13	–	–	66,741	–	–
Prepayments		178	283	–	–	–
Investment securities	14	–	123	–	–	–
		<u>74,226</u>	<u>57,731</u>	<u>66,741</u>	<u>2</u>	<u>3</u>
Current assets						
Inventories	15	230	535	–	–	–
Trade and other receivables	16	10,281	7,590	7,894	40	121
Prepayments		565	129	–	1	–
Cash and cash equivalents	17	7,493	1,019	814	25	3
Bank deposits pledged	17	136	2,055	–	–	–
		<u>18,705</u>	<u>11,328</u>	<u>8,708</u>	<u>66</u>	<u>124</u>
Total assets		<u>92,931</u>	<u>69,059</u>	<u>75,449</u>	<u>68</u>	<u>127</u>
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables	21	18,126	2,039	147	2,715	2,105
Other liabilities	22	1,242	951	61	–	–
Derivatives	18	215	296	–	–	–
Loans and borrowings	19	4,904	5,488	–	–	–
		<u>24,487</u>	<u>8,774</u>	<u>208</u>	<u>2,715</u>	<u>2,105</u>
Net current (liabilities)/assets		<u>(5,782)</u>	<u>2,554</u>	<u>8,500</u>	<u>(2,649)</u>	<u>(1,981)</u>
Non-current liabilities						
Other payable	21	–	–	–	2,558	2,471
Provisions	20	486	484	–	–	–
Derivatives	18	85	322	–	–	–
Loans and borrowings	19	9,809	14,713	–	–	–
		<u>10,380</u>	<u>15,519</u>	<u>–</u>	<u>2,558</u>	<u>2,471</u>
Total liabilities		<u>34,867</u>	<u>24,293</u>	<u>208</u>	<u>5,273</u>	<u>4,576</u>
Net assets/(liabilities)		<u>58,064</u>	<u>44,766</u>	<u>75,241</u>	<u>(5,205)</u>	<u>(4,449)</u>

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2012

(Amounts expressed in United States Dollars)

	Note	Group		31.12.2012 US\$'000	Company	
		31.12.2012 US\$'000	31.12.2011 US\$'000		31.12.2011 US\$'000 (Restated)	1.1.2011 US\$'000 (Restated)
Equity attributable to owners of the Company						
Share capital	23	12,370	–*	85,534	10,289	10,289
Other reserves	24	(41)	(359)	–	632	701
Retained earnings/(accumulated losses)		45,735	45,125	(10,293)	(16,126)	(15,439)
Total equity		<u>58,064</u>	<u>44,766</u>	<u>75,241</u>	<u>(5,205)</u>	<u>(4,449)</u>
Total equity and liabilities		<u>92,931</u>	<u>69,059</u>	<u>75,449</u>	<u>68</u>	<u>127</u>

* Less than US\$1,000

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2012

(Amounts expressed in United States Dollars)

Group	Attributable to owners of the Company			
	Equity, total US\$'000	Share capital (Note 23) US\$'000	Other reserves (Note 24) US\$'000	Retained earnings US\$'000
Balance at 1 January 2012	44,766	– *	(359)	45,125
Profit for the year	610	–	–	610
<u>Other comprehensive income</u>				
Gain on fair value changes in derivatives	318	–	318	–
Total comprehensive income for the year	928	–	318	610
<u>Contributions by and distributions to owners</u>				
Consideration shares issued in relation to the reverse acquisition	3,657	3,657	–	–
Issuance of shares for compliance placement	8,842	8,842	–	–
Issuance of shares as consideration for compliance placement fees	1,544	1,544	–	–
Shares issuance expenses	(1,673)	(1,673)	–	–
Total transactions with owners in their capacity as owners	12,370	12,370	–	–
Balance at 31 December 2012	58,064	12,370	(41)	45,735
Balance as at 1 January 2011	42,783	218	150	42,415
Profit for the year	11,256	–	–	11,256
<u>Other comprehensive income</u>				
Loss on fair value changes in derivatives	(618)	–	(618)	–
Total comprehensive income for the year	10,638	–	(618)	11,256
<u>Contributions by and distributions to owners</u>				
Adjustment pursuant to the Restructuring Exercise, representing total contributions by and distributions to owners (Note 12)	(8,655)	(218)	109	(8,546)
Balance at 31 December 2011	44,766	– *	(359)	45,125

* Less than US\$1,000

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2012

(Amounts expressed in United States Dollars)

Company	Attributable to owners of the Company					
	Equity, total	Share capital	Other reserves	Share award reserve	Foreign currency translation reserve	Accumulated losses
	US\$'000	(Note 23) US\$'000	(Note 24) US\$'000	(Note 24) US\$'000	(Note 24) US\$'000	US\$'000
Balance at 1 January 2012	(5,205)	10,289	632	20	612	(16,126)
Profit for the year, representing total comprehensive income for the year	5,012	-	-	-	-	5,012
<u>Contributions by and distributions to owners</u>						
Change in estimates in relation to share award scheme	(20)	-	(20)	(20)	-	-
Issuance of shares for acquisition of subsidiaries	66,741	66,741	-	-	-	-
Issuance of shares for compliance placement	8,842	8,842	-	-	-	-
Issuance of shares as consideration for compliance placement fees	1,544	1,544	-	-	-	-
Shares issuance expenses	(1,673)	(1,673)	-	-	-	-
Effect of change in functional currency	-	(209)	(612)	-	(612)	821
Total transactions with owners in their capacity as owners	75,434	75,245	(632)	(20)	(612)	821
Balance at 31 December 2012	75,241	85,534	-	-	-	(10,293)
Balance as at 1 January 2011	(4,449)	10,289	701	87	614	(15,439)
Loss for the year	(687)	-	-	-	-	(687)
<u>Other comprehensive income</u>						
Foreign currency translation	(2)	-	(2)	-	(2)	-
Total comprehensive income for the year	(689)	-	(2)	-	(2)	(687)
<u>Contributions by and distributions to owners</u>						
Change in estimates in relation to share award scheme	(67)	-	(67)	(67)	-	-
Balance at 31 December 2011	(5,205)	10,289	632	20	612	(16,126)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2012

(Amounts expressed in United States Dollars)

	Note	2012 US\$'000	2011 US\$'000
Operating activities			
Profit before tax		610	11,256
Adjustments for:			
Net gain on disposal of property, vessels and equipment	5	(29)	–
Net gain on disposal of investment securities	5	(40)	–
Depreciation of property, vessels and equipment	9	3,006	2,864
Allowance for doubtful debts, net	9	134	100
Finance costs	6	1,427	1,454
Provisions	20	96	147
Fair value loss on investment securities	7	–	90
Share-based payment as consideration for services rendered	23	154	–
Listing expenses	8	3,657	–
		9,015	15,911
Operating cash flows before changes in working capital			
Changes in working capital:			
Decrease/(increase) in inventories		305	(535)
Increase in trade and other receivables		(2,825)	(2,277)
(Increase)/decrease in prepayments		(331)	87
Increase/(decrease) in trade and other payables		15,250	(273)
Increase in other liabilities		291	616
Total changes in working capital		12,690	(2,382)
		21,705	13,529
Cash generated from operations			
Interest paid		(1,427)	(1,454)
Net cash flows from operating activities		20,278	12,075
Investing activities			
Purchase of property, vessels and equipment	12	(23,500)	(2,825)
Proceeds from disposal of property, vessels and equipment		3,800	–
Proceeds from disposal of investment securities		163	162
Net cash flows used in investing activities		(19,537)	(2,663)
Financing activities			
Proceeds from loan from a shareholder		2,000	–
Repayment of loans from a shareholder		–	(10,053)
Proceeds from loans and borrowings		–	2,171
Repayment of loans and borrowings		(5,488)	(8,664)
Decrease/(increase) in bank deposits pledged		1,919	(2,055)
Proceeds from issuance of shares for compliance placement		8,842	–
Share issuance expenses		(1,540)	–
Net cash generated from/(used in) financing activities		5,733	(18,601)
		6,474	(9,189)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January		1,019	10,208
Cash and cash equivalents at 31 December	17	7,493	1,019

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

1. Corporate information

1.1 The Company

The former name of the Company is Fastube Limited. Upon the completion of a reverse acquisition on 31 July 2012, the Company's name was changed to Atlantic Navigation Holdings (Singapore) Limited which is a limited liability company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is at 6 Battery Road #10-01, Singapore 049909. The principal place of business of the Group is located at P. O. Box 41957, Hamriyah Free Zone, Sharjah, United Arab Emirates.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

1.2 Reverse acquisition undertaken by the Company (the "Reverse Acquisition")

On 13 March 2011, Atlantic Navigation Holdings (Singapore) Limited (the "Company") had entered into a sale and purchase agreement with the then-controlling shareholders of the Company (the "Purchasers") to dispose of the Company's then-existing subsidiaries and its existing business to the Purchasers at a purchase consideration of S\$1 (equivalent to US\$0.80) (the "Disposal"). The Disposal was subsequently completed on 31 July 2012 and pursuant to the Disposal, the Company became a non-trading shell company.

On 31 July 2012, the Company also completed the acquisition of the entire issued and paid-up capital of Atlantic Navigation Holdings Inc. ("ANH Inc.") and its subsidiaries (collectively, the "Atlantic Group") (the "Acquisition"). The Acquisition resulted in a Reverse Takeover ("RTO") of the Company.

The Acquisition has been accounted as a RTO and the legal subsidiaries, the Atlantic Group, is regarded as the acquirer and the Company, previously known as Fastube Limited ("Fastube") before completion on 31 July 2012, is regarded as the acquiree for accounting purposes. As such, the consolidated financial statements have been prepared and presented as a continuation of the Atlantic Group's financial statements.

The purchase consideration was satisfied by the allotment and issuance of 228,125,000 new shares at S\$0.36 (equivalent to US\$0.29) per share in the capital of the Company on 31 July 2012.

The shares in the Company were consolidated on 31 July 2012 on the basis of one share for every 10 shares held by shareholders ("Share Consolidation"). The number of consolidated shares to which shareholders are entitled arising from the Share Consolidation were rounded down to the nearest whole consolidated share, and any fractions of Consolidated Shares arising from the Share Consolidation were disregarded.

At Group level

The acquisition of the Atlantic Group has been accounted for in the consolidated financial statements as a reverse acquisition involving a non-trading shell company. This transaction has been accounted for in the consolidated financial statements as a share-based transaction as described in FRS 102 *Share-based Payment* where the Atlantic Group was deemed to have issued shares in exchange for the net assets/liabilities in the Company together with the listing status of the Company. The cost of acquisition is determined using the fair value of the issued equity of the Company before the acquisition, being 12,500,000 consolidated shares at the market price of S\$0.36 (equivalent to US\$0.29) per share at the date of acquisition, amounting to approximately US\$3,657,000. The listing status did not qualify for recognition as an intangible asset, and accordingly, the cost of the reverse acquisition (net of assets/liabilities acquired) of US\$3,657,000 had been expensed off in the consolidated statement of comprehensive income for the financial year ended 31 December 2012.

Since such consolidated financial statements represent a continuation of the financial statements of the Atlantic Group:

- (a) the assets and liabilities of the Atlantic Group are recognised and measured in the statement of financial position of the Group at their pre-acquisition carrying amounts;
- (b) the assets and liabilities of the Company are recognised and measured in the consolidated statement of financial position at their acquisition-date fair values;

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

1. Corporate information (cont'd)

1.2 Reverse acquisition undertaken by the Company (the "Reverse Acquisition") (cont'd)

- (c) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the Atlantic Group immediately before the reverse acquisition;
- (d) the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the Atlantic Group immediately before the reverse acquisition to the costs of the reverse acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the Company to effect the reverse acquisition;
- (e) the consolidated statement of comprehensive income for the financial year ended 31 December 2012 reflects the full year results of Atlantic Group together with the post-acquisition results of the Company; and
- (f) the comparative figures presented in these consolidated financial statements are those of the Atlantic Group.

At Company level

Reverse acquisition accounting applies only at the consolidated financial statements at the Group level. Therefore, in the Company's separate financial statements, the investment in the legal subsidiaries (the Atlantic Group) is accounted for at cost less accumulated impairment losses, if any, in the Company's statement of financial position.

2. Summary of significant accounting policies

2.1 Basis of presentation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

The financial statements are presented in United States Dollars ("USD" or "US\$") and all values are rounded to the nearest thousand (US\$'000) except where otherwise indicated.

The financial statements have been prepared on a going concern basis as the Group has sufficient stand-by credit facilities to meet its working capital requirements.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Revised FRS 19 <i>Employee Benefits</i>	1 January 2013
Amendments to FRS 107 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
FRS 113 <i>Fair Value Measurement</i>	1 January 2013
Improvements to FRS issued in 2012	1 January 2013
– Amendment to FRS 1 <i>Presentation of Financial Statements</i>	1 January 2013
– Amendment to FRS 16 <i>Property, Plant and Equipment</i>	1 January 2013
– Amendment to FRS 32 <i>Financial Instruments: Presentation</i>	1 January 2013
– Amendment to FRS 34 <i>Interim Financial Reporting</i>	1 January 2013
Revised FRS 27 <i>Separate Financial Statements</i>	1 January 2014
Revised FRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
FRS 111 <i>Joint Arrangements</i>	1 January 2014
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to the transition guidance of FRS 110 <i>Consolidated Financial Statements</i> , FRS 111 <i>Joint Arrangements</i> and FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to FRS 110, FRS 111 and FRS 27: <i>Investment Entities</i>	1 January 2014

Except for the Amendments to FRS 1 and FRS 113, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 and FRS 113 is described below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* (“OCI”) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentation of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 113 *Fair Value Measurement*

FRS 113 *Fair Value Measurement* is effective for financial periods beginning on or after 1 January 2013.

FRS 113 Fair Value measurement provides a single source of guidance for all fair value measurements. FRS 113 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted by FRS. The Group does not expect any impact on its financial position or performance upon adoption of this standard.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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 and dividends are eliminated in full.

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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

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

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

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

2.5 Functional and foreign currency

(a) Functional currency

The Group's consolidated financial statements are presented in US\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency.

On 1 August 2012, the Company changed its functional currency from Singapore Dollars ("S\$") to US\$. This is due to a change in circumstances affecting the operations and funding of the Company pursuant to the RTO, as any funding of the Company via dividend income received from its subsidiaries from 1 August 2012 onwards would be in US\$. In accordance with FRS 21 The Effects of Changes in Foreign Exchange Rates, the change is applied prospectively from 1 August 2012. The change did not result in any material impact to the financial performance or position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.5 *Functional and foreign currency (cont'd)*

(b) *Transactions and balances*

Transactions in foreign currencies are measured in the functional currency 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 end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency 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 end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

2.6 *Property, vessels and equipment*

All items of property, vessels and equipment are initially recorded at cost. Subsequent to recognition, vessels and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, vessels and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, vessel and equipment. The accounting policy for borrowing costs is set out in Note 2.15. The cost of an item of property, vessel 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.

When significant parts of property, vessels 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 vessels 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.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Vessels	25 years
Office building	10 years
Apartments	20 years
Drydocking	5 years
Machinery and equipment	3 to 5 years
Office equipment	3 to 5 years
Motor vehicles	3 to 5 years

Capital work-in-progress is not depreciated as it is not yet available for use.

The carrying values of property, vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, vessel and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.7 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 indication exists, or when annual impairment testing 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 or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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.

2.8 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, investment in subsidiaries is accounted for at cost less impairment losses.

2.9 Financial assets

Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.9 Financial assets (cont'd)

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

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

Regular way purchase or sale of financial asset

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.10 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(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 on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the 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 effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(b) *Financial assets carried at cost*

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

2.11 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 amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for on a first-in first-out basis.

When necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.13 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 the end of each reporting period 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.

2.14 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 expensed in the period they occur. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.15 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

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

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss

(b) *Other financial liabilities*

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.16 *Employee benefits*

(a) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(b) *Employees' end of service benefits*

The Group makes provision for end of service benefits in accordance with the UAE Labour Law. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of entitlement.

2.17 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) *As lessee*

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.

(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 operating lease income (time charter income) is set out in Note 2.19(a).

2.18 *Revenue*

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, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Marine logistics services*

Marine logistics services consist of services provided for time charter and voyage charter services.

(i) *Time charter*

Revenue arising from chartering of vessels is calculated on a time apportionment basis in accordance with the terms and conditions of the charter agreement. Charter income is deferred to the extent that conditions necessary for its realisation have yet to be fulfilled.

(ii) *Voyage charter*

Revenue arising from voyage charter is recognised upon the completion of the voyage.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.18 Revenue

(b) Ship repair, fabrication and other related marine services

Revenue from the provision of ship repair, fabrication and other marine related services are recognised by the stage of completion at each balance sheet date. Stage of completion is determined by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) Interest income

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

2.19 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss in other expenses.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.20 Segment reporting

For management purposes, the Group is organised into operating segments based on their 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 Group who regularly reviews 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 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.21 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.22 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.23 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.23 Related parties (cont'd)

- (b) An entity is related to the Group and the Company if any of the following conditions applies :
- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vi) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period 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 accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

2.24 Taxes

(b) *Deferred tax (cont'd)*

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 accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, 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.

(c) *Sales tax*

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

- Where the sales tax incurred on 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 statement of financial position.

3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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 periods.

3.1 *Judgments made in applying accounting policies*

No critical judgments were made by management in the process of applying the Group's accounting policies.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

3.2 Key sources of estimation uncertainty (cont'd)

(a) Residual values and useful lives of vessels and equipment

The Group reviews the residual values and useful lives of vessels and equipment at the end of each reporting period in accordance with the accounting policy stated in Note 2.6. The cost of the vessels and equipment is depreciated on a straight-line basis over the vessels and equipment's estimated useful. Management estimates the useful life of the vessels and equipment to be within 3 to 25 years.

Changes in the expected level of usage and technological developments could impact the economic useful life of the vessels and equipment; therefore future depreciation charges could be revised. The carrying amount of the Group's vessels and equipment at 31 December 2012 was US\$53,149,000 (2011: US\$49,436,000). A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 47.3% (2011: 2.5%) variance in the Group's profit before tax.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The carrying value of the Group's non-financial assets at the end of the reporting period is disclosed in Note 12 to the financial statements.

(c) Impairment of loans and receivables

The Group assesses at the end of each reporting period 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 probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

When 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 loans and receivables at the end of the reporting period is disclosed in Note 16 to the financial statements.

4. Revenue

	Group	
	2012 US\$'000	2011 US\$'000
Marine logistics services:		
- Time charter	32,188	36,665
- Voyage charter	-	1,494
Ship repair, fabrication and other related marine services	3,159	2,518
	35,347	40,677

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

5. Other income

	Group	
	2012 US\$'000	2011 US\$'000
Remission of debts to director-related companies	–	3,725
Insurance claims received	–	14
Net gain on disposal of property, vessel and equipment	29	–
Net gain on disposal of investment securities	40	–
Claim received for late delivery of vessel from ship building	132	–
Miscellaneous income	34	127
	235	3,866

In the financial year ended 31 December 2011, certain debts amounting to US\$3,725,000 owing to director-related companies were waived by the respective parties.

6. Finance costs

	Group	
	2012 US\$'000	2011 US\$'000
Interest expense on bank loans	1,247	1,205
Bank charges	180	249
	1,427	1,454

7. Other operating expenses

	Group	
	2012 US\$'000	2011 US\$'000
Fair value loss on investment securities	–	90

8. Non-operating expenses

	Note	Group	
		2012 US\$'000	2011 US\$'000
Listing expenses		3,657	–
Share-based payment as consideration for services rendered	23	154	–
Other transaction costs incurred in the reverse acquisition	13	1,558	–
		5,369	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

9. Profit before tax

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

	Note	Group	
		2012 US\$'000	2011 US\$'000
Audit fees paid to:			
- Auditors of the Company		61	34
- Other auditors		41	48
Non-audit fees paid to:			
- Auditors of the Company		14	191
- Other auditors		-	12
Total audit and non-audit fees		116	285
Depreciation of property, vessels and equipment		3,006	2,864
Employee benefits expense*	25	2,381	2,436
Allowance for doubtful trade debts		134	100
Operating lease expense	27(b)	8,154	8,350
Inventories recognised as an expense in cost of services	15	495	2,514

* Includes directors' remuneration and remuneration of key management personnel as disclosed in Note 26.

10. Income tax expense

Relationship between income tax expense and accounting profit

A reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2012 and 2011 is as follows:

	Group	
	2012 US\$'000	2011 US\$'000
Profit before tax	610	11,256
Tax at the domestic rates applicable to profits in the countries where the Group operates	(36)	-
Adjustment:		
Deferred tax assets not recognised	36	-
Income tax expense recognised in profit or loss	-	-

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Company is subject to tax at the applicable rate in accordance with the relevant tax laws and regulations in Singapore. The Company's subsidiaries are either incorporated in BVI or UAE (Note 13). The BVI incorporated subsidiaries are incorporated under the International Business Companies Act of the BVI and accordingly, are exempted from payment of BVI income taxes. According to the relevant UAE laws, the UAE incorporated subsidiaries are not required to pay UAE income taxes.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

11. Earnings per share

Basic and diluted earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2012 US\$'000	2011 US\$'000
Profit for the year attributable to owners of the Company	610	11,256
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share computation	240,712	228,422
Basic and diluted earnings per share (US\$ cents)	0.25	4.93

The diluted earnings per share are the same as the basic earnings per share as there were no outstanding convertible securities for the financial years ended 31 December 2012 and 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

12. Property, vessels and equipment

Group	Vessels		Machinery and equipment		Motor vehicles	Office equipment	Capital work-in-progress	Office building	Apartments	Total
	US\$'000	Drydocking US\$'000	US\$'000	US\$'000						
Cost:										
At 1 January 2011	57,309	-	693	609	233	7,200	496	1,093	67,633	
Additions	-	396	-	17	-	2,412	-	-	2,825	
Adjustment pursuant to the Restructuring Exercise	-	-	(669)	(599)	(233)	(2,115)	(496)	(1,093)	(5,205)	
At 31 December 2011 and 1 January 2012	57,309	396	24	27	-	7,497	-	-	65,253	
Additions	2,594	-	281	203	79	20,343	-	-	23,500	
Disposals	(4,300)	-	-	-	-	(63)	-	-	(4,363)	
Reclassifications	7,433	-	-	-	-	(7,433)	-	-	-	
At 31 December 2012	63,036	396	305	230	79	20,344	-	-	84,390	
Accumulated depreciation:										
At 1 January 2011	5,062	-	368	482	171	349	293	404	7,129	
Depreciation for the year	2,829	27	4	4	-	-	-	-	2,864	
Adjustment pursuant to the Restructuring Exercise	-	-	(366)	(482)	(171)	(349)	(293)	(404)	(2,065)	
At 31 December 2011 and 1 January 2012	7,891	27	6	4	-	-	-	-	7,928	
Depreciation for the year	2,856	79	31	27	13	-	-	-	3,006	
Disposals	(592)	-	-	-	-	-	-	-	(592)	
At 31 December 2012	10,155	106	37	31	13	-	-	-	10,342	
Net carrying amount:										
At 31 December 2011	49,418	369	18	23	-	7,497	-	-	57,325	
At 31 December 2012	52,881	290	268	199	66	20,344	-	-	74,048	

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

The Company's motor vehicles with a carrying value of US\$2,000 as at 31 December 2011 had been disposed of during the financial year ended 31 December 2012 prior to the reverse acquisition.

Assets pledged as security

Vessels with a carrying value of US\$23,540,000 (2011: US\$18,238,000) were pledged to secure bank loans (Note 19).

Capital work-in-progress

Capital work-in-progress relates to expenditure for vessels in the course of construction.

The Restructuring Exercise

In the previous financial years, the Group had undertaken certain transactions as part of a corporate reorganisation implemented in preparation for the RTO as described in Note 1.2 (the "Reverse Acquisition").

Prior to the Restructuring Exercise, the results of Atlantic Offshore Services LLC ("AOS"), Atlantic Marine Services LLC ("AMS") and Trend Steel Construction and Engineering LLC ("TSC") had been included in the combined financial statements of the Group as these entities were under the control of Mr. Wong Siew Cheong, the controlling shareholder of the Atlantic Group.

Pursuant to the Restructuring Exercise which was completed in the financial year ended 31 December 2011, the vessel chartering business of AOS and the ship repair, fabrication and other related marine services of AMS and TSC were transferred to Atlantic Maritime Group FZE ("AMG"), a subsidiary of the Group. The corresponding businesses (including the related assets and reserves) of AOS, AMS and TSC which were not in relation to vessel chartering and ship repair, fabrication and other related marine services were transferred to Mr. Wong Siew Cheong pursuant to the Restructuring Exercise.

13. Investment in subsidiaries

	Company	
	2012	2011
	US\$'000	US\$'000
Unquoted equity shares, at cost	66,741	18,212
Less: Allowance for impairment	–	(18,212) ⁺
	66,741	–

+ These subsidiaries were fully impaired by the Company prior to the financial year ended 31 December 2011.

As at 31 December 2012, the subsidiaries of the Group relates to entities held directly or indirectly by the Company subsequent to the RTO, namely the Atlantic Group, as described in Note 1.2 to the financial statements. As at 31 December 2011, the subsidiaries of the Group related to entities held directly or indirectly by the Company prior to the RTO.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

13. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2012 %	2011 %
<i>Held by the Company:</i>				
* Atlantic Navigation Holdings Inc.	BVI	Investment holding	100	–
^ Wuxi Fastube Industry Co., Ltd	PRC	To develop, manufacture and process various types of precision steel pipes and tubing for the automotive, oil and gas and machinery and equipment industries	–	100
^ Wuxi Fastube Energy Development Technology Co., Ltd	PRC	To carry out research and development, design, manufacture and sale of steel pipes, equipment and facilities for use in oil exploration	–	100
@ Fit Result Enterprises Limited	BVI	Investment holding	–	100
@ Total Boost Enterprises Limited	BVI	Investment holding	–	100
<i>Held by Atlantic Navigation Holdings Inc.:</i>				
* Atlantic Maritime Group FZE	UAE	Commercial and administrative manager of the Group's marine logistics services business and provider of ship repair, fabrication and other marine services	100	–
* Atlantic Oceana Inc	BVI	Ship owner	100	–
* Atlantic Offshore Services Inc	BVI	Ship owner	100	–
* Bimar Offshore Inc	BVI	Ship owner	100	–
* Atlantic Offshore Inc	BVI	Ship owner	100	–
* Crossworld Marine Services Inc	BVI	Ship owner	100	–
* Oasis Marine Inc	BVI	Ship owner	100	–
* Pacific International Offshore Inc	BVI	Ship owner	100	–
* Atlantic Navigation Limited	BVI	Ship owner	100	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

13. Investment in subsidiaries (cont'd)

Held by Atlantic Maritime Group FZE:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2012 %	2011 %
** Atlantic Ship Management LLC	UAE	Ship management	49 #	–

Held by Total Boost Enterprises Limited:

^ Wuxi Fastube Dingyuan Precision Steel Pipe Co., Ltd	PRC	To develop, manufacture and process various types of precision steel pipes and tubing for the automotive, oil and gas and machinery and equipment industries	–	55
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* Audited by Ernst & Young LLP, Singapore

^ Audited by Paul Wan & Co., a member firm of Morison International.

@ These entities are not required to be audited under the laws of the country of incorporation.

** Audited by Ernst & Young, Dubai

This represents the legal interests of the Group in Atlantic Ship Management LLC. Atlantic Ship Management LLC is considered a subsidiary of the Group as the Directors have assessed and concluded that the Group has control over the financial and operating policies and activities of this entity.

Reverse acquisition

As described in Note 1.2 to the financial statements, Atlantic Navigation Holdings Inc. became the parent of the Group for accounting purposes, and the Company before the reverse acquisition (the “Acquiree”) became the acquiree. The net assets of the Acquiree acquired in the transaction, and the listing expense arising therefrom, are as follows:

	US\$'000
Net assets/liabilities acquired	–
Fair value of consideration transferred ⁽¹⁾	3,657
Total cost of reverse acquisition expensed off in the consolidated statement of comprehensive income	3,657

(1) The consideration was based on the Company’s entire share capital of 12,500,000 consolidated shares before the reverse acquisition using fair value of S\$0.36 (equivalent to US\$0.29) per share, representing the fair value of the issued equity of the Company before the reverse acquisition.

From the date of acquisition, the Company (the “Accounting Acquiree”) contributed loss before tax of approximately US\$213,000 to the Group. If the reverse acquisition had taken place at the beginning of the financial year, the Group’s profit before tax would have been approximately US\$610,000.

The Group incurred acquisition-related costs of approximately US\$1,558,000 comprising professional fees, legal fees, due diligence costs, financial advisory services and other consulting fees which are recognised in “Non-operating expenses” in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

14. Investment securities

	Group	
	2012 US\$'000	2011 US\$'000
<i>Held for trading investments</i>		
Investment in portfolio holdings	–	123

Investment in portfolio holdings represents investment in equity instruments and mutual funds units.

15. Inventories

	Group	
	2012 US\$'000	2011 US\$'000
<i>Statement of financial position:</i>		
Raw materials	230	535
<i>Consolidated statement of comprehensive income:</i>		
Inventories recognised as an expense in cost of services (Note 9)	495	2,514

During the financial years ended 31 December 2012 and 2011, there have been no inventory written off or allowance for inventory obsolescence.

16. Trade and other receivables

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Trade receivables	5,941	6,079	–	–
Deposits	112	9	–	–
Advances to staff	22	20	–	–
Advances to suppliers	242	17	–	–
Unbilled receivables	256	355	–	–
Due from director-related companies (trade)	3,708	1,110	–	–
Due from a subsidiary (non-trade)	–	–	7,894	–
Due from director-related companies (non-trade)	–	–	–	40
Total trade and other receivables	10,281	7,590	7,894	40
<i>Add:</i>				
- Cash and cash equivalents (Note 17)	7,493	1,019	814	25
- Bank deposits pledged (Note 17)	136	2,055	–	–
Total loans and receivables	17,910	10,664	8,708	65

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

16. Trade and other receivables (cont'd)**Trade receivables**

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

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group	
	2012 US\$'000	2011 US\$'000
Arab Emirates Dirham	1,519	529

Due to director-related companies (trade and non-trade)/due from a subsidiary (non-trade)

These amounts are unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$2,373,000 (2011: US\$1,817,000) that were past due at the end of the reporting period but not impaired. These trade receivables are unsecured and the analysis of their aging is as follows:

	Group	
	2012 US\$'000	2011 US\$'000
Trade receivables past due:		
Less than 30 days	838	1,459
31 to 60 days	128	254
More than 60 days	1,407	104
	2,373	1,817

Receivables that are impaired

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

	Group	
	<i>Collectively impaired</i>	
	2012 US\$'000	2011 US\$'000
Trade receivables - nominal amounts	713	100
Less: Allowance for impairment	(134)	(100)
	579	-

Movement in the allowance accounts:

At 1 January	100	57
Charge for the year	134	100
Written off	(100)	(57)
At 31 December	134	100

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payment. These receivables are not secured by any collateral or credit enhancement.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

17. Cash and cash equivalents

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Cash and cash equivalents	7,493	1,019	814	25
Bank deposit pledged	136	2,055	–	–
Cash and bank balances	<u>7,629</u>	<u>3,074</u>	<u>814</u>	<u>25</u>

Cash at bank does not earn interest.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Arab Emirates Dirham	1,855	675	–	–
Singapore Dollars	784	–	784	–
Renminbi	1	–	–	25
	<u>2,640</u>	<u>675</u>	<u>784</u>	<u>25</u>

18. Derivatives

	Group			
	2012 US\$'000		2011 US\$'000	
	Notional amount	Assets	Notional amount	Assets
Interest rate swap, representing total derivatives	14,713	300	19,617	618
Add: Held for trading investments (Note 14)		–		123
Total financial assets at fair value through profit or loss		<u>300</u>		<u>741</u>

During the financial year ended 31 December 2011, the Group entered into a non-deliverable interest rate swap which pays a fixed interest of 6.53% per annum and receives a variable interest equal to USD LIBOR + 4.0% per annum on the notional amount on a bi-annual basis. The swap is being used to hedge the Group's cash flow interest rate risk arising from its floating rate USD bank loan amounting to US\$14,713,000 (2011: US\$19,617,000) (Note 19). The floating rate bank loan and the interest rate swap have the same critical terms.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

19. Loans and borrowings

	Group	
	2012	2011
	US\$'000	US\$'000
Current:		
Bank loan		
- USD loan at LIBOR + 4.00% p.a. ⁽¹⁾	4,904	4,904
- USD loan at LIBOR + 4.50% p.a. ⁽²⁾	-	584
	4,904	5,488
Non-current:		
Bank loan		
- USD loan at LIBOR + 4.00% p.a. ⁽¹⁾	9,809	14,713
Total loans and borrowings	14,713	20,201

(1) This loan carries interest at LIBOR + 4.00% and is repayable over 5 years in 10 equal semi-annual instalments with the last instalment due in September 2015. The securities provided for this loan comprise:

- Mortgage over certain vessels (Note 12)
- Assignment of earnings, insurances and requisition compensation of mortgaged vessels
- Assignment of all rights, title and interests of mortgaged vessels' charters
- Corporate guarantee by a director-related company
- Pledge of all shares of certain director-related companies
- Bank deposits pledged in a retention account

(2) This loan bears interest at LIBOR + 4.50% and repayable over 15 months in 15 equal monthly instalments with the last instalment due in April 2012. The securities provided for this loan comprise:

- Mortgage over certain vessels (Note 12)
- Corporate guarantee by the Company, Atlantic Maritime Group FZE, a subsidiary of the Group, and a director-related company
- Personal guarantee by a director

Waiver of loan covenant

The Group has a secured USD bank loan with a carrying amount of US\$14,713,000 as at 31 December 2012. According to the terms of the agreement, the Group is required to contribute to a retention account on a monthly basis. The funds accumulated in the retention account are to be used for the repayment of the next semi-annual instalment of the USD loan.

As at 31 December 2012, the Group had breached the covenant as sufficient funds were not deposited into the retention account as at the end of the reporting period. Concurrently, the Group has obtained a waiver from the respective bank in relation to the breached covenant as at the end of the reporting period, such that the bank loan is not payable on demand as at 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

20. Provisions

	Group	
	2012 US\$'000	2011 US\$'000
Employees' end of service benefits		
At 1 January	484	398
Provision made	96	147
Provision utilised	(94)	(61)
At 31 December	486	484

The Group makes provision for employees' end of service benefits ("EOSB") in order to meet the minimum benefits required to be paid to qualified employees, as required under the Federal Law No. 8 of 1980 Regulating Labour Relations (the "Labour Law") of the UAE. The EOSB for the qualified employees is calculated as follows:

- 21 days salary for each of the first five years using last drawn salary; and
- 30 days salary for each additional year using last drawn salary, provided that total EOSB amount should not exceed 2 years of salaries.

The principal assumptions used in determining post-employment obligations for the Group's defined benefit plan for the financial year ended 31 December 2012 are as follows:

Annual discount rate:	8%
Future annual salary increment:	5% to 10%

21. Trade and other payables

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Current:				
Trade payables	6,711	2,003	-	-
Other payables	8,809	36	82	2,628
Due to director-related companies (trade)	516	-	-	-
Due to a shareholder (non-trade)	2,025	-	-	-
Due to directors (non-trade)	65	-	65	87
	18,126	2,039	147	2,715
Non-current:				
Other payable	-	-	-	2,558
Total trade and other payables	18,126	2,039	147	5,273
Add:				
- Other liabilities (Note 22)	1,242	951	61	-
- Loans and borrowings (Note 19)	14,713	20,201	-	-
Total financial liabilities carried at amortised cost	34,081	23,191	208	5,273

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

21. Trade and other payables (cont'd)

Trade payables/other payables

These amounts are non-interest bearing. Trade and other payables are normally settled on 30 to 60 days' term.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group	
	2012 US\$'000	2011 US\$'000
Arab Emirates Dirham	4,329	852

Included in other payables are staff costs and professional fees payable, and advances from an unrelated party.

Due to director-related companies (trade)/due to directors (non-trade)

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Due to a shareholder (non-trade)

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

One of the shareholders has provided an unsecured loan amounting to US\$2,000,000. The loan is interest bearing at 2.5% per annum and repayable in 2013.

22. Other liabilities

	Group		Company	
	2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Accrued operating expenses	1,009	938	61	-
Advances from customers	233	13	-	-
	<u>1,242</u>	<u>951</u>	<u>61</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

23. Share capital

	Group		Company	
	No. of shares'000 ⁽¹⁾	US\$'000	No. of shares '000 ⁽¹⁾	US\$'000
Issued and fully paid ordinary shares:				
At 1 January 2011	125,000	218	125,000	10,289
Adjustment pursuant to the Restructuring Exercise ⁽⁷⁾	-	(218)	-	-
At 31 December 2011 and 1 January 2012	125,000	-	125,000	10,289
Share consolidation	12,500	- *	12,500	10,289
Issuance of shares pursuant to reverse acquisition	228,125	3,657 ⁽⁴⁾	228,125	66,741 ⁽³⁾
Issuance of shares for compliance placement ⁽⁵⁾	17,000	8,842	17,000	8,842
Issuance of shares as consideration for compliance placement fees ⁽⁶⁾	2,969	1,544	2,969	1,544
Shares issuance expense ⁽⁵⁾	-	(1,673)	-	(1,673)
Effect of change in functional currency	-	-	-	(209)
	248,094	12,370	248,094	75,245
At 31 December 2012	260,594	12,370 ⁽²⁾	260,594	85,534

* Less than US\$1,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

- (1) The equity structure (i.e. the number and types of equity instruments issued) reflect the equity structure of the Company, being the legal parent, including the equity instruments issued by the Company to effect the reverse acquisition.
- (2) The amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the Atlantic Group immediately before the reverse acquisition to the costs of the reverse acquisition.
- (3) This represents the purchase consideration for the Company's acquisition of the Atlantic Group which was satisfied by the allotment and issuance of 228,125,000 ordinary shares at S\$0.36 (equivalent to US\$0.29) per share in the capital of the Company on 31 July 2012.
- (4) This represents the fair value of the consideration transferred in relation to the RTO. As ANH Inc. is a private entity, the quoted market price of the Company's shares provides a more reliable basis for measuring the consideration transferred than the estimated fair value of the share in the Atlantic Group. The consideration transferred is determined using the fair value of the issued equity of the Company before the acquisition, being 12,500,000 shares at S\$0.36 (equivalent to US\$0.29) per share, which represents the fair value of the Company being the quoted and traded price of the shares at 31 July 2012 (date of completion of acquisition).
- (5) Pursuant to the resolutions passed on 20 July 2012, the shareholders of the Company approved the issue of 17,000,000 new ordinary shares for compliance placement at an issue price of S\$0.64 (equivalent to US\$0.52) per share. Share issuance expenses of approximately US\$1,673,000 were incurred pursuant to the compliance placement. A portion of the share issuance expenses is in relation to services rendered by UOB Kay Hian Private Limited ("UOBKH"), as described below.
- (6) Relates to the service fee shares of 2,968,750 ordinary shares at S\$0.64 per share issued to UOBKH on 2 October 2012. The total service fees for UOBKH was S\$1,900,000 (equivalent to US\$1,544,000).

Of the total service fees of S\$1,900,000 (equivalent to US\$1,544,000),

- (a) S\$190,000 (US\$154,000) related to UOBKH's services for introducing the Atlantic Group to Fastube Limited. The service fee shares have been accounted for as a share-based payment in accordance with FRS 102 Share-based Payments for services rendered by UOBKH and the fair value of the service fee shares was measured at a market price for those services. The service fee expenses of US\$154,000 was recognised in "Non-operating expenses" in the consolidated statement of comprehensive income, as disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

23. Share capital (cont'd)

- (b) S\$1,710,000 (US\$1,390,000) related to services rendered by UOBKH that was directly in relation to the compliance placement, with fair value of consideration amounting to US\$1,390,000 having been deducted from share capital.
- (7) In the financial year ended 31 December 2011, pursuant to the completion of the Restructuring Exercise as disclosed in Note 12 to the financial statements, the share capital of the Group's entities under common control amounting to approximately US\$218,000 is adjusted to merger reserve based on the pooling of interest method.

24. Other reserves

	Note	Group		Company	
		2012 US\$'000	2011 US\$'000	2012 US\$'000	2011 US\$'000
Hedging reserve	(a)	(300)	(618)	–	–
Merger reserve	(b)	259	259	–	–
Foreign currency translation reserve	(c)	–	–	–	612
Share award reserve	(d)	–	–	–	20
Statutory reserve	(e)	–	–	–	–
		<u>(41)</u>	<u>(359)</u>	<u>–</u>	<u>632</u>

(a) Hedging reserve

This represents the gain or loss on fair value changes in derivatives (Note 18) which is recognised directly as other comprehensive income.

(b) Merger reserve

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method, as described in Note 12 to the financial statements.

(c) Foreign currency translation reserve

As at 31 December 2011, the foreign currency translation reserve arose from the translation of the Company's assets and liabilities. With effect from 1 August 2012, the Company changed its functional currency from S\$ to US\$. Accordingly, as the functional and presentation currencies of the Company are both US\$, the translation differences accumulated prior to 1 August 2012 have been reclassified to retained earnings.

(d) Share award reserve

The Company granted 1,718,000 shares award ("Award") pursuant to the Atlantic Restricted Share Plan to eligible participants of the Company on 6 May 2009. The vesting period of the Award is from the date of grant to 6 May 2014. One of the vesting conditions of the Awards is that the eligible participants must remain in employment with the Company during the vesting period. As at 31 December 2012, all the eligible participants have left the Company. There were no share awards outstanding as at 31 December 2012.

(e) Statutory reserve

In accordance with the relevant laws and regulations of the UAE, companies in the UAE are required to set aside a statutory reserve fund by way of appropriation from their net profit at a rate to be determined by the board of directors of the company until the cumulative total of the statutory reserve reaches 50% of the company's registered capital.

Pursuant to the Restructuring Exercise as described in Note 12 to the financial statements, the statutory reserves of AOS, AMS and TSC were not transferred to the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

25. Employee benefits expense

	Note	Group	
		2012 US\$'000	2011 US\$'000
Wages, salaries and bonuses		2,285	2,289
Employees' end of service benefits	20	96	147
		<u>2,381</u>	<u>2,436</u>

26. Related party transactions**(a) Sale and purchase of goods and services**

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2012 US\$'000	2011 US\$'000
Chartering of vessels and provision of chandlery and other services to director-related companies	6,205	1,787
Cross chartering of vessels from director-related companies	–	300
Management fees to director-related companies	313	3,263
Acquisition of property, vessels and equipment from director-related companies	492	–
	<u>7,010</u>	<u>5,350</u>

(b) Compensation of key management personnel

Short-term employee benefits	664	525
Others	261	202
	<u>925</u>	<u>727</u>

Comprises amounts paid to:

Directors of the Company	571	349
Other key management personnel	354	378
	<u>925</u>	<u>727</u>

(c) Commitments with related parties

On 1 January 2011, Atlantic Maritime Group FZE entered into agreements with Atlantic Offshore Services LLC and Atlantic Marine Services LLC for administrative and ship management services provided by the above two director-related companies in return for management fees that are expected to amount to US\$98,000 in 2013. The agreements remain in effect until terminated by notice.

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for the financial year ended 31 December 2012

27. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2012 US\$'000	2011 US\$'000
Capital commitments in respect of property, vessels and equipment	702	2,132

(b) Operating lease commitments – as lessee

The Group entered into non-cancellable lease agreements as lessee for vessels and operating premises. These leases have different terms and terminate at various dates. Specific clauses like rental escalation and renewal rights can be found in some of these lease agreements.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2012 amounted to US\$8,154,000 (2011: US\$8,350,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2012 US\$'000	2011 US\$'000
Not later than one year	1,885	4,650
Later than one year but not later than five years	204	–
	2,089	4,650

(c) Operating lease commitments – as lessor

Operating lease commitments relates to vessels. There was no contingent rent component included under the above non-cancellable leases relating to lease out arrangements for vessels owned by the Group as at the end of the reporting period.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2012 US\$'000	2011 US\$'000
Not later than one year	18,955	10,053
Later than one year but not later than five years	12,775	–
	31,730	10,053

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

28. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced liquidation or sale.

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

Trade and other receivables (Note 16), trade and other payables (Note 21), other liabilities (Note 22) and loans and borrowings (Note 19)

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Fair value of financial instruments that are carried at fair value

The Group carries Investment securities (Note 14) and Derivatives (Note 18) as Level 1 and Level 2 financial instruments respectively carried at fair value at the balance sheet date.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value

Investment securities (Note 14): Fair value is determined directly by reference to their bid price quotations at the end of the reporting period.

Derivatives (Note 18): Interest rate swap contract is valued using a valuation technique with market observable inputs.

29. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity 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 Executive Director. The audit committee provides independent oversight on the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

(a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the group to manage risk concentrations at both the relationship and industry levels.

Exposure to credit risk

At the end of the reporting period, 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.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables is as follows:

	2012		2011	
	US\$'000	% of Total	US\$'000	% of Total
By country:				
United Arab Emirates	3,755	63%	4,441	73%
India	758	13%	604	10%
Other GCC countries	874	15%	786	13%
Others	554	9%	248	4%
	<u>5,941</u>	<u>100%</u>	<u>6,079</u>	<u>100%</u>

At the end of the reporting period, approximately 62% (2011: 83%) of the Group's trade receivables were due from 5 major customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

(b) *Liquidity risk*

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

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with various banks. In addition, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. At the end of the reporting period, approximately 33% (2011: 27%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Analysis of financial instruments by remaining contractual maturities

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

	One year or less	One to five years	Total
	US\$'000	US\$'000	US\$'000
Group			
2012			
<i>Financial assets</i>			
Trade and other receivables	10,281	–	10,281
Cash and cash equivalents	7,493	–	7,493
Bank deposits pledged	136	–	136
Total undiscounted financial assets	17,910	–	17,910
<i>Financial liabilities</i>			
Trade and other payables	18,126	–	18,126
Other liabilities	1,242	–	1,242
Derivatives	215	85	300
Loans and borrowings	5,877	11,397	17,274
Total undiscounted financial liabilities	25,460	11,482	36,942
Total net undiscounted financial liabilities	(7,550)	(11,482)	(19,032)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

(b) *Liquidity risk (cont'd)*

	One year or less US\$'000	One to five years US\$'000	Total US\$'000
Group			
2011			
<i>Financial assets</i>			
Trade and other receivables	7,590	–	7,590
Cash and cash equivalents	1,019	–	1,019
Bank deposits pledged	2,055	–	2,055
Total undiscounted financial assets	10,664	–	10,664
<i>Financial liabilities</i>			
Trade and other payables	2,039	–	2,039
Other liabilities	951	–	951
Derivatives	296	322	618
Loans and borrowings	6,413	18,614	25,027
Total undiscounted financial liabilities	9,699	18,936	28,635
Total net undiscounted financial assets/(liabilities)	965	(18,936)	(17,971)
Company			
2012			
<i>Financial assets</i>			
Trade and other receivables	7,894	–	7,894
Cash and cash equivalents	814	–	814
Total undiscounted financial assets	8,708	–	8,708
<i>Financial liabilities</i>			
Trade and other payables	147	–	147
Other liabilities	61	–	61
Total undiscounted financial liabilities	208	–	208
Total net undiscounted financial assets	8,500	–	8,500

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

(b) *Liquidity risk (cont'd)*

	One year or less US\$'000	One to five years US\$'000	Total US\$'000
Company			
2011			
<i>Financial assets</i>			
Trade and other receivables	40	–	40
Cash and cash equivalents	25	–	25
Total undiscounted financial assets	65	–	65
<i>Financial liabilities</i>			
Trade and other payables	2,715	2,558	5,273
Total undiscounted financial liabilities	2,715	2,558	5,273
Total net undiscounted financial liabilities	(2,650)	(2,558)	(5,208)

(c) *Foreign currency risk*

The Group's operations are primarily conducted in USD and Arab Emirates Dirham ("AED").

The Group's UAE entities hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in AED.

The Group is not exposed to any significant foreign currency risk as the AED is pegged to the USD.

30. Capital management

Capital includes debt and equity items as disclosed in the table below.

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 manage 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 2011.

The Group is in compliance with the capital requirements imposed by the bankers in respect of the banking facilities granted for the financial years ended 31 December 2012 and 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, other liabilities, loans and borrowings, less cash and cash equivalents. Capital refers to equity attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

30. Capital management (cont'd)

	Note	Group	
		2012 US\$'000	2011 US\$'000
Trade and other payables	21	18,126	2,039
Other liabilities	22	1,242	951
Loans and borrowings	19	14,713	20,201
Less: Cash and cash equivalents	17	(7,493)	(1,019)
Net debt		26,588	22,172
Equity attributable to owners of the Company		58,064	44,766
Capital and net debt		84,652	66,938
Gearing ratio		31%	33%

31. Segment information

For management purposes, the Group is organised into business units based on services provided, and has two reportable operating segments as follows:

Marine logistic services

The marine logistic services segment provides vessel chartering and chandlery services to external customers.

Ship repair, fabrication and other marine services

The ship repair, fabrication and other marine services segment provides repairs and maintenance of marine equipment, engines, heavy machines and related marine services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) are managed on a group basis and are not allocated to operating segments.

The chief operating decision maker reviews the results of the segment using segment gross profit. Segment assets, liabilities and other expenses are not disclosed as they are not regularly provided to the chief operating decision maker.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

31. Segment information (cont'd)

	Marine logistics services	Ship repair, fabrication and other marine services	Total
	US\$'000	US\$'000	US\$'000
2012			
Revenue:			
External customers	32,188	3,159	35,347
Results:			
Segment gross profit	9,911	1,095	11,006
2011			
Revenue:			
External customers	38,159	2,518	40,677
Results:			
Segment gross profit	12,416	988	13,404

Geographical information

Revenue information based on the geographical location of customers and assets respectively are as follows:

	Group	
	2012	2011
	US\$'000	US\$'000
UAE	27,954	32,565
India	3,541	2,187
Other GCC countries	1,863	4,669
Singapore	1,577	1,192
Others	412	64
	<u>35,347</u>	<u>40,677</u>

Other GCC countries include Kingdom of Saudi Arabia, Kingdom of Bahrain and Qatar.

The Group's non-current assets are located in the UAE.

Information about major customers

Revenue from two major customers amounted to approximately US\$16,795,000 (2011: US\$19,971,000), arising from revenue from the vessel chartering segment. Revenue from two major customers amounted to approximately US\$770,000 (2011: US\$902,000), arising from sales by the ship repair, fabrication and other marine services segment.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

32. Comparatives

The Group has changed its presentation currency from AED to USD with effect from 1 January 2012. Concurrently, the Company changed its presentation currency from Renminbi ("RMB") to USD.

As disclosed in Note 1.2, the comparative figures presented in the consolidated financial statements are those of the Atlantic Group. The functional currency of the underlying subsidiaries of the Atlantic Group in the UAE and BVI remains as USD before and after the RTO. As AED is pegged to USD and the exchange rate between AED and USD used by the Group is AED3.67 to USD1.00, the change in presentation currency of the Group from AED to USD does not have any impact on the consolidated statement of financial position of the Group at the beginning of the earliest comparative period (i.e. 1 January 2011). Therefore, the consolidated financial position of the Group as at 1 January 2011 has not been presented.

As a result of the change in presentation currency of the Company from RMB to USD, the 2011 comparatives of the Company, which consist of the statement of financial position and statement of changes in equity of the Company, have been translated into USD.

The summarised line items as at 31 December 2011 that have been restated are as follows:

	Company	
	Restated US\$'000	Previously reported RMB'000
31.12.2011		
Property, vessels and equipment	2	13
Trade and other receivables	40	253
Prepayments	1	3
Cash and cash equivalents	25	157
Trade and other payables (current)	2,715	17,009
Other payable (non-current)	2,558	16,023
Share capital	10,289	73,681
Other reserves	632	1,646
Accumulated losses	16,126	107,933

33. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 28 March 2013.

STATISTICS OF SHAREHOLDINGS

as at 20 March 2013

Total number of shares	:	260,593,750
Number of treasury shares	:	Nil
Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	68	23.05	29,100	0.01
1,000 – 10,000	107	36.27	351,800	0.14
10,001 – 1,000,000	110	37.29	17,301,100	6.64
1,000,001 AND ABOVE	10	3.39	242,911,750	93.21
TOTAL	295	100.00	260,593,750	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	Wong Siew Cheong	173,000,000	66.39
2	Chong Mee Chin	33,375,000	12.81
3	Wong Siew Chong	10,000,000	3.84
4	Gong Yucai	8,000,000	3.07
5	Mohammadreza Sadeghi ⁽¹⁾	6,750,000	2.59
6	UOB Kay Hian Pte Ltd	3,582,750	1.37
7	Thong Kwok Kheong	3,300,000	1.27
8	Xia Jing	2,000,000	0.77
9	Wong Sek Pun	1,699,000	0.65
10	Yao Hsiao Tung	1,205,000	0.46
11	Chai Hwee Hoon Doreen	890,000	0.34
12	DB Nominees (S) Pte Ltd	815,000	0.31
13	Tan Ah Lye	815,000	0.31
14	TAL Capital Pte Ltd	785,000	0.30
15	Tan Ban Ser	785,000	0.30
16	Tan Lay Tiong Anthony	785,000	0.30
17	Yap Hoon Hong	784,000	0.30
18	Ang Hock Chwei	780,000	0.30
19	Teo Hui Meng Robert	500,000	0.19
20	Keng Chee Chiang (Kang Zhiqiang)	422,200	0.16
	TOTAL	250,272,950	96.03

STATISTICS OF SHAREHOLDINGS

as at 20 March 2013

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as at 20 March 2013

Name of Substantial Shareholders	Number of Shares fully paid			
	Direct Interest	%	Deemed Interest	%
Wong Siew Cheong	173,000,000	66.39	33,375,000 ⁽¹⁾	12.81
Chong Mee Chin	33,375,000	12.81	–	–

Note:

(1) Mr Wong Siew Cheong is deemed to be interested in the shareholdings of his spouse, Madam Chong Mee Chin.

PUBLIC FLOAT

As at 20 March 2013, approximately 20.80% of the total issued shares (excluding treasury shares) of the Company was held in the hands of the public (based on information available to the Company). Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Atlantic Navigation Holdings (Singapore) Limited (the “Company”) will be held at The Executive Centre, Dax Room, Level 25, North Tower, One Raffles Quay, Singapore 048583 on Monday, 29 April 2013 at 10.30 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2012 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr Lee Kah Hoo who is retiring by rotation in accordance with Article 89 of the Company’s Articles of Association as a Director of the Company. [See Explanatory Note (i)] **(Resolution 2)**
3. To re-elect Mr Tong Choo Cherng who is retiring by rotation in accordance with Article 88 of the Company’s Articles of Association as a Director of the Company. [See Explanatory Note (ii)] **(Resolution 3)**
4. To re-elect Mr Goh Boon Chye who is retiring by rotation in accordance with Article 88 of the Company’s Articles of Association as a Director of the Company. [See Explanatory Note (iii)] **(Resolution 4)**
5. To re-elect Mr Eu Lee Koon who is retiring by rotation in accordance with Article 88 of the Company’s Articles of Association as a Director of the Company. [See Explanatory Note (iv)] **(Resolution 5)**
6. To re-appoint Messrs Ernst & Young LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without amendments as ordinary resolutions:-

8. To approve the payment of Directors’ fees of S\$80,167.76 for the year ended 31 December 2012. (2011: S\$67,000.00) **(Resolution 7)**
9. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Singapore Exchange Trading Limited Listing Manual - Section B: Rules of Catalist**

“That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual - Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors of the Company to allot and issue shares in the Company at anytime to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 100% of the total number of issued shares, excluding treasury shares, in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 50% of the total number of issued shares, excluding treasury shares, in the capital of the Company, and for the purpose of this resolution, the total number of issued shares excluding treasury shares shall be based on the Company’s total number of issued shares excluding treasury shares at the time this resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company’s shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.” [See Explanatory Note (v)] **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

10. Authority to issue shares under the Atlantic Employees Share Option Scheme

“That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Atlantic Employees’ Share Option Scheme (the “**Atlantic ESOS**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Atlantic ESOS, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Atlantic ESOS, Atlantic PSP (as defined herein), and Atlantic RSP (as defined herein) shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.” [See Explanatory Note (vi)]

(Resolution 9)

11. Authority to issue shares under the Atlantic Performance Share Plan

“That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards under the Atlantic Performance Share Plan (the “**Atlantic PSP**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Atlantic PSP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Atlantic PSP, Atlantic ESOS and Atlantic RSP (as defined herein) shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.” [See Explanatory Note (vii)]

(Resolution 10)

12. Authority to issue shares under the Atlantic Restricted Share Plan

“That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards under the Atlantic Restricted Share Plan (the “**Atlantic RSP**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Atlantic RSP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Atlantic RSP, Atlantic ESOS and Atlantic PSP shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.” [See Explanatory Note (viii)]

(Resolution 11)

BY ORDER OF THE BOARD

CHEW KOK LIANG
LOH SIEW LEE
COMPANY SECRETARIES

Singapore, 12 April 2013

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

- (i) Mr Lee Kah Hoo, if re-elected as a Director of the Company, will remain as Chairman of the Nominating Committee, a member of the Audit Committee and Remuneration Committee and will be considered as an independent director.
- (ii) Mr Tong Choo Cherng, if re-elected as a Director of the Company, will remain as Executive Director (Finance) and will be considered as a non-independent director.
- (iii) Mr Goh Boon Chye, if re-elected as a Director of the Company, will remain as Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee and will be considered as an independent director.
- (iv) Mr Eu Lee Koon, if re-elected as a Director of the Company, will remain as Chairman of the Remuneration Committee, a member of the Audit Committee and Nominating Committee and will be considered as an independent director.
- (v) The ordinary resolution set out in item 9 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro rata basis to existing shareholders of the Company.
- (vi) The ordinary resolution set out in item 10, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Atlantic ESOS provided that the aggregate additional shares to be issued pursuant to the Atlantic ESOS, Atlantic PSP and Atlantic RSP do not exceeding in total (for the entire duration of the Atlantic ESOS) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (vii) The ordinary resolution set out in item 11 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Atlantic PSP provided that the aggregate additional shares to be issued pursuant to the Atlantic ESOS, Atlantic PSP and Atlantic RSP do not exceeding in total (for the entire duration of the Atlantic PSP) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (viii) The ordinary resolution set out in item 12 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Atlantic RSP provided that the aggregate additional shares to be issued pursuant to the Atlantic ESOS, Atlantic PSP and Atlantic RSP do not exceeding in total (for the entire duration of the Atlantic PSP) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:-

1. A Member entitled to attend and vote at meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 6 Battery Road, #10-01, Singapore 049909 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

ATLANTIC NAVIGATION HOLDINGS (SINGAPORE) LIMITED

(Company Registration No. 200411055E)
(Incorporated In the Republic of Singapore)

PROXY FORM ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy Atlantic Navigation Holdings (Singapore) Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, _____

of _____

being a member/members of Atlantic Navigation Holdings (Singapore) Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at The Executive Centre, Dax Room, Level 25, North Tower, One Raffles Quay, Singapore 048583 on Monday, 29 April 2013 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
Ordinary Business			
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2012		
2	Re-election of Mr Lee Kah Hoo as a Director		
3	Re-election of Mr Tong Choo Cherng as a Director		
4	Re-election of Mr Goh Boon Chye as a Director		
5	Re-election of Mr Eu Lee Koon as a Director		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company		
Special Business			
7	Approval of Directors' fees amounting to S\$80,167.76 for the financial year ended 31 December 2012		
8	Authority to issue new shares		
9	Authority to issue shares under the Atlantic Employees Share Option Scheme		
10	Authority to issue shares under the Atlantic Performance Share Plan		
11	Authority to issue shares under the Atlantic Restricted Share Plan		

Dated this _____ day of _____ 2013

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two (2) proxies, the member shall specify the proportion of his/her shares to be represented by each proxy, failing which the nomination shall be alternative.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 6 Battery Road, #10-01, Singapore 049909 not less than 48 hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Atlantic Navigation
Holdings (Singapore) Limited**

Unique Entity Number (UEN):
200411055E

6 Battery Road #10-01
Singapore 049909

