

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

(i) Receivables (continued)

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Accrued unbilled revenue represents unbilled value of goods delivered and services rendered to be billed in accordance with respective terms and conditions agreed with customers. Credit risk arising from non-trade receivables is not significant.

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Counterparties without external credit rating:						
- Existing customers with no defaults in the past	82,888	57,497	69,136	74,408	46,503	48,215
- Accrued unbilled revenue	130,754	100,643	85,338	122,819	94,577	85,338

(ii) Intercompany balances

Intercompany balances with subsidiaries are largely trade in nature. The Company monitors the results of the subsidiaries regularly. As at 31 December 2012, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position as shown in Note 17.

Management has taken reasonable steps to ensure that intercompany receivables are stated at realisable values. As at 31 December 2012, there was no indication that the intercompany receivables from subsidiaries are not recoverable.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (continued)

(iii) Bank balances and deposits with licensed financial institutions

Bank balances and deposits with licensed financial institutions are with approved financial institutions and reputable banks.

As at the end of the reporting period, the maximum exposure to credit risk arising from cash and bank balances including deposits with licensed financial institutions is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparties to fail to meet their obligations. The credit quality of the financial institutions in respect of above balances is as follows:

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
AAA	11,363	19,006	31,667	2,803	9,336	25,835
A	151	0	5,351	151	0	259

The credit quality of the above bank balances and deposits with licensed financial institutions are assessed by reference to RAM Ratings Services Berhad.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) 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 or the Company has sufficient cash and bank balances and maintains standby credit lines to ensure availability of funding to meet operational requirements. The Group's borrowings and standby credit lines are provided by financial institutions with sound credit ratings.

Analysis of financial instruments by remaining contractual maturities

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

	31.12.2012			
	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	Total RM'000
<u>Group</u>				
<u>Financial Liabilities</u>				
Payables	61,190	0	0	61,190
Borrowings	52,903	0	0	52,903
Finance lease liabilities	9,932	4,586	0	14,518
Total undiscounted financial liabilities	<u>124,025</u>	<u>4,586</u>	<u>0</u>	<u>128,611</u>
<u>Company</u>				
<u>Financial Liabilities</u>				
Payables	69,602	0	0	69,602
Borrowings	52,903	0	0	52,903
Finance lease liabilities	9,932	4,586	0	14,518
Total undiscounted financial liabilities	<u>132,437</u>	<u>4,586</u>	<u>0</u>	<u>137,023</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

31.12.2011

<u>Group</u>	<u>On demand</u> <u>or within one</u> <u>year</u>	<u>One to two</u> <u>years</u>	<u>Two to five</u> <u>years</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>Financial Liabilities</u>				
Payables	53,663	0	0	53,663
Borrowings	9,920	0	0	9,920
Finance lease liabilities	5,526	4,133	0	9,659
Other long-term liabilities	0	0	0	0
Total undiscounted financial liabilities	<u>69,109</u>	<u>4,133</u>	<u>0</u>	<u>73,242</u>
<u>Company</u>				
<u>Financial Liabilities</u>				
Payables	66,064	0	0	66,064
Borrowings	9,920	0	0	9,920
Finance lease liabilities	5,526	4,133	0	9,659
Other long-term liabilities	0	0	0	0
Total undiscounted financial liabilities	<u>81,510</u>	<u>4,133</u>	<u>0</u>	<u>85,643</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

	01.01.2011			
	On demand or within one year RM'000	One to two years RM'000	Two to five years RM'000	Total RM'000
<u>Group</u>				
<u>Financial Liabilities</u>				
Payables	67,051	0	0	67,051
Borrowings	0	0	0	0
Finance lease liabilities	5,760	5,527	4,133	15,420
Other long-term liabilities	749	0	0	749
Total undiscounted financial Liabilities	<u>73,560</u>	<u>5,527</u>	<u>4,133</u>	<u>83,220</u>
<u>Company</u>				
<u>Financial Liabilities</u>				
Payables	61,023	0	0	61,023
Borrowings	0	0	0	0
Finance lease liabilities	5,760	5,527	4,133	15,420
Other long-term liabilities	749	0	0	749
Total undiscounted financial liabilities	<u>67,532</u>	<u>5,527</u>	<u>4,133</u>	<u>77,192</u>

3.2 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statements of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 CAPITAL MANAGEMENT (CONTINUED)

	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
<u>Group</u>			
Total borrowings (Note 21)	52,903	9,920	0
Less: Cash and cash equivalents (Note 19)	(11,514)	(19,006)	(37,018)
Net debt	<u>41,389</u>	<u>0</u>	<u>0</u>
Total equity	194,620	193,612	188,430
Total capital	<u>236,009</u>	<u>184,527</u>	<u>151,412</u>
Gearing ratio	<u>18%</u>	<u>0%</u>	<u>0%</u>

The increase in the gearing ratio during 2012 resulted primarily from the increase of borrowings during the financial year (Note 21).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

There are no critical judgments made in applying the Group's and the Company's accounting policies.

5 REVENUE

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	RM'000	RM'000	RM'000	RM'000
Revenue from:				
- hardware	116,354	110,001	108,227	91,177
- software	56,627	38,452	56,627	38,452
- services	153,369	149,166	142,324	126,967
	<u>326,350</u>	<u>297,619</u>	<u>307,178</u>	<u>256,596</u>

Company No.

79244	V
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MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

6 **STAFF COST (INCLUDING DIRECTORS' EMOLUMENTS)**

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonuses and other employment benefits	74,911	72,618	45,977	48,799
Defined contribution retirement plan	8,352	7,229	2,208	2,451
Defined benefit retirement plan	514	536	514	536
	<u>83,777</u>	<u>80,383</u>	<u>48,699</u>	<u>51,786</u>

Details of the defined contribution and defined benefit plans of the Group and the Company are set out in Note 22 to the financial statements.

The aggregate amount of emoluments received and receivable by Directors of the Group and the Company during the financial year is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	RM'000	RM'000	RM'000	RM'000
<u>Non-executive Directors</u>				
- fees	187	186	187	186
- others	8	18	8	18
<u>Executive Directors</u>				
- salaries and bonuses	1,973	1,719	1,841	1,719
- others	279	316	279	316
- defined contribution plan	237	208	221	208
- defined benefit retirement plan	0	46	0	46
	<u>2,684</u>	<u>2,493</u>	<u>2,536</u>	<u>2,493</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

7 PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- Audit	190	182	96	90
- Non-audit (Tax compliance fees)	43	64	12	36
Depreciation of property, plant and equipment	6,816	4,345	2,413	2,308
Gross dividend income from subsidiaries	0	0	(12,275)	(7,224)
Interest income	(719)	(1,992)	(455)	(1,766)
Net realised foreign exchange gain	(5,267)	(2,580)	(4,485)	(2,043)
Unrealised foreign exchange gain	(141)	(169)	(138)	(162)
Property, plant and equipment written off	0	29	0	20
Impairment of investment in a subsidiary	0	0	0	121
Write-off of investment	0	0	0	52
Rental income	(120)	(120)	(360)	(360)
Rental expense	327	203	19	19
Bad debts written off	2,323	0	2,323	0
Impairment/(Reversal) of receivables	336	(246)	281	(201)

8 FINANCE COST

	<u>Group and Company</u>	
	<u>2012</u>	<u>2011</u>
	RM'000	RM'000
Interest expense on:		
- bank overdraft	7	5
- borrowing	714	35
- lease financing	339	16
	<u>1,060</u>	<u>56</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9 TAX EXPENSE AND ZAKAT

	Group		Company	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	RM'000	RM'000	RM'000	RM'000
<u>Current tax:</u>				
Current financial year - Malaysian income tax	3,930	4,057	506	1,957
<u>Deferred tax:</u>				
Current year (Note 15)	57	1,824	65	442
	<u>3,987</u>	<u>5,881</u>	<u>571</u>	<u>2,399</u>
Zakat	180	0	180	0
	<u>4,167</u>	<u>5,881</u>	<u>751</u>	<u>2,399</u>

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	%	%	%	%
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	25	25	25	25
Tax effects of:				
- income not subject to tax	(6)	0	(15)	(11)
- expenses not deductible for tax purposes	1	3	5	3
Average effective tax rate	<u>20</u>	<u>28</u>	<u>15</u>	<u>17</u>

The amount of unutilised tax losses and unabsorbed capital allowances for which no deferred tax assets is recognised in the statements of financial position is as follows:

	Group	
	<u>2012</u>	<u>2011</u>
	RM'000	RM'000
Unutilised tax losses	2,846	2,559
Deductible temporary differences	405	82
	<u>3,251</u>	<u>2,641</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9 TAX EXPENSE AND ZAKAT (CONTINUED)

The deductible temporary differences and unutilised tax losses are available indefinitely for offset against future taxable profits of the Group and the Company subject to agreement with the tax authorities. These tax benefits will only be obtained if the Group and Company derives future assessable income of a nature and amount sufficient for the tax benefits to be utilised. Deferred tax assets have not been recognised in respect of tax losses and deductible temporary differences of certain entities within the group as certain entities within the group have a history of losses or dormant.

10 BASIC EARNINGS PER SHARE

Basic earnings per share ("EPS") of the Group is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	<u>2012</u>	<u>Group</u> <u>2011</u>
Net profit attributable to ordinary equity holders of the Company (RM'000)	9,738	13,580
Weighted average number of ordinary shares in issue ('000)	60,402	60,402
Basic earnings per share (sen)	<u>16.12</u>	<u>22.48</u>

Basic and diluted EPS are the same in both financial periods.

11 DIVIDENDS

Dividends paid during the financial year are as follows:

	<u>Group and Company</u>	
	<u>2012</u>	<u>2011</u>
	RM'000	RM'000
Final dividends in respect of financial year 2011/2010:		
21 sen per share, less income tax at 25%		
(2011: 20 sen per share, less income tax at 25%)	<u>9,513</u>	<u>9,060</u>

The Directors have recommended the payment of a final gross dividend of 21 sen per share, less income tax 25%, amounting to RM9,513,315 subject to the approval of the members at the forthcoming Annual General Meeting.

The financial statements do not reflect the proposed final dividends for the financial year ended 31 December 2012, which will only be accrued as a liability in the financial year ending 31 December 2013, after approval by the shareholders.

MESINIAGA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land, at cost RM'000	Building, at cost RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Motor vehicle, at cost RM'000	Total RM'000
<u>31.12.2012</u>						
<u>Cost</u>						
At 1 January 2012	26,262	35,836	5,629	46,198	155	114,080
Additions	0	0	0	6,137	128	6,265
Assets written off	0	0	0	(200)	0	(200)
At 31 December 2012	<u>26,262</u>	<u>35,836</u>	<u>5,629</u>	<u>52,135</u>	<u>283</u>	<u>120,145</u>
<u>Accumulated depreciation</u>						
At 1 January 2012	0	11,322	5,629	29,802	91	46,844
Charge for the financial year	0	717	0	6,023	51	6,791
Assets written off	0	0	0	(200)	0	(200)
At 31 December 2012	<u>0</u>	<u>12,039</u>	<u>5,629</u>	<u>35,625</u>	<u>142</u>	<u>53,435</u>
<u>Net book value</u>						
At 31 December 2012	<u>26,262</u>	<u>23,797</u>	<u>0</u>	<u>16,510</u>	<u>141</u>	<u>66,710</u>

Company No.

79244

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MESINIAGA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Freehold land, at cost</u> RM'000	<u>Building, at cost</u> RM'000	<u>Machines, at cost</u> RM'000	<u>Office equipment, furniture and fittings, at cost</u> RM'000	<u>Motor vehicle, at cost</u> RM'000	<u>Total</u> RM'000
<u>31.12.2011</u>						
<u>Cost</u>						
At 1 January 2011	26,262	35,836	5,629	35,094	155	102,976
Additions	0	0	0	11,379	0	11,379
Assets written off	0	0	0	(275)	0	(275)
At 31 December 2011	<u>26,262</u>	<u>35,836</u>	<u>5,629</u>	<u>46,198</u>	<u>155</u>	<u>114,080</u>
<u>Accumulated depreciation</u>						
At 1 January 2011	0	10,604	5,629	26,460	52	42,745
Charge for the financial year	0	718	0	3,588	39	4,345
Assets written off	0	0	0	(246)	0	(246)
At 31 December 2011	<u>0</u>	<u>11,322</u>	<u>5,629</u>	<u>29,802</u>	<u>91</u>	<u>46,844</u>
<u>Net book value</u>						
At 31 December 2011	<u>26,262</u>	<u>24,514</u>	<u>0</u>	<u>16,396</u>	<u>64</u>	<u>67,236</u>

Company No.

79244 V

MESINIAGA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	Freehold land, at cost RM'000	Building, at cost RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Motor vehicle, at cost RM'000	Total RM'000
<u>31.12.2012</u>						
<u>Cost</u>						
At 1 January 2012	26,262	35,836	5,629	29,428	155	97,310
Additions	0	0	0	1,203	128	1,331
Transfer to subsidiary	0	0	0	(550)	0	(550)
Assets written off	0	0	0	(195)	0	(195)
At 31 December 2012	<u>26,262</u>	<u>35,836</u>	<u>5,629</u>	<u>29,886</u>	<u>283</u>	<u>97,896</u>
<u>Accumulated depreciation</u>						
At 1 January 2012	0	11,322	5,629	24,572	91	41,614
Charge for the financial year	0	717	0	1,620	51	2,388
Transfer to subsidiary	0	0	0	(367)	0	(367)
Assets written off	0	0	0	(195)	0	(195)
At 31 December 2012	<u>0</u>	<u>12,039</u>	<u>5,629</u>	<u>25,630</u>	<u>142</u>	<u>43,440</u>
<u>Net book value</u>						
At 31 December 2012	<u>26,262</u>	<u>23,797</u>	<u>0</u>	<u>4,256</u>	<u>141</u>	<u>54,456</u>

Company No.

79244 V

MESINIAGA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

12 **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Company</u>	<u>Freehold land, at cost RM'000</u>	<u>Building, at cost RM'000</u>	<u>Machines, at cost RM'000</u>	<u>Office equipment, furniture and fittings, at cost RM'000</u>	<u>Motor vehicle, at cost RM'000</u>	<u>Total RM'000</u>
<u>31.12.2011</u>						
<u>Cost</u>						
At 1 January 2011	26,262	35,836	5,629	27,038	155	94,920
Additions	0	0	0	2,635	0	2,635
Assets written off	0	0	0	(245)	0	(245)
At 31 December 2011	<u>26,262</u>	<u>35,836</u>	<u>5,629</u>	<u>29,428</u>	<u>155</u>	<u>97,310</u>
<u>Accumulated depreciation</u>						
At 1 January 2011	0	10,604	5,629	23,246	52	39,531
Charge for the financial year	0	718	0	1,551	39	2,308
Assets written off	0	0	0	(225)	0	(225)
At 31 December 2011	<u>0</u>	<u>11,322</u>	<u>5,629</u>	<u>24,572</u>	<u>91</u>	<u>41,614</u>
<u>Net book value</u>						
At 31 December 2011	<u>26,262</u>	<u>24,514</u>	<u>0</u>	<u>4,856</u>	<u>64</u>	<u>55,696</u>

Company No.

79244	V
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MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

13 INVESTMENT PROPERTY

	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
At 1 January	1,443	1,443	0
Depreciation	<u>(25)</u>	<u>0</u>	<u>0</u>
At 31 December	<u>1,418</u>	<u>1,443</u>	<u>0</u>

Investment property rental income and direct operating expenses for the financial year/period are as follows:

	Group and Company	
	<u>2012</u>	<u>2011</u>
	RM'000	RM'000
Rental income	45	43
Direct operating expenses	<u>3</u>	<u>15</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES

	Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Unquoted shares, at cost	2,006	2,261	2,261
Capital repayment on liquidation	0	(203)	0
Write-off of investment	0	(52)	0
Accumulated impairment losses	(771)	(771)	(650)
	<u>1,235</u>	<u>1,235</u>	<u>1,611</u>

The shares of all subsidiaries are held directly by the Company.

Details of the subsidiaries, all of which are incorporated in Malaysia, unless otherwise stated, are as follows:

Names of companies	Principal activities	Group's effective interest		
		<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
		%	%	%
Mesiniaga Techniques Sdn. Bhd.	Under members voluntary winding up	100	100	100
Mesiniaga Services Sdn. Bhd.	Provision of maintenance and managed services	100	100	100
Mesiniaga MSC Sdn. Bhd.	Provision of solution services and technology research and development	100	100	100
Mesiniaga SSO Sdn. Bhd. (previously known as Mesiniaga SCS Sdn. Bhd.)	Under members voluntary winding up	100	100	100
CustomCodes Sdn. Bhd. (previously know as Navigis Sdn.Bhd.)	Provision of design, development and implementation of business solutions related to business intelligence, business analytics, customised applications and software products	100	100	100
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	51	51	51
Mesiniaga Alliances Sdn. Bhd.	Provision of strategic information technology outsourcing services	100	100	100

All the above subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

15 DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group			Company		
	31.12.2012	31.12.2011	01.01.2011	31.12.2012	31.12.2011	01.01.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	360	25	0	0	0	0
Deferred tax liabilities:	(3,397)	(3,005)	(1,156)	(652)	(587)	(145)
At 1 January	(2,980)	(1,156)	(764)	(587)	(145)	(141)
(Charged)/Credited to statements of comprehensive income (Note 9):						
- property, plant and equipment	157	(2,003)	(347)	263	(371)	(19)
- accruals	(316)	150	130	(432)	90	130
- post-employment benefit obligations	110	(53)	(190)	109	(53)	(190)
- allowances	(15)	54	15	26	(139)	75
- other	(31)	28	0	(31)	31	0
- unabsorbed capital allowance	38	0	0	0	0	0
	(57)	(1,824)	(392)	(65)	(442)	(4)
At 31 December	(3,037)	(2,980)	(1,156)	(652)	(587)	(145)
Subject to income tax:						
Deferred tax assets (before offsetting):						
- post-employment benefit obligations	434	324	377	433	324	377
- allowances	463	478	424	172	146	285
- accruals	177	283	133	0	222	132
- other	0	28	0	0	31	0
- unabsorbed capital allowance	38	0	0	0	0	0
	1,112	1,113	934	605	723	794
Offsetting	(752)	(1,088)	(934)	(605)	(723)	(794)
Deferred tax assets (after offsetting)	360	25	0	0	0	0

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

15 DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities (before offsetting):						
- property, plant and equipment	(3,936)	(4,093)	(2,090)	(1,047)	(1,310)	(939)
- others	(3)	0	0	0	0	0
- accruals	(210)	0	0	(210)	0	0
	<u>(4,149)</u>	<u>(4,093)</u>	<u>(2,090)</u>	<u>(1,257)</u>	<u>(1,310)</u>	<u>(939)</u>
Offsetting	752	1,088	934	605	723	794
Deferred tax liabilities (after offsetting)	<u>(3,397)</u>	<u>(3,005)</u>	<u>(1,156)</u>	<u>(652)</u>	<u>(587)</u>	<u>(145)</u>

16 INVENTORIES

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Equipment	10,843	4,362	3,944	9,674	4,362	3,939
Spare parts	7,102	6,785	4,874	1	1	1
Supplies	14	86	159	11	4	0
Cable	7,643	3,943	4,187	1	5	2
	<u>25,602</u>	<u>15,176</u>	<u>13,164</u>	<u>9,687</u>	<u>4,372</u>	<u>3,942</u>

17 TRADE AND OTHER RECEIVABLES

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	83,781	58,054	69,939	75,246	47,060	48,973
Less: Impairment of receivables	(893)	(557)	(803)	(838)	(557)	(758)
	<u>82,888</u>	<u>57,497</u>	<u>69,136</u>	<u>74,408</u>	<u>46,503</u>	<u>48,215</u>
Accrued unbilled revenue	130,754	100,643	85,338	122,819	94,577	85,338
Finance lease receivable (Note 18)	1,804	1,964	4,321	1,804	1,964	4,321
Other receivables	2,396	1,193	1,321	1,178	736	732
Deposits and prepayments	1,047	918	843	908	809	787
Amounts due from subsidiaries	0	0	0	21,149	22,250	3,172
	<u>218,889</u>	<u>162,215</u>	<u>160,959</u>	<u>222,266</u>	<u>166,839</u>	<u>142,565</u>

The amounts due from subsidiaries consists of trade receivables amounting to RM11,954,917 (2011: RM15,121,996) and non-trade receivables amounting to RM9,193,757 (2011: RM7,128,054).

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

17 **TRADE AND OTHER RECEIVABLES (CONTINUED)**

Trade receivables, other receivables and deposits (except prepayments) are denominated in Ringgit Malaysia.

Credit terms of trade receivables range from 30 days to 90 days (2011: 30 days to 90 days).

Accrued unbilled revenue, other receivables and amounts due from subsidiaries are neither past due nor impaired.

The Group's and the Company's historical experience in collection of trade receivables falls within the recorded impairment. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and the Company's trade receivables.

Aging analysis of trade receivables and accrued unbilled revenue

	Group			Company		
	<u>31.12.2012</u> RM'000	<u>31.12.2011</u> RM'000	<u>01.01.2011</u> RM'000	<u>31.12.2012</u> RM'000	<u>31.12.2011</u> RM'000	<u>01.01.2011</u> RM'000
Neither past due nor Impaired	194,491	132,421	135,707	181,090	118,686	120,230
1 to 30 days past due and not impaired	17,506	6,264	6,943	15,208	6,086	4,121
31 to 90 days past due and not impaired	1,212	16,080	5,742	591	14,514	4,640
More than 91 days past due and not impaired	433	3,375	6,082	338	1,794	4,562
More than 91 days past due and impaired	893	557	803	838	557	758
	<u>214,535</u>	<u>158,697</u>	<u>155,277</u>	<u>198,065</u>	<u>141,637</u>	<u>134,311</u>
Less: Impairment of receivables	<u>(893)</u>	<u>(557)</u>	<u>(803)</u>	<u>(838)</u>	<u>(557)</u>	<u>(758)</u>
	<u>213,642</u>	<u>158,140</u>	<u>154,474</u>	<u>197,227</u>	<u>141,080</u>	<u>133,553</u>

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment history. A significant number of these debtors are significant entities within the information, communication and technology industry. None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

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MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

17 **TRADE AND OTHER RECEIVABLES (CONTINUED)**

Trade receivables that are past due but not impaired

As at 31 December 2012, the Group and the Company have trade receivables amounting to RM19,151,000 (2011: RM25,719,000) and RM16,137,000 (2011: RM22,394,000) respectively that are past due at the reporting date but not impaired.

Trade receivables that were past due but not impaired relate to customers that have a track record with the Group and the Company. Based on past experience and no adverse information to date, the Directors of the Group and Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

Trade receivables that are impaired

The Group's and the Company's trade receivables that are impaired as at 31 December 2012 and the movement of the allowance accounts to record the impairment are as follows:

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables - nominal amounts	893	557	803	838	557	758
Less: Impairment of receivables	(893)	(557)	(803)	(838)	(557)	(758)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

These primarily relate to a few industrial customers which are in financial difficulties.

Movement in impairment of receivables:

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	557	803	996	557	758	637
Impairment/(Reversal) of receivables	336	(246)	(193)	281	(201)	121
At 31 December	<u>893</u>	<u>557</u>	<u>803</u>	<u>838</u>	<u>557</u>	<u>758</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

18 **FINANCE LEASE RECEIVABLES**

	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Gross receivables	3,135	4,909	4,714
Less: Unearned finance income	(190)	0	(285)
Present value of lease receivables	<u>2,945</u>	<u>4,909</u>	<u>4,429</u>

The present value of lease receivables may be analysed as follows:

	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Receivable within 12 months (Note 17)	1,804	1,964	4,321
Receivable after 12 months:			
- between 1 and 2 years	1,331	2,729	177
- between 2 and 5 years	0	216	216
	<u>3,135</u>	<u>4,909</u>	<u>4,714</u>
Less: Unearned finance income	(190)	0	(285)
	<u>2,945</u>	<u>4,909</u>	<u>4,429</u>
Current (Note 17)	1,804	1,964	4,321
Non-current	1,141	2,945	393
	<u>2,945</u>	<u>4,909</u>	<u>4,714</u>

The weighted average effective interest rates for finance lease receivables are 5% (2011: 5%) per annum. The finance lease receivables are denominated in Ringgit Malaysia. Fair values of the lease receivables approximated their carrying amounts.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

19 CASH AND CASH EQUIVALENTS

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	5,323	11,417	29,592	2,851	8,233	26,003
Deposits with licensed financial Institutions	6,191	7,589	7,426	103	1,103	91
	<u>11,514</u>	<u>19,006</u>	<u>37,018</u>	<u>2,954</u>	<u>9,336</u>	<u>26,094</u>

Bank balances are deposits held at call with banks and earn no interest.

The Group's and the Company's effective weighted average interest rate of deposits at the end of the financial year is 3% (2011: 2.8%) per annum.

Deposits of the Group and the Company as at 31 December 2012 are time deposits, which have an average maturity period of 90 days (2011: 90 days).

Cash and cash equivalents are denominated in Ringgit Malaysia.

20 TRADE AND OTHER PAYABLES

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	53,054	38,180	53,476	49,493	35,421	45,602
Payroll liabilities	6,354	12,969	10,282	3,287	8,359	4,778
Accruals	1,782	2,514	3,293	985	1,979	2,377
Finance lease liabilities (Note 23)	9,932	5,526	5,744	9,932	5,526	5,744
Vendor financing	0	0	749	0	0	749
Amounts due to subsidiaries	0	0	0	15,837	20,305	8,266
	<u>71,122</u>	<u>59,189</u>	<u>73,544</u>	<u>79,534</u>	<u>71,590</u>	<u>67,516</u>

The currency exposure profile of trade payables is as follows:

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	45,449	31,273	50,439	41,981	28,778	43,020
United States Dollar	7,605	6,907	3,037	7,512	6,643	2,582
	<u>53,054</u>	<u>38,180</u>	<u>53,476</u>	<u>49,493</u>	<u>35,421</u>	<u>45,602</u>

All other liabilities are denominated in Ringgit Malaysia.

Credit terms of trade payables range from 7 days to 90 days (2011: 7 days to 90 days).

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

21 BORROWING (UNSECURED AND INTEREST BEARING)

	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Short-term bank borrowings	<u>52,903</u>	<u>9,920</u>	<u>0</u>

During the financial year, the Company has secured short-term bank borrowings subject to annual coupons of 2.25% (2011: 1.43%).

The interest rate of the short-term bank borrowing is as follows:

	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	%	%	%
Short-term bank borrowings	<u>2.25</u>	<u>1.43</u>	<u>0</u>

The carrying amount of the Company's borrowings are denominated in the following currencies:

	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Ringgit Malaysia	18,867	9,920	0
United States Dollar	<u>34,036</u>	<u>0</u>	<u>0</u>

22 POST-EMPLOYMENT BENEFITS OBLIGATIONS

The Company elected to recognise all cumulative actuarial gains and losses that existed at its transition date in opening retained earnings for all its employee benefit plans in accordance with the exemption in MFRS 1 for the accounting of employee benefits. The effect of this election is a decrease to the retirement benefits provision of RM816,194 as at the date of transition.

(a) Defined contribution plan

The Company and its subsidiaries, which are all incorporated in Malaysia, contribute to the Employees' Provident Fund, the national defined contribution plan. Once contributions have been paid, the Group has no further payment obligations.

(b) Defined benefit plan

The Company operates a funded defined benefit plan, which is an approved defined benefit plan under Section 150 of the Income Tax Act, 1967. The defined benefit plan is applicable for eligible employees who have completed at least 15 years of service at the time of retirement and are employed prior to 2 July 2002.

The assets of the funded plan are held in separate trustee administered funds.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

22 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

The latest actuarial valuation of the plan as at 31 December 2012 was carried out as at 31 December 2011.

The movement in the present value of defined benefit obligation over the year is as follows:

	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
At 1 January	6,566	4,694
Current service cost	281	187
Interest cost	389	277
Actuarial losses	0	1,894
Benefits paid	<u>(776)</u>	<u>(486)</u>
At 31 December	<u>6,460</u>	<u>6,566</u>

The movement in the fair value of plan assets of the financial year is as follows:

	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
At 1 January	3,260	3,183
Expected return on plan assets	177	86
Actuarial gains	23	0
Employer contributions	350	477
Benefits paid	<u>(776)</u>	<u>(486)</u>
At 31 December	<u>3,034</u>	<u>3,260</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

22 **POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)**

(b) Defined benefit plan (continued)

Actuarial benefit charge was recognised within staff cost in the statements of comprehensive income. The amounts recognised in the statements of financial position may be analysed as follows:

	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
<u>At 31 December</u>			
Present value of funded obligations	6,460	6,566	4,694
Fair value of plan assets	(3,034)	(3,260)	(3,183)
Liability	3,426	3,306	1,511
Unrecognised actuarial loss	(1,690)	(1,734)	0
Net liability	<u>1,736</u>	<u>1,572</u>	<u>1,511</u>

Plan assets are comprised as follows:

	Group and Company					
	<u>31.12.2012</u>		<u>31.12.2011</u>		<u>01.01.2011</u>	
	RM'000	%	RM'000	%	RM'000	%
<u>At 31 December</u>						
Equity instruments	1,722	56.8%	1,666	51.1%	1,744	54.8%
Government bonds	816	26.9%	819	25.1%	808	25.4%
Cash and fixed deposit	425	14.0%	770	23.6%	688	21.6%
Other	71	2.3%	5	0.2%	(57)	(1.8%)
Total	<u>3,034</u>	<u>100%</u>	<u>3,260</u>	<u>100%</u>	<u>3,183</u>	<u>100%</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

22 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

The expense recognised in the statements of comprehensive income may be analysed as follows:

	Group		Company	
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000	RM'000	RM'000
Current service cost	281	187	281	187
Interest cost	389	277	389	277
Expected return on plan Assets	(177)	(86)	(177)	(86)
Actuarial gain recognized during the financial year	21	158	21	158
Total defined benefit retirement plan	514	536	514	536
Defined contribution retirement plan	8,352	7,229	2,208	2,451
Total included in staff cost (Note 6)	8,866	7,765	2,722	2,987

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions as follows. Any changes in any of these assumptions would impact the carrying amount of the defined benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of government deposits, bonds and securities denominated in Ringgit Malaysia, and that have maturity approximating the terms of the related defined benefit liability.

At 31 December	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	%	%	%
Discount rates	6.0	6.0	6.0
Expected return on plan assets	4.9	4.9	4.4
Expected rate of salary increases			
- up to age 29	7	7	10
- from age 30 to 34	7	7	7
- from age 35 to 39	6	6	7
- from age 40 to 44	6	6	6
- from age 45 and above	4	4	6
Turnover (per annum):			
- up to age 34	10	10	10
- from age 35 to 44	5	5	5
- thereafter	0	0	0
Retirement age:			
- normal retirement age, 60	50	50	100
- early retirement age, 55	50	50	0
Actual return on plan assets	177	139	119

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

22 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

(b) Defined benefit plan (continued)

The expected return on plan assets is determined by weighting the expected long-term return for each asset class by target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

23 FINANCE LEASE LIABILITIES

This represents future installments under finance lease agreements, repayable as follows:

	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Minimum lease payments:			
Repayable within 12 months	10,435	5,527	5,760
Repayable after 12 months:			
- between 1 and 2 years	4,727	4,133	5,527
- between 2 and 5 years	0	0	4,133
	<u>15,162</u>	<u>9,660</u>	<u>15,420</u>
Future finance charges on finance leases	(644)	(1)	(17)
Present value of the finance lease liability	<u>14,518</u>	<u>9,659</u>	<u>15,403</u>
Current (Note 20)	9,932	5,526	5,744
Non-current	4,586	4,133	9,659
	<u>14,518</u>	<u>9,659</u>	<u>15,403</u>

The finance lease liabilities are secured as the rights to the leased assets revert to the lessor in the event of default. Fair value of finance lease liabilities approximated the carrying amount on the statements of financial position.

24 SHARE CAPITAL

	Group and Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000
Ordinary shares of RM1.00 each:			
Authorised:			
At 1 January and 31 December	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:			
At 1 January and 31 December	<u>60,402</u>	<u>60,402</u>	<u>60,402</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

25 RETAINED EARNINGS

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes.

Dividends paid under this system are tax exempt in the hands of shareholders. However, companies who have not utilised fully their Section 108 credits balances up to 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013 whichever is earlier unless they opt to disregard the Section 108 credits under the special transitional provisions of the Finance Act, 2011 and pay single-tier dividends.

The Company did not elect for the irrevocable option to disregard the Section 108 balance.

As at 31 December 2012, subject to the agreement by the tax authorities, the Company has sufficient Section 108 tax credits and tax exempt income to pay in full all the retained earnings of the Company as franked and exempt dividends.

In addition, the Company has tax exempt income as at 31 December 2012 arising from the Income Tax (Amendment) Act, 1999, relating to tax on income earned in 1999 being waived and first tier exempt dividend income amounting to approximately RM1,016,520 and RM832,500 (2011: RM1,016,520 and RM832,500) respectively available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to agreement by the tax authorities.

26 SHARE PREMIUM (non-distributable)

Share premium is in respect of the Company's equity, the consideration received more than par value of the share, is credited into the share premium account.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

27 **SIGNIFICANT RELATED PARTY DISCLOSURES**

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

(a) The significant related party transactions are as follows:

<u>Related party</u>	<u>Company</u>	
	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000
<u>Subsidiary companies</u>		
Purchase of goods	292	575
Purchase of services	63,815	39,553
Sales of services	0	242
Sales of goods	13,596	1,033
Management fees	2,448	1,299
Secondment fees	25,458	22,916

(b) Key management compensation

Key management are categorised as Directors, and head or senior management officers of key operating divisions within the Group. The key management compensation (excluding Directors' remuneration) is disclosed as follows:

	<u>Group</u>		<u>Company</u>	
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employees benefits	2,414	2,321	1,202	1,107
Defined contribution plan	286	277	143	132
Defined benefit plan	33	33	33	33
	<u>2,733</u>	<u>2,631</u>	<u>1,378</u>	<u>1,272</u>

There are no significant balances from or to key management personnel as at the end of the financial year. Refer Note 6 to the financial statements for details of Directors' remuneration.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Financial year-end balances arising from sales/purchases of goods/services

	Group		Company	
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000	RM'000	RM'000
Receivables from related parties (Note 17):				
- Subsidiaries	0	0	21,149	22,250
Payables to related parties (Note 20):				
- Subsidiaries	<u>0</u>	<u>0</u>	<u>15,837</u>	<u>20,305</u>

The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2011: Nil).

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

28 SEGMENT REPORTING

The Group is primarily engaged in one business segment, namely the sales and service of information technology products in Malaysia. Accordingly, there are no differing risks and returns in the sales of products and provision of services by its business segment.

The reports provided and reviewed by the Managing Director ('MD') that are used to make strategic decisions are from the overall Group's and the Company's perspective.

All non-current assets of Group and Company are located in Malaysia.

29 TRANSITION FROM FRS TO MFRS

The effect of the Group's and the Company's transition to MFRSs, described in Note 2, is summarised in this note as follows:

1. MFRS1 mandatory exceptions
2. MFRS1 exemption options
3. Explanation of transition from FRSs to MFRs

1. MFRS1 mandatory exceptions

(a) MFRS estimates

MFRS estimates as at transition date is consistent with the estimates as at the same date made in conformity with FRS.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

29 **TRANSITION FROM FRS TO MFRS (CONTINUED)**

The effect of the Group's and the Company's transition to MFRSs, described in Note 2, is summarised in this note as follows: (continued)

2. **MFRS1 exemptions options**

- (a) **Exemption for previous revaluation as deemed cost - Property, plant and equipment**

In accordance with the exemption in MFRS 1, the Company elected to measure certain land and buildings at the previous revaluation as deemed cost as at the date of transition. Accordingly, the carrying amounts of these land and buildings have not been restated. In adopting the above, the Company has also reclassified the revaluation reserve balance of RM15.3 million to retained earnings.

- (b) **Exemption for fair value - investment in a subsidiary**

In accordance with the exemption in MFRS 1, the Group and the Company elected to measure an investment in a subsidiary at fair value as at transition date. The related adjustments which is the difference between the fair value as at transition date and its carrying amount was adjusted to the Company's retained earnings. There is no financial impact to Group.

In addition, the company adjusted a net investment in the subsidiary to its recoverable amount.

- (c) **Exemption for employee benefits**

MFRS 1 provides retrospective relief from applying MFRS 119 'Employee benefits', in respect of the recognition of actuarial gains and losses. The Company elected to recognise all cumulative actuarial gains and losses that existed at its transition date as an adjustment to the retained earnings for all its employee benefit plans. The effect of this election is a decrease to the post-employment benefits provision of RM816,194 as at the date of transition.

3. **Explanation of transition from FRSs to MFRSs**

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior financial periods. The following tables represent the reconciliations from FRSs to MFRSs for the respective periods noted for equity and total comprehensive income.

The transition from FRS to MFRS has had no effect on the reconciliation of equity and reconciliation of total comprehensive income of the Company and on the reported cash flows generated by the Group and the Company.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

29 TRANSITION FROM FRS TO MFRS (CONTINUED)

The effect of the Group's and the Company's transition to MFRSs, described in Note 2, is summarised in this note as follows: (continued)

3. Explanation of transition from FRSs to MFRSs (continued)

(a) Reconciliation of equity:

<u>Group</u>	<u>Note</u>	1 January 2011 (Date of transition) (RM'000)	<u>31 December 2011</u> (RM'000)
Equity as reported under FRS		187,818	193,000
Add transitioning adjustments:			
Recognition of cumulative actuarial gain and losses	22	817	817
Deferred tax liability arising from transitioning adjustments		(205)	(205)
Equity on transition to MFRS		<u>188,430</u>	<u>193,612</u>

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

29 **TRANSITION FROM FRS TO MFRS (CONTINUED)**

The effect of the Group's and the Company's transition to MFRSs, described in Note 2, is summarised in this note as follows: (continued)

3. Explanation of transition from FRSs to MFRSs (continued)

(a) Reconciliation of equity: (continued)

<u>Company</u>	<u>Note</u>	1 January 2011 (Date of transition) (RM'000)	31 December 2011 (RM'000)
Equity as reported under FRS		155,541	158,006
Add transitioning adjustments:			
Recognition of cumulative actuarial gain and losses	22	817	817
Adjustment to carrying amount of interest in subsidiary		(2,000)	(2,000)
Deferred tax asset/(liability) arising from transitioning adjustments		(205)	(205)
Equity on transition to MFRS		<u>154,153</u>	<u>156,618</u>

(b) Reconciliation of total comprehensive income:

The impact of MFRS1 exemption elected by the Group and the Company is immaterial on the total comprehensive income of the Group and the Company at 31 December 2011.

30 **APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 9 April 2013.

MESINIAGA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31 **SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

The breakdown of retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraph 2.03 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group			Company		
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.1.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>01.01.2011</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Realised	104,901	104,704	99,875	77,960	76,950	74,179
Unrealised	15,161	15,133	15,442	15,164	15,140	15,446
	<u>120,062</u>	<u>119,837</u>	<u>115,317</u>	<u>93,124</u>	<u>92,090</u>	<u>89,625</u>

The determination of realised and unrealised profits is based on the *Guidance of Special Matter No 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.