



BUMIARMADA

BUMI ARMADA BERHAD
(370398-X)
(Incorporated in Malaysia)

Quarterly Report for the Financial Period
Ended 30 June 2013

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2013

The Board of Directors of Bumi Armada Berhad (“Bumi Armada” or “the Company” or “the Group”) is pleased to announce the following unaudited condensed consolidated financial statements for the second quarter ended 30 June 2013 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Revenue		481,230	384,601	969,985	719,713
Cost of sales		(291,345)	(230,949)	(603,223)	(401,400)
Gross profit		189,885	153,652	366,762	318,313
Other operating income		4,057	8,203	19,787	24,263
Selling and distribution costs		(34,637)	(17,421)	(61,225)	(43,913)
Administrative expenses		(24,870)	(12,762)	(51,119)	(39,118)
Operating profit		134,435	131,672	274,205	259,545
Finance costs		(21,833)	(32,764)	(48,177)	(64,429)
Share of results of jointly controlled entities		10,261	12,568	27,736	24,338
Profit before taxation		122,863	111,476	253,764	219,454
Taxation	18	(8,751)	(18,866)	(29,241)	(36,807)
Profit for the financial period		114,112	92,610	224,523	182,647
Attributable to:					
- Owners of the Company		111,965	91,926	221,635	181,635
- Non-controlling interests		2,147	684	2,888	1,012
		114,112	92,610	224,523	182,647
Earnings per share (sen)	27				
- Basic		3.82	3.14	7.57	6.20
- Diluted		3.82	3.14	7.56	6.20

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Profit for the financial period		114,112	92,610	224,523	182,647
Other comprehensive income/(expense):					
- Loss on fair value change on available-for-sale financial assets		(8,414)	-	(10,408)	-
- Fair value gain/(loss) on cash flow hedges		6,825	(11,119)	8,652	(6,440)
- Foreign currency translation differences		78,091	95,020	105,906	4,035
Other comprehensive income/(expense) for the financial period, net of tax		76,502	83,901	104,150	(2,405)
Total comprehensive income for the financial period		190,614	176,511	328,673	180,242
Total comprehensive income attributable to:					
- Owners of the Company		187,524	176,132	324,811	179,199
- Non-controlling interests		3,090	379	3,862	1,043
		190,614	176,511	328,673	180,242

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Unaudited As at 30.6.2013 RM'000	Audited As at 31.12.2012 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,071,759	4,734,845
Goodwill		1,411	1,411
Jointly controlled entities		205,124	170,700
Available-for-sale financial assets		47,643	56,044
Accrued lease rentals		577,177	508,792
Derivative financial instruments	21	404	2,209
Deferred tax assets		12,526	8,121
		5,916,044	5,482,122
CURRENT ASSETS			
Inventories		5,444	10,750
Amounts due from customers on contract		8,840	15,835
Trade receivables		438,787	332,150
Accrued lease rentals		430,199	398,488
Other receivables, deposits and prepayments		240,239	130,254
Tax recoverable		5,547	5,547
Amounts due from jointly controlled entities		73,795	48,782
Derivative financial instruments	21	783	2,104
Deposits, cash and bank balances		658,955	500,500
TOTAL CURRENT ASSETS		1,862,589	1,444,410
Non-current assets classified as held-for-sale/assets of disposal group		35,230	3,227
TOTAL ASSETS		7,813,863	6,929,759

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited As at 30.6.2013 RM'000	Audited As at 31.12.2012 RM'000
LESS: CURRENT LIABILITIES			
Amounts due to customers on contract		5,393	20,289
Trade payables		218,446	228,463
Other payables and accruals		142,259	142,928
Hire purchase creditors		187	170
Borrowings	20	1,108,979	614,807
Derivative financial instruments	21	11,309	12,976
Taxation		26,091	16,831
		<u>1,512,664</u>	<u>1,036,464</u>
Liabilities of disposal group classified as held-for-sale		-	161
NET CURRENT ASSETS		<u>385,155</u>	<u>411,012</u>
LESS: NON-CURRENT LIABILITIES			
Hire purchase creditors		217	209
Borrowings	20	2,121,806	2,052,866
Derivative financial instruments	21	4,842	16,031
Deferred tax liabilities		65,151	57,017
		<u>2,192,016</u>	<u>2,126,123</u>
NET ASSETS		<u>4,109,183</u>	<u>3,767,011</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		586,026	585,834
Reserves		3,502,150	3,164,032
		<u>4,088,176</u>	<u>3,749,866</u>
NON-CONTROLLING INTERESTS		<u>21,007</u>	<u>17,145</u>
TOTAL EQUITY		<u>4,109,183</u>	<u>3,767,011</u>
NET ASSETS PER SHARE (RM)		<u>1.40</u>	<u>1.29</u>

* Based on 2,930,126,100 ordinary shares in issue at RM0.20 par value as at 30 June 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Owners of the Company									Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Other capital reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000		
<u>2013</u>											
At 1 January 2013	2,929,168	585,834	1,756,045	(195,829)	3,770	16,049	(17,230)	1,601,227	3,749,866	17,145	3,767,011
Profit for the financial period	-	-	-	-	-	-	-	221,635	221,635	2,888	224,523
Other comprehensive income/(expense) for the financial period, net of tax	-	-	-	105,062	(10,408)	-	8,522	-	103,176	974	104,150
Total comprehensive income/(expense) for the financial period, net of tax	-	-	-	105,062	(10,408)	-	8,522	221,635	324,811	3,862	328,673
Transactions with owners:											
- Employee share options exercised	958	192	3,334	-	-	(623)	-	-	2,903	-	2,903
- Employee share options granted	-	-	-	-	-	10,596	-	-	10,596	-	10,596
- Employee share options forfeited	-	-	-	-	-	(62)	-	62	-	-	-
At 30 June 2013	2,930,126	586,026	1,759,379	(90,767)	(6,638)	25,960	(8,708)	1,822,924	4,088,176	21,007	4,109,183

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to Owners of the Company									Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Other capital reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000		
<u>2012</u>											
At 1 January 2012	2,928,462	585,692	1,753,586	(99,115)	6,561	5,535	(12,852)	1,288,611	3,528,018	14,697	3,542,715
Profit for the financial period	-	-	-	-	-	-	-	181,635	181,635	1,012	182,647
Other comprehensive income/(expense) for the financial period, net of tax	-	-	-	4,035	-	-	(6,471)	-	(2,436)	31	(2,405)
Total comprehensive income/(expense) for the financial period, net of tax	-	-	-	4,035	-	-	(6,471)	181,635	179,199	1,043	180,242
Transactions with owners:											
- Employee share options granted	-	-	-	-	-	4,903	-	-	4,903	-	4,903
At 30 June 2012	2,928,462	585,692	1,753,586	(95,080)	6,561	10,438	(19,323)	1,470,246	3,712,120	15,740	3,727,860

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended 30.6.2013 RM'000	Period Ended 30.6.2012 RM'000
OPERATING ACTIVITIES		
Profit for the financial period	224,523	182,647
Adjustments for non-cash items:		
Share of results of jointly controlled entities	(27,736)	(24,338)
Depreciation of property, plant and equipment	196,321	184,269
Fair value through profit and loss on derivative financial instruments	(1,255)	2,963
Gain on disposal of property, plant and equipment	-	(16)
Gain on disposal of a subsidiary	(9,358)	-
Allowance for doubtful debts	6,253	-
Allowance for doubtful debts written back	(1,976)	-
Unrealised foreign exchange gain	(15,966)	(2,041)
Share-based payment	10,596	4,903
Interest income	(2,329)	(6,164)
Interest expense	52,558	63,892
Dividend income	(2,221)	(2,864)
Taxation	29,241	36,807
	458,651	440,058
Changes in working capital:		
Inventories	5,622	(4,377)
Trade and other receivables	(212,613)	(16,440)
Trade and other payables	(30,805)	46,174
Cash from operations	220,855	465,415
Interest paid	(48,177)	(61,509)
Tax paid	(37,517)	(36,945)
Tax refund	5	968
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	135,166	367,929

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 30.6.2013 RM'000	Period Ended 30.6.2012 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(515,465)	(483,948)
Proceeds from disposal of a subsidiary	12,446	-
Proceeds from disposal of property, plant and equipment	-	16
Dividend received	2,221	-
Interest received	2,345	6,125
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(498,453)	(477,807)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	976,005	33,052
Decrease in deposits pledged as security	-	3,465
Repayment of bank borrowings	(471,370)	(234,354)
Repayment of hire purchase creditors	(70)	(194)
Proceeds from issuance of shares	2,903	-
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	507,468	(198,031)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	144,181	(307,909)
CURRENCY TRANSLATION DIFFERENCES	14,274	140
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	499,600	1,243,051
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	658,055	935,282
Cash and cash equivalents consist of:		
Deposits with licensed banks	478,402	608,377
Cash and bank balances	180,553	327,805
Designated deposits placed with licensed banks	(900)	(900)
	658,055	935,282

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 on “Interim Financial Reporting”, paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The unaudited interim financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The significant accounting policies and methods adopted for the unaudited condensed consolidated financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2012 except for the adoption of the following:

(a) MFRS and amendments to MFRS which are applicable to the Group effective 1 January 2013:

- MFRS 10 “Consolidated Financial statements”
- MFRS 11 “Joint Arrangements”
- MFRS 12 “Disclosures of Interests in Other Entities”
- MFRS 13 “Fair Value Measurement”
- Amendments to MFRS 127 “Separate Financial Statements”
- Amendments to MFRS 128 “Investments in Associates and Joint Ventures”
- Amendments to MFRS 101 “Presentation of items of Other Comprehensive Income”
- Amendments to MFRS 119 “Employees Benefits”
- Amendments to MFRS 7 “Financial instruments: Disclosures”

The adoption of the above MFRS and amendments to MFRS that came into effect on 1 January 2013, as disclosed in the audited consolidated financial statements for the financial year ended 31 December 2012, did not have any significant impact on the unaudited condensed financial statements upon the initial application on 1 January 2013.

(b) MFRS and amendment to MFRS that are applicable to the Group but not yet effective:

- Amendments to MFRS 132 “Financial instruments: Presentation”
- MFRS 9 “Financial instruments - classification and measurement of financial assets and financial liabilities”
- Amendments to MFRS 9 “Mandatory Effective Date of MFRS 9 and Transition Disclosures”
- Amendments to MFRS 10 “Consolidated Financial Statements: Investments Entities”
- Amendments to MFRS 12 “Disclosure of Interests in Other Entities: Investments Entities”
- Amendments to MFRS 127 “Consolidated and Separate Financial Statements: Investment Entities”
- Amendments to MFRS 132 “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities”

The Group has not early adopted the above MFRS and amendments to MFRS that have been issued by the MASB, as these are effective for financial period on or after 1 January 2014 and 1 January 2015.

2. MANAGEMENT COMMENTARY

(A) Review of performance for the current year to date results as compared with the previous year to date

Financial Indicators	YTD 30.6.2013 RM'000	YTD 30.06.2012 RM'000	Change RM'000
FPSO ⁽¹⁾	386,040	337,603	48,437
OSV ⁽¹⁾	293,229	235,812	57,417
T&I ⁽¹⁾	290,716	142,620	148,096
OFS ⁽¹⁾	-	3,678	(3,678)
Revenue	969,985	719,713	250,272
EBITDA ⁽²⁾	498,262	468,152	30,110
EBITDA margin	51%	65%	(14%)
Profit for the year	224,523	182,647	41,876
Total depreciation	196,321	184,269	12,052

The Group's revenue for current year to date increased by RM250.3 million (35%) compared with the previous year to date as a result of increase in activity in its FPSO, OSV and T&I segments as follows:

- (a) The FPSO segment revenue increased RM48.4 million mainly due to
 - higher O&M⁽³⁾ revenue from increase in volumes handled and related client variation orders, and
 - revenue from additional tanker vessels held as FPSO conversion candidates.
- (b) The OSV segment revenue increased mainly due to additional vessels and higher fleet utilisation.
- (c) The T&I segment revenue increased mainly due to ramp up of activity in the LukOil project and use of Armada Hawk on the D1 installation and charter with Saipem.

The Group posted a higher EBITDA in line with its revenue increase and the EBITDA margin reflects the increase in revenue from the LukOil EPIC⁽⁴⁾ contract.

Profit increased RM41.9 million in line with increase in EBITDA and after accounting for the following:

- (a) higher depreciation of RM12.1 million mainly due to vessel additions in the FPSO, OSV and T&I segments;
- (b) lower finance costs of RM16.3 million as a result of project debt repayment; and
- (c) lower taxation costs of RM7.6 million mainly due to lower deferred tax estimate.

Note:

⁽¹⁾ FPSO - Floating Production Storage Offloading system, OSV - Offshore Support Vessel, T&I - Transport and Installation and OFS - Oilfield Services. These acronyms are also used hereinafter.

⁽²⁾ Defined as profit before finance costs, taxation, depreciation and amortisation.

⁽³⁾ Defined as Operations and Maintenance.

⁽⁴⁾ Defined as Engineering, Procurement, Installation and Commissioning.

2. MANAGEMENT COMMENTARY (CONTINUED)

(B) Changes in profits for the current quarter as compared with the immediate preceding quarter

Financial Indicators	2nd Quarter 2013 RM'000	1st Quarter 2013 RM'000	Change RM'000
FPSO	193,758	192,282	1,476
OSV	150,850	142,379	8,471
T&I	136,622	154,094	(17,472)
OFS	-	-	-
Revenue	481,230	488,755	(7,525)
EBITDA	244,436	253,826	(9,390)
EBITDA margin	51%	52%	(1%)
Profit for the period	114,112	110,411	3,701
Total depreciation	99,740	96,581	3,159

The Group posted a quarter on quarter decrease in revenue of RM7.5 million (2%) due to the lower T&I revenue, offset partially by increase of revenue in the FPSO and OSV segments:

- (a) FPSO revenue in the current quarter was higher mainly due to the foreign exchange benefit from the strengthening of the US Dollar against Ringgit Malaysia, which is our reporting currency.
- (b) OSV revenue in the current quarter was higher as a result of improvement in the utilisation of the fleet. The fleet utilisation rates are as shown below:

OSV vessel average utilisation rates for the quarter ended	2nd Quarter 2013 %	1st Quarter 2013 %	Change in %
Group's vessels	87	83	4
Group's vessels including those held by jointly controlled entities	84	80	4

- (c) T&I revenue in the current quarter was lower as a net result of:
 - lower revenue from the LukOil contract on a percentage of completion basis, and
 - higher revenue from Armada Hawk on the D1 Installation and charter with Saipem.

In line with lower revenue, the Group posted lower EBITDA compared to the preceding quarter. However, profit increased in the current quarter by RM3.7 million after accounting for the following:

- (a) higher depreciation of RM3.2 million due to vessel additions in the T&I segment;
- (b) lower finance costs of RM4.5 million as a result of project debt repayments; and
- (c) lower taxation costs of RM11.7 million mainly due to lower deferred tax estimated in the current quarter.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2013

The long term outlook for the offshore oil and gas services sector remains positive with long term oil price expected to remain above US\$70/barrel and capital expenditure in the offshore oil and gas industry likely to remain robust as the search for oil in deep waters continues and the costs of exploration and production and offshore project development are expected to rise. However, concerns regarding the continued slowdown of some European economies, coupled with a weak global economic growth and the threat of rising interest rates remain.

Notwithstanding the above, Bumi Armada anticipates robust activities across its major sectors of FPSO, OSV, T&I and OFS over the long term. Bumi Armada continues to consolidate its presence in Asia, Africa and Latin America.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the preceding audited financial statements for the financial year ended 31 December 2012.

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 30 June 2013.

6. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

There were no items of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flow of the Group during the current quarter.

7. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the interim financial report.

8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter except for the issuance of 522,500 ordinary shares of RM0.20 each arising from the exercise of options pursuant to the Company's employee share option scheme ("ESOS") at the exercise price of RM3.03.

9. DIVIDENDS PAID

No dividends were paid in the current financial period ended 30 June 2013.

10. SEGMENTAL INFORMATION

The Group is organised into 4 main business segments based on the type of operations carried out by its vessels and barges. The information of each of the Group's business segments for the individual and cumulative quarters ended 30 June 2013 and 30 June 2012 are as follows:

Individual Quarter Ended 30.6.2013	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	193,758	150,850	136,622	-	481,230
Results					
Segment results	55,147	33,578	41,653	-	130,378
Other operating income					4,057
Share of results of jointly controlled entities					10,261
Finance costs					(21,833)
Taxation					(8,751)
Profit for the financial period					114,112

Individual Quarter Ended 30.6.2012	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	171,694	121,583	91,324	-	384,601
Results					
Segment results	61,222	31,344	29,466	1,437	123,469
Other operating income					8,203
Share of results of jointly controlled entities					12,568
Finance costs					(32,764)
Taxation					(18,866)
Profit for the financial period					92,610

10. SEGMENTAL INFORMATION (CONTINUED)

Cumulative Quarters Period Ended 30.6.2013	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	386,040	293,229	290,716	-	969,985
Results					
Segment results	113,438	74,036	66,944	-	254,418
Other operating income					19,787
Share of results of jointly controlled entities					27,736
Finance costs					(48,177)
Taxation					(29,241)
Profit for the financial period					224,523

Cumulative Quarters Period Ended 30.6.2012	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	337,603	235,812	142,620	3,678	719,713
Results					
Segment results	115,101	51,282	64,485	4,414	235,282
Other operating income					24,263
Share of results of jointly controlled entities					24,338
Finance costs					(64,429)
Taxation					(36,807)
Profit for the financial period					182,647

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment for the period under review. As at 30 June 2013, all property, plant and equipment were stated at cost less accumulated depreciation.

12. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Save as disclosed below, no material event has arisen in the interval between the end of this reporting period and the date of this report:

On 6 August 2013, Bumi Armada Capital Offshore Ltd (“Bumi Armada Capital”) a wholly-owned subsidiary of Bumi Armada Berhad entered into documentation for the establishment of a Multi Currency Euro Medium Term Note Programme (“Programme”) with a programme size of USD1,500,000,000 (or its equivalent in other currencies).

Medium term notes (“Notes”) issued under the Programme will be unconditionally and irrevocably guaranteed by Bumi Armada Berhad and will be offered and sold only outside the United States in reliance on Regulation S of the U.S. Securities Act of 1933, as amended. Application has been made to the Singapore Exchange Securities Trading Limited (“SGX-ST”) for permission to deal in, and for quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. An application will be submitted to Bursa Securities for the listing of the Notes under the Exempt Regime. The Notes to be issued under the Programme may be listed on Bursa Securities but will not be quoted for trading.

No Notes have been issued yet under the Programme.

13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group arising from business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructurings, and discontinued operations for the current quarter under review, except for the following:

- a. On 13 May 2013, Bumi Armada Berhad incorporated a wholly-owned subsidiary by the name of Bumi Armada Capital Offshore Ltd in the Federal Territory of Labuan with an issued and paid up capital of USD1.00 comprising 1 ordinary share.
- b. With effect from 23 May 2013, Bumi Armada Ghana Limited (“BAGL”) has been wholly-owned via Bumi Armada Offshore Holdings Limited (“BAOHL”), another wholly-owned subsidiary of the Company.
- c. On 26 June 2013, Bumi Armada Berhad incorporated a wholly-owned subsidiary by the name of Bumi Armada Capital Malaysia Sdn. Bhd. in Malaysia with an authorised capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares which are wholly and beneficially owned by the Company have been issued and fully paid up.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no material change in contingent liabilities or contingent assets since the last annual financial statements.

15. CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment approved by the Directors and not provided for in the unaudited condensed consolidated financial statements as at 30 June 2013 are as follows:

	RM'000
- authorised and contracted	154,648
- authorised but not contracted	1,410,055
	<u>1,564,703</u>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions undertaken during the financial period are described below:

	Cumulative Quarters Period Ended 30.6.2013 RM'000
<u>Related party transactions</u>	
(a) Transactions with UTSB Management Sdn Bhd (UTSBM) ⁽¹⁾ :	
- reimbursable costs incurred in respect of an executive director	2,985
- management fees	2,636
(b) Telecommunication expenses to Maxis Berhad ⁽²⁾	1,389
(c) Rental to Malaysian Landed Property Sdn Bhd ("MLP") ⁽³⁾	3,149
(d) Transactions with jointly controlled entities:	
- ship management fees to Century Bumi Limited	7,091
- vessel hiring fee from Century Bumi Limited	2,751
(e) Key management personnel compensation:	
- salaries, bonus and allowances and other staff related costs	13,210
- defined contribution plan	2,384
(f) Payment on behalf:	
- jointly controlled entities	26,791

Usaha Tegas Sdn Bhd ("UTSB") is a party related to the Company by virtue of its substantial interest in Objektif Bersatu Sdn Bhd ("OBSB"), a major shareholder of the Company. The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean and TAK are deemed to have interest in the shares of the Company through UTSB's deemed interest in OBSB, they do not have any economic or beneficial interest in the shares as such interest is held subject to the terms of the discretionary trust.

Note:

⁽¹⁾ Subsidiary of UTSB, a substantial shareholder of the Company

⁽²⁾ Subsidiary of a jointly controlled entity of UTSB in which UTSB has a significant equity interest

⁽³⁾ Subsidiary of PanOcean, the ultimate holding company of UTSB

17. PROFIT FORECAST OR PROFIT GUARANTEE

This is not applicable as the Group did not publish any profit forecast or issue any profit guarantee.

18. TAXATION

Taxation comprises the following:

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.6.2013 RM'000	30.6.2012 RM'000	30.6.2013 RM'000	30.6.2012 RM'000
Income tax:				
- Current tax	11,464	12,804	22,922	24,865
- Prior year	4,190	(15)	4,190	943
Deferred tax	(6,903)	6,077	2,129	10,999
Total	8,751	18,866	29,241	36,807

The Group's effective tax rates for the individual quarter and cumulative quarters period ended 30 June 2013 were 7% and 12% respectively, lower than the statutory tax rate of 25% mainly due to change in deferred tax estimates and certain non-taxable income, whilst other foreign source income are taxed based on their individual tax jurisdiction rates ranging between 17% to 30% and the income arising from Malaysian sea-going ships of the Group are tax exempt under Section 54A of the Income Tax Act, 1967.

19. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed as at the date of this report.

20. BORROWINGS

The borrowings as at 30 June 2013 are as follows:

	As at 30.6.2013 RM'000
SHORT TERM DEBT	
Secured:	
Term loans	353,961
Unsecured:	
Revolving credit	407,679
Term loans	347,339
Total short term debt	1,108,979
LONG TERM DEBT	
Secured:	
Term loans	1,367,806
Unsecured:	
Term loans	754,000
Total long term debt	2,121,806
Total borrowings	3,230,785
CURRENCY PROFILE	
United States Dollar	2,183,292
Ringgit Malaysia	1,047,493
	3,230,785

21. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

Details of derivative financial instruments outstanding as at 30 June 2013 are set out below:

Types of Derivative	Contract/ Notional Amount RM'000	Fair Value Assets/ (Liabilities) RM'000
Interest rate swaps		
- Less than 1 year	308,430	(11,309)
- 1 to 3 years	543,013	(7,999)
- More than 3 years	507,656	3,157
	1,359,099	(16,151)
Cross currency interest rate swaps		
- Less than 1 year	27,696	783
- 1 to 3 years	55,391	374
- More than 3 years	55,391	30
	138,478	1,187

There have been no changes since the end of the previous financial year ended 31 December 2012 in respect of the following:

- the market risk and credit risk associated with the derivatives as these are used for hedging purposes;
- the cash requirements of the derivatives; and
- the policies in place for mitigating or controlling the risks associated with the derivatives.

As at 30 June 2013, the Group recognised net derivative financial liabilities of RM15.0 million, a reduction of RM9.7 million from the previous financial year ended 31 December 2012, on remeasuring the fair values of the derivative financial instruments. The reduction of RM8.7 million was included in the cash flow hedging reserve attributable to the Group and the non-controlling interests while RM1.3 million was recorded as fair value gain from derivative financial instruments through the profit or loss.

The Group's cash flow hedging reserve of RM8.7 million as at 30 June 2013 represents the effective portion of the deferred fair value losses relating to the derivative financial instruments which qualified for hedging accounting. The gains and losses recognised in the cash flow hedging reserve will be released to the profit and loss within finance cost over the period of the underlying borrowings.

22. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value, the different levels have been identified as follows:

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 (that is, as price) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

22. FAIR VALUE HIERARCHY (CONTINUED)

The table below analyses financial instruments carried at fair value as at 30 June 2013, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Available-for-sale financial assets	45,616	-	2,027	47,643
Financial assets at fair value through profit or loss				
- Cross currency interest rate swap	-	1,187	-	1,187
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(16,151)	-	(16,151)

No transfers between any levels of the fair value estimation took place during the current period and the comparative periods. There were also no changes in the purpose of any financial instruments that subsequently caused a change in classification of those instruments.

23. REALISED AND UNREALISED RETAINED EARNINGS

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

The breakdown of realised and unrealised retained profits of the Group is as follows:

	As at 30.6.2013 RM'000
Total retained profits of the Company and its subsidiaries	
- realised	1,773,455
- unrealised	(35,472)
	<u>1,737,983</u>
Total share of retained profits from jointly controlled entities	
- realised	91,867
- unrealised	(6,926)
	<u>84,941</u>
Total retained profits of the Group	<u><u>1,822,924</u></u>

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 30.06.2013 RM'000	Individual Quarter Ended 30.06.2012 RM'000	Cumulative Quarters Period Ended 30.06.2013 RM'000	Cumulative Quarters Period Ended 30.06.2012 RM'000
Profit before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(856)	(2,628)	(2,329)	(6,164)
- Gain on disposal of property, plant and equipment	-	(6)	-	(16)
- Gain on disposal of subsidiary	-	-	(9,358)	-
- Insurance claims	41	(322)	(1,116)	(8,347)
- Dividend income	(2,221)	-	(2,221)	(2,864)
- Allowance for doubtful debts written back	-	-	(1,976)	-
- Others	(1,021)	(5,247)	(2,787)	(6,872)
(b) Interest expense	24,665	31,559	52,558	63,892
(c) Depreciation amortisation	99,740	96,661	196,321	184,269
(d) Allowance for and write off of doubtful debts	3,159	-	6,253	-
(e) Impairment of assets	-	-	-	-
(f) Net foreign exchange gain	(13,260)	(17,770)	(16,235)	(4,111)
(g) (Gain)/loss on derivatives	(1,197)	9,361	(1,255)	2,963

25. MATERIAL LITIGATION

There is no material litigation pending as at the date of this report.

26. DIVIDENDS

No dividend is declared or recommended for the current financial period ended 30 June 2013.

27. EARNINGS PER SHARE

The basic earnings per share (“EPS”) is calculated by dividing the Group’s profit attributable to Owners of the Company by the average number of ordinary shares in issue during the financial period.

The diluted earnings per share is calculated by dividing the profit for the financial period attributable to the Owners of the Company (adjusted for interest income, net of tax, earned on the proceeds arising from the conversion of the call option and ESOS options) by the weighted average number of ordinary shares as adjusted for the basic earnings per share and includes all potential dilutive shares on both arising from the call option and ESOS options granted by the reporting date, as if the options had been exercised on the first day of the financial year or the date of the grant, if later.

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.6.2013	30.6.2012	30.6.2013	30.6.2012
Profit attributable to Owners of the Company (RM'000)	111,965	91,926	221,635	181,635
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,929,925	2,928,462	2,929,688	2,928,462
Adjusted for potential ordinary shares on conversion of options under ESOS ('000)	268	2,126	208	2,182
Adjusted weighted average number of ordinary shares for diluted EPS ('000)	2,930,193	2,930,588	2,929,896	2,930,644
Basic earnings per share (sen)	3.82	3.14	7.57	6.20
Diluted earnings per share (sen)	3.82	3.14	7.56	6.20

BY ORDER OF THE BOARD

NOOR HAMIZA BINTI ABD HAMID
(MAICSA 7051227)
Company Secretary

CHEW ANN NEE
(MAICSA 7030413)
Joint Company Secretary

Kuala Lumpur
20 August 2013