



BUMIARMADA

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

Quarterly Report for the Financial Period
Ended 30 September 2013

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 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	
		30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Revenue		546,305	461,703	1,516,290	1,181,416
Cost of sales		(329,349)	(289,162)	(932,572)	(690,562)
Gross profit		216,956	172,541	583,718	490,854
Other operating income		3,379	8,543	23,166	32,806
Selling and distribution costs		(36,011)	(20,064)	(97,236)	(63,977)
Administrative expenses		(38,387)	(26,123)	(89,506)	(65,241)
Operating profit		145,937	134,897	420,142	394,442
Finance costs		(25,614)	(30,532)	(73,791)	(94,961)
Share of results of jointly controlled entities		18,485	9,044	46,221	33,382
Profit before taxation		138,808	113,409	392,572	332,863
Taxation	18	(17,287)	(17,944)	(46,528)	(54,751)
Profit for the financial period		121,521	95,465	346,044	278,112
Attributable to:					
- Owners of the Company		121,238	95,048	342,873	276,683
- Non-controlling interests		283	417	3,171	1,429
		121,521	95,465	346,044	278,112
Earnings per share (sen)	27				
- Basic		4.14	3.25	11.70	9.45
- Diluted		4.14	3.25	11.70	9.44

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Profit for the financial period		121,521	95,465	346,044	278,112
Other comprehensive income/(expense):					
<i>Items that maybe reclassified subsequently to profit or loss</i>					
- Gain/(loss) on fair value change on available-for-sale financial assets		425	-	(9,983)	-
- Fair value (loss)/gain on cash flow hedges		(3,524)	(885)	5,128	(7,325)
- Foreign currency translation differences		125,517	(99,102)	231,423	(95,067)
Other comprehensive income/(expenses) for the financial period, net of tax		122,418	(99,987)	226,568	(102,392)
Total comprehensive income/(expense) for the financial period		243,939	(4,522)	572,612	175,720
Total comprehensive income/(expense) attributable to:					
- Owners of the Company		242,366	(5,059)	567,177	174,140
- Non-controlling interests		1,573	537	5,435	1,580
		243,939	(4,522)	572,612	175,720

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Unaudited As at 30.9.2013 RM'000	Audited As at 31.12.2012 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,398,668	4,734,845
Goodwill		1,411	1,411
Jointly controlled entities		269,502	170,700
Available-for-sale financial assets		49,914	56,044
Accrued lease rentals		408,366	508,792
Derivative financial instruments	21	-	2,209
Deferred tax assets		38,088	8,121
		6,165,949	5,482,122
CURRENT ASSETS			
Inventories		6,044	10,750
Amounts due from customers on contract		71,478	15,835
Trade receivables		474,780	332,150
Accrued lease rentals		670,003	398,488
Other receivables, deposits and prepayments		241,060	130,254
Tax recoverable		2,040	5,547
Amounts due from jointly controlled entities		113,960	48,782
Derivative financial instruments	21	-	2,104
Deposits, cash and bank balances		394,787	500,500
		1,974,152	1,444,410
Assets of disposal group classified as held-for-sale		-	3,227
TOTAL ASSETS		8,140,101	6,929,759

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited As at 30.9.2013 RM'000	Audited As at 31.12.2012 RM'000
LESS: CURRENT LIABILITIES			
Amounts due to customers on contract		-	20,289
Trade payables		203,332	228,463
Other payables and accruals		153,148	142,928
Amount due to jointly controlled entities		10,803	-
Hire purchase creditors		184	170
Borrowings	20	1,250,199	614,807
Derivative financial instruments	21	13,503	12,976
Taxation		11,417	16,831
		<u>1,642,586</u>	<u>1,036,464</u>
Liabilities of disposal group classified as held-for-sale		-	161
NET CURRENT ASSETS		<u>331,566</u>	<u>411,012</u>
LESS: NON-CURRENT LIABILITIES			
Hire purchase creditors		174	209
Borrowings	20	2,153,431	2,052,866
Derivative financial instruments	21	10,422	16,031
Deferred tax liabilities		64,798	57,017
		<u>2,228,825</u>	<u>2,126,123</u>
NET ASSETS		<u>4,268,690</u>	<u>3,767,011</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		586,248	585,834
Reserves		3,659,862	3,164,032
		<u>4,246,110</u>	<u>3,749,866</u>
NON-CONTROLLING INTERESTS		<u>22,580</u>	<u>17,145</u>
TOTAL EQUITY		<u>4,268,690</u>	<u>3,767,011</u>
NET ASSETS PER SHARE (RM)		<u>1.46</u>	<u>1.29</u>

* Based on 2,931,241,100 ordinary shares in issue at RM0.20 par value as at 30 September 2013.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT 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	-	-	-	-	-	-	-	342,873	342,873	3,171	346,044
Other comprehensive income/(expense) for the financial period, net of tax	-	-	-	229,365	(9,983)	-	4,922	-	224,304	2,264	226,568
Total comprehensive income/(expense) for the financial period, net of tax	-	-	-	229,365	(9,983)	-	4,922	342,873	567,177	5,435	572,612
Transactions with owners:											
- Employee share options exercised	2,073	414	7,267	-	-	(1,400)	-	-	6,281	-	6,281
- Employee share options granted	-	-	-	-	-	13,766	-	-	13,766	-	13,766
- Employee share options forfeited	-	-	-	-	-	(62)	-	62	-	-	-
Dividend paid	-	-	-	-	-	-	-	(90,980)	(90,980)	-	(90,980)
At 30 September 2013	2,931,241	586,248	1,763,312	33,536	(6,213)	28,353	(12,308)	1,853,182	4,246,110	22,580	4,268,690

UNAUDITED CONDENSED CONSOLIDATED STATEMENT 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	-	-	-	-	-	-	-	276,683	276,683	1,429	278,112
Other comprehensive (expense)/income for the financial period, net of tax	-	-	-	(95,067)	-	-	(7,476)	-	(102,543)	151	(102,392)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	(95,067)	-	-	(7,476)	276,683	174,140	1,580	175,720
Transactions with owners:											
- Issue of shares	578	116	1,637	-	-	-	-	-	1,753	-	1,753
- Transfer between reserves	-	-	376	-	-	(376)	-	-	-	-	-
- Employee share options granted	-	-	-	-	-	7,289	-	-	7,289	-	7,289
- Dividend paid	-	-	-	-	-	-	-	(73,212)	(73,212)	-	(73,212)
At 30 September 2012	2,929,040	585,808	1,755,599	(194,182)	6,561	12,448	(20,328)	1,492,082	3,637,988	16,277	3,654,265

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended 30.9.2013 RM'000	Period Ended 30.9.2012 RM'000
OPERATING ACTIVITIES		
Profit for the financial period	346,044	278,112
Adjustments for non-cash items:		
Share of results of jointly controlled entities	(46,221)	(33,382)
Depreciation of property, plant and equipment	305,995	280,580
Fair value through profit and loss on derivative financial instruments	3,947	(1,299)
Gain on disposal of property, plant and equipment	(204)	(39)
Gain on disposal of a subsidiary	(9,358)	-
Allowance for doubtful debts	9,554	-
Allowance for doubtful debts written back	(1,976)	-
Unrealised foreign exchange (gain)/loss	(20,194)	11,254
Share-based payment	13,766	6,913
Interest income	(3,677)	(8,884)
Interest expense	78,751	94,431
Dividend income	(2,221)	(2,864)
Taxation	46,528	54,751
Operating profit before changes in working capital	720,734	679,573
Changes in working capital:		
Inventories	5,344	(1,964)
Trade and other receivables	(295,903)	(161,074)
Trade and other payables	(102,991)	22,383
Cash from operations	372,184	538,918
Interest paid	(78,697)	(94,961)
Tax paid	(81,534)	(45,746)
Tax refund	5	2,520
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	166,958	400,731

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 30.9.2013 RM'000	Period Ended 30.9.2012 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(843,372)	(608,899)
Proceeds from disposal of a subsidiary	12,446	-
Proceeds from disposal of property, plant and equipment	-	39
Investment in jointly controlled entities	(6,972)	-
Dividends received	2,221	-
Interest received	3,692	9,081
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(831,985)	(599,779)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	1,179,330	33,052
Decrease in deposits pledged as security	-	3,465
Repayment of bank borrowings	(563,446)	(293,465)
Repayment of hire purchase creditors	(117)	(305)
Proceeds from issuance of shares	6,058	1,753
Dividend paid	(90,980)	(73,212)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	530,845	(328,712)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(134,182)	(527,760)
CURRENCY TRANSLATION DIFFERENCES	28,469	(8,278)
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	393,887	707,013
Cash and cash equivalents consist of:		
Deposits with licensed banks	325,338	459,241
Cash and bank balances	69,449	248,672
Less: Designated deposits placed with licensed banks	(900)	(900)
	393,887	707,013

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 7 “Financial Instruments: Disclosures”
- Amendments to MFRS 9 “Mandatory Effective Date of MFRS 9 and Transition Disclosures”
- Amendments to MFRS 101 “Presentation of Items of Other Comprehensive Income”
- Amendments to MFRS 119 “Employees Benefits”
- Amendments to MFRS 127 “Separate Financial Statements”
- Amendments to MFRS 128 “Investments in Associates and Joint Ventures”
- Amendments to MFRS 132 “Financial Instruments: Presentation”

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 Amendments to MFRS that are applicable to the Group but not yet effective:

- MFRS 9 “Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities”
- Amendments to MFRS 10 “Consolidated Financial Statements: Investments Entities”
- Amendments to MFRS 12 “Disclosure of Interests in Other Entities: Investment 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”
- Amendments to MFRS 136 “Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets”
- Amendments to MFRS 139 “Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting”

The Group has not early adopted the above MFRS and Amendments to MFRS that have been issued by the Malaysian Accounting Standards Board, 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 30.9.2013 RM'000	YTD 30.9.2012 RM'000	Change RM'000
FPSO ⁽¹⁾	581,010	528,768	52,242
OSV ⁽¹⁾	466,113	388,320	77,793
T&I ⁽¹⁾	469,167	260,650	208,517
OFS ⁽¹⁾	-	3,678	(3,678)
Revenue	1,516,290	1,181,416	334,874
EBITDA ⁽²⁾	772,358	708,404	63,954
EBITDA margin	51%	60%	(9%)
Profit for the financial period	346,044	278,112	67,932
Total depreciation	305,995	280,580	25,415

The Group's revenue for the current year to date increased by RM334.9 million (28%) as 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) FPSO revenue increased by RM52.2 million as compared with the previous year to date as a result of higher O&M revenue from client variation orders and sustained high uptime across the fleet.
- (b) The OSV segment revenue increased mainly due to additional vessels and improved uptime on larger vessels.
- (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 in Vietnam.

The Group posted a higher EBITDA in line with its revenue increase, however the EBITDA margin reflects the higher percentage of revenue contribution from the LukOil EPIC ⁽⁴⁾ contract.

Profit increased by RM67.9 million in line with increase in EBITDA and after accounting for the following:

- (a) higher depreciation of RM25.4 million mainly due to vessel additions in the FPSO, OSV and T&I segments;
- (b) lower finance costs of RM21.2 million as a result of project debt repayment; and
- (c) lower taxation costs of RM8.2 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) Performance of the current quarter as compared with the immediate preceding quarter

Financial Indicators	3rd Quarter 2013 RM'000	2nd Quarter 2013 RM'000	Change RM'000
FPSO	194,970	193,758	1,212
OSV	172,884	150,850	22,034
T&I	178,451	136,622	41,829
OFS	-	-	-
Revenue	546,305	481,230	65,075
EBITDA	274,096	244,436	29,660
EBITDA margin	50%	51%	(1%)
Profit for the financial period	121,521	114,112	7,409
Total depreciation	109,674	99,740	9,934

The Group posted a quarter on quarter increase in revenue of RM65.1 million (14%) as a result of higher contributions across all segments, as detailed below:

- (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) Despite lower fleet utilisation rates, OSV revenue in the current quarter was higher as a result of new tonnage delivered (Armada Tuah 300 and Armada Tuah 303) and improved uptime recorded by the larger vessels. The fleet utilisation rates are as shown below:

OSV vessel average utilisation rates for the quarter ended	3rd Quarter 2013 %	2nd Quarter 2013 %	Change in %
Group's vessels	84	87	(3)
Group's vessels including those held by jointly controlled entities	82	84	(2)

- (c) T&I revenue in the current quarter was higher as a result of higher revenue from the LukOil contract on a percentage of completion basis.

In line with higher revenue, the Group posted higher EBITDA compared to the preceding quarter. However the EBITDA margin reflects the higher percentage of revenue contribution from the LukOil EPIC contract.

The profit increased in the current quarter by RM7.4 million after accounting for the following:

- (a) higher depreciation of RM9.9 million due to vessel additions in the T&I and OSV segments;
- (b) higher finance costs of RM3.8 million mainly due to foreign exchange losses on derivatives in the current quarter compared to a gain in the previous quarter; and
- (c) higher taxation costs of RM8.5 million mainly due to lower deferred tax estimated in the previous 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 weak recovery of the European and North American economies 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 September 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 1,115,000 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

The following dividend payment was made during the period ended 30 September 2013:

In respect of the financial year ended 31 December 2012:

- Final cash dividend comprising a single tier tax-exempt dividend of 3.0 sen per ordinary share and a dividend of 0.14 sen per ordinary share less 25% income tax paid on 16 July 2013

RM'000

90,980

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 September 2013 and 30 September 2012 are as follows:

Individual Quarter Ended 30.9.2013	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	194,970	172,884	178,451	-	546,305
Results					
Segment results	66,914	40,233	35,411	-	142,558
Other operating income					3,379
Share of results of jointly controlled entities					18,485
Finance costs					(25,614)
Taxation					(17,287)
Profit for the financial period					121,521

Individual Quarter Ended 30.9.2012	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	191,164	152,508	118,031	-	461,703
Results					
Segment results	61,895	34,295	30,164	-	126,354
Other operating income					8,543
Share of results of jointly controlled entities					9,044
Finance costs					(30,532)
Taxation					(17,944)
Profit for the financial period					95,465

10. SEGMENTAL INFORMATION (CONTINUED)

Cumulative Quarters Period Ended 30.9.2013	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	581,010	466,113	469,167	-	1,516,290
Results					
Segment results	180,352	114,269	102,355	-	396,976
Other operating income					23,166
Share of results of jointly controlled entities					46,221
Finance costs					(73,791)
Taxation					(46,528)
Profit for the financial period					346,044

Cumulative Quarters Period Ended 30.9.2012	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	528,768	388,320	260,650	3,678	1,181,416
Results					
Segment results	176,996	85,577	94,649	4,414	361,636
Other operating income					32,806
Share of results of jointly controlled entities					33,382
Finance costs					(94,961)
Taxation					(54,751)
Profit for the financial period					278,112

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment for the period under review. As at 30 September 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 15 November 2013, EnQuest Heather Limited together with EnQuest ENS Limited, First Oil and Gas Limited, Nautical Petroleum Limited and Nautical Petroleum AG had via a Letter of Interim Agreement, confirmed their intention to award a contract for the supply and operations of a floating production, storage and offloading vessel to Bumi Armada UK Limited, a wholly-owned subsidiary of Bumi Armada, to operate in the Kraken field (UKCS Block 9/02b) in the UK sector of the North Sea, subject to execution of the contract.

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.

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 September 2013 are as follows:

	RM'000
- authorised and contracted	137,612
- authorised but not contracted	1,275,571
	<hr/>
	1,413,183
	<hr/> <hr/>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Cumulative Quarters Period Ended 30.9.2013 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 - management fees	4,194 3,954
(b) Telecommunication expenses to Maxis Berhad ⁽²⁾	2,436
(c) Rental to Malaysian Landed Property Sdn Bhd ("MLP") ⁽³⁾	4,777
(d) Transactions with jointly controlled entities: - vessel hiring fee from Century Bumi Limited	2,751
(e) Key management personnel compensation: - salaries, bonus and allowances and other staff related costs - defined contribution plan	17,883 3,207
(f) Payment on behalf: - jointly controlled entities	<u>37,317</u>

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	
	30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Income tax:				
- Current tax	44,267	12,250	67,188	37,115
- Prior year	478	2,048	4,668	2,991
Deferred tax	(27,458)	3,646	(25,328)	14,645
Total	17,287	17,944	46,528	54,751

The Group's effective tax rates for the individual quarter and cumulative quarters period ended 30 September 2013 were 12%, 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 September 2013 are as follows:

	As at 30.9.2013 RM'000
SHORT TERM DEBT	
Secured:	
Term loans	381,850
Unsecured:	
Revolving credit	469,854
Term loans	398,495
Total short term debt	1,250,199
LONG TERM DEBT	
Secured:	
Term loans	1,406,031
Unsecured:	
Term loans	747,400
Total long term debt	2,153,431
Total borrowings	3,403,630
CURRENCY PROFILE	
United States Dollar	2,354,889
Ringgit Malaysia	1,048,741
	3,403,630

21. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

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

Types of Derivative	Contract/ Notional Amount RM'000	Fair Value Liabilities RM'000
Interest rate swaps		
- Less than 1 year	318,911	(13,345)
- 1 to 3 years	699,001	(9,635)
- More than 3 years	649,084	3,728
	1,666,996	(19,252)
Cross currency interest rate swaps		
- Less than 1 year	27,695	(158)
- 1 to 3 years	55,391	(1,707)
- More than 3 years	55,391	(2,808)
	138,477	(4,673)

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 September 2013, the Group recognised net derivative financial liabilities of RM23.9 million, a reduction of RM0.8 million from the previous financial year ended 31 December 2012, on remeasuring the fair values of the derivative financial instruments. The reduction of RM12.3 million was included in the cash flow hedging reserve attributable to the Group and the non-controlling interest while RM3.9 million was recorded as fair value loss from derivative financial instruments through the profit or loss.

The Group's cash flow hedging reserve of RM12.3 million as at 30 September 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)

The table below analyses financial instruments carried at fair value as at 30 September 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	<u>47,887</u>	<u>-</u>	<u>2,027</u>	<u>49,914</u>
Financial liabilities:				
Fair value through profit or loss				
- Cross currency interest rate swap	-	(4,673)	-	(4,673)
Derivatives used for hedging				
- Interest rate swap	<u>-</u>	<u>(19,252)</u>	<u>-</u>	<u>(19,252)</u>

Level 2 comprises cross currency interest rate swap and interest rate swap valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 financial instruments.

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 30.9.2013 RM'000
Total retained profits of the Company and its subsidiaries	
- realised	1,756,273
- unrealised	<u>(6,516)</u>
	<u>1,749,757</u>
Total share of retained profits from jointly controlled entities	
- realised	109,585
- unrealised	<u>(6,160)</u>
	<u>103,425</u>
Total retained profits of the Group	<u>1,853,182</u>

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 30.9.2013 RM'000	Individual Quarter Ended 30.9.2012 RM'000	Cumulative Quarters Period Ended 30.9.2013 RM'000	Cumulative Quarters Period Ended 30.9.2012 RM'000
Profit before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(1,348)	(2,720)	(3,677)	(8,884)
- Gain on disposal of property, plant and equipment	(204)	(23)	(204)	(39)
- Gain on disposal of a subsidiary	-	-	(9,358)	-
- Insurance claims	-	(2,124)	(1,116)	(10,471)
- Dividend income	-	-	(2,221)	(2,864)
- Allowance for doubtful debts written back	-	-	(1,976)	-
- Others	(1,827)	(3,676)	(4,614)	(10,548)
(b) Interest expense	26,193	30,539	78,751	94,431
(c) Depreciation and amortisation	109,674	96,311	305,995	280,580
(d) Allowance for and write off of doubtful debts	3,301	-	9,554	-
(e) Impairment of assets	-	-	-	-
(f) Net foreign exchange (gain)/loss	(6,368)	9,900	(22,603)	5,789
(g) Loss/(Gain) on derivatives	5,202	(4,262)	3,947	(1,299)

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 September 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	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
Profit attributable to Owners of the Company (RM'000)	121,238	95,048	342,873	276,683
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,930,730	2,928,721	2,930,039	2,928,549
Adjusted for potential ordinary shares on conversion of options under ESOS ('000)	222	-	219	953
Adjusted weighted average number of ordinary shares for diluted EPS ('000)	2,930,952	2,928,721	2,930,258	2,929,502
Basic earnings per share (sen)	4.14	3.25	11.70	9.45
Diluted earnings per share (sen)	4.14	3.25	11.70	9.44

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 November 2013