



BUMIARMADA

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

Report for the Quarter and Year
Ended 31 December 2013

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 fourth quarter ended 31 December 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 Year Ended	
		31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Revenue		556,714	477,768	2,073,004	1,659,184
Cost of sales		(390,148)	(281,941)	(1,322,720)	(972,503)
Gross profit		166,566	195,827	750,284	686,681
Other operating income		2,338	19,208	25,504	52,014
Selling and distribution costs		(12,388)	(20,234)	(109,624)	(84,211)
Administrative expenses		(32,703)	(37,483)	(122,209)	(102,724)
Operating profit		123,813	157,318	543,955	551,760
Finance costs		(23,664)	(28,450)	(97,455)	(123,411)
Share of results of jointly controlled entities		(12,748)	6,886	33,473	40,268
Profit before taxation		87,401	135,754	479,973	468,617
Taxation	18	1,653	(25,848)	(44,875)	(80,599)
Profit for the financial period/year		89,054	109,906	435,098	388,018
Attributable to:					
- Owners of the Company		88,318	109,145	431,191	385,828
- Non-controlling interests		736	761	3,907	2,190
		89,054	109,906	435,098	388,018
Earnings per share (sen)	27				
- Basic		3.01	3.73	14.71	13.17
- Diluted		3.01	3.73	14.71	13.17

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Year Ended	
		31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Profit for the financial period/year		89,054	109,906	435,098	388,018
Other comprehensive income/(expense):					
Items that maybe reclassified subsequently to profit or loss					
- Loss on fair value change on available-for-sale financial assets		(1,573)	(2,791)	(11,556)	(2,791)
- Fair value gain/(loss) on cash flow hedges		1,991	3,205	7,119	(4,120)
- Foreign currency translation differences		18,399	(1,647)	249,822	(96,714)
Other comprehensive income/(expenses) for the financial period/year, net of tax		18,817	(1,233)	245,385	(103,625)
Total comprehensive income for the financial period/year		107,871	108,673	680,483	284,393
Total comprehensive income attributable to:					
- Owners of the Company		106,875	107,805	674,052	281,945
- Non-controlling interests		996	868	6,431	2,448
		107,871	108,673	680,483	284,393

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Unaudited As at 31.12.2013 RM'000	Audited As at 31.12.2012 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	5,871,084	4,734,845
Goodwill		1,411	1,411
Jointly controlled entities		271,787	170,700
Available-for-sale financial assets		48,642	56,044
Accrued lease rentals		433,104	508,792
Derivative financial instruments	21	-	2,209
Deferred tax assets		40,993	8,121
		6,667,021	5,482,122
CURRENT ASSETS			
Inventories		5,559	10,750
Amounts due from customers on contract		36,421	15,835
Trade receivables		447,632	332,150
Accrued lease rentals		652,292	398,488
Other receivables, deposits and prepayments		254,091	130,254
Tax recoverable		3,063	5,547
Amounts due from jointly controlled entities		109,048	48,782
Derivative financial instruments	21	-	2,104
Deposits, cash and bank balances		634,538	500,500
		2,142,644	1,444,410
Assets of disposal group classified as held-for-sale		-	3,227
TOTAL ASSETS		8,809,665	6,929,759

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	Unaudited As at 31.12.2013 RM'000	Audited As at 31.12.2012 RM'000
LESS: CURRENT LIABILITIES			
Amounts due to customers on contract		592	20,289
Trade payables		243,979	228,463
Other payables and accruals		306,123	142,928
Amounts due to jointly controlled entities		15,379	-
Hire purchase creditors		184	170
Borrowings	20	1,185,655	614,807
Derivative financial instruments	21	12,672	12,976
Taxation		28,925	16,831
		1,793,509	1,036,464
Liabilities of disposal group classified as held-for-sale		-	161
NET CURRENT ASSETS		349,135	411,012
LESS: NON-CURRENT LIABILITIES			
Hire purchase creditors		128	209
Borrowings	20	2,591,347	2,052,866
Derivative financial instruments	21	5,823	16,031
Deferred tax liabilities		38,623	57,017
		2,635,921	2,126,123
NET ASSETS		4,380,235	3,767,011
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		586,318	585,834
Reserves		3,770,341	3,164,032
		4,356,659	3,749,866
NON-CONTROLLING INTERESTS		23,576	17,145
TOTAL EQUITY		4,380,235	3,767,011
NET ASSETS PER SHARE (RM)		1.49*	1.29

* Based on 2,931,590,900 ordinary shares in issue at RM0.20 par value as at 31 December 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 reserves 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 year	-	-	-	-	-	-	-	431,191	431,191	3,907	435,098
Other comprehensive income/(expense) for the year, net of tax	-	-	-	247,542	(11,556)	-	6,875	-	242,861	2,524	245,385
Total comprehensive income/(expense) for the year, net of tax	-	-	-	247,542	(11,556)	-	6,875	431,191	674,052	6,431	680,483
Transactions with owners:											
- Employee share options exercised	2,423	484	8,569	-	-	(1,635)	-	-	7,418	-	7,418
- Employee share options granted	-	-	-	-	-	16,303	-	-	16,303	-	16,303
- Employee share options forfeited	-	-	-	-	-	(84)	-	84	-	-	-
Dividend paid	-	-	-	-	-	-	-	(90,980)	(90,980)	-	(90,980)
At 31 December 2013	2,931,591	586,318	1,764,614	51,713	(7,786)	30,633	(10,355)	1,941,522	4,356,659	23,576	4,380,235

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 reserves 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 year	-	-	-	-	-	-	-	385,828	385,828	2,190	388,018
Other comprehensive (expense)/income for the year, net of tax	-	-	-	(96,714)	(2,791)	-	(4,378)	-	(103,883)	258	(103,625)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	(96,714)	(2,791)	-	(4,378)	385,828	281,945	2,448	284,393
Transactions with owners:											
- Employee share options exercised	706	142	2,459	-	-	(459)	-	-	2,142	-	2,142
- Employee share options granted	-	-	-	-	-	10,973	-	-	10,973	-	10,973
Dividend paid	-	-	-	-	-	-	-	(73,212)	(73,212)	-	(73,212)
At 31 December 2012	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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended 31.12.2013 RM'000	Year Ended 31.12.2012 RM'000
OPERATING ACTIVITIES		
Profit for the financial year	435,098	388,018
Adjustments for non-cash items:		
Share of results of jointly controlled entities	(33,473)	(40,268)
Depreciation of property, plant and equipment	416,756	355,994
Fair value through profit and loss on derivative financial instruments	536	(3,311)
Gain on disposal of property, plant and equipment	(204)	(48)
Gain on disposal of a subsidiary	(9,358)	-
Impairment of property, plant and equipment	-	1,397
Impairment of available-for-sale financial assets	-	5,400
Allowance for doubtful debts	28,485	3,058
Allowance for doubtful debts written back	(1,976)	-
Unrealised foreign exchange (gain)/loss	(18,013)	8,612
Share-based payment	16,303	10,973
Gain on a bargain purchase of subsidiary	-	(6,740)
Interest income	(4,168)	(10,217)
Interest expense	106,592	124,578
Dividend income	(2,221)	(2,864)
Taxation	44,875	80,599
Operating profit before changes in working capital	979,232	915,181
Changes in working capital:		
Inventories	5,878	(9,207)
Trade and other receivables	(252,339)	(163,966)
Trade and other payables	(68,822)	1,178
Cash from operations	663,949	743,186
Interest paid	(97,455)	(123,411)
Tax paid	(92,186)	(55,218)
Tax refund	118	2,525
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	474,426	567,082

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended 31.12.2013 RM'000	Year Ended 31.12.2012 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,277,546)	(893,267)
Proceeds from disposal of a subsidiary	12,446	-
Proceeds from disposal of property, plant and equipment	204	52
Investment in jointly controlled entities	(23,350)	-
Acquisition of a subsidiary	-	(843)
Investment in quoted shares	-	(56,808)
Dividends received	2,221	-
Interest received	4,183	10,426
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,281,842)	(940,440)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	1,857,496	143,809
Decrease in deposits pledged as security	-	3,465
Repayment of bank borrowings	(863,067)	(438,000)
Repayment of hire purchase creditors	(162)	(425)
Proceeds from hire purchase creditors	95	-
Proceeds from issuance of shares	7,418	2,601
Dividend paid	(90,980)	(73,212)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	910,800	(361,762)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	103,384	(735,120)
CURRENCY TRANSLATION DIFFERENCES	30,654	(8,331)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	499,600	1,243,051
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	633,638	499,600
Cash and cash equivalents consist of:		
Deposits with licensed banks	621,313	427,591
Cash and bank balances	13,225	72,909
Less: Designated deposits placed with licensed banks	(900)	(900)
	633,638	499,600

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 Main Market 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”
- MFRS 119 “Employees Benefits”
- MFRS 127 “Separate Financial Statements”
- MFRS 128 “Investments in Associates and Joint Ventures”
- Amendments to MFRS 7 “Financial Instruments: Disclosures”
- Amendments to MFRS 101 “Presentation of Items of Other Comprehensive Income”
- Annual Improvements to MFRS “2009-2011 Cycle”
- Amendments to MFRS 10, 11 and 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”

The adoption of the above MFRS and Amendments to MFRS that came into effect on 1 January 2013, 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”
- 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 31.12.2013 RM'000	YTD 31.12.2012 RM'000	Change RM'000
FPSO ⁽¹⁾	787,629	715,978	71,651
OSV ⁽¹⁾	636,804	551,040	85,764
T&I ⁽¹⁾	648,571	388,488	260,083
OFS ⁽¹⁾	-	3,678	(3,678)
Revenue	2,073,004	1,659,184	413,820
EBITDA ⁽²⁾	994,184	948,022	46,162
EBITDA margin	48%	57%	(9%)
Profit for the financial year	435,098	388,018	47,080
Total depreciation	416,756	355,994	60,762

The Group's revenue for the current year to date increased by RM413.8 million (25%) as compared with the previous year as a result of increase in activity in its FPSO, OSV and T&I segments as follows:

- (a) FPSO revenue increased by RM71.7 million as compared with the previous year to date as a result of higher O&M ⁽³⁾ revenue from client variation orders, start up of the Kraken FPSO contract 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 higher EBITDA in line with its higher revenue, however the EBITDA margin reflects the higher percentage of revenue contribution from the LukOil EPIC ⁽⁴⁾ contract.

Profit increased by RM47.1 million in line with increase in EBITDA and after accounting for the following:

- (a) higher depreciation of RM60.8 million mainly due to the impact arising from a change in useful lives on selected vessels in the previous year and additional depreciation charge from vessel additions in the FPSO, OSV and T&I segments;
- (b) lower finance costs of RM26.0 million as a result of project debt repayment; and
- (c) lower taxation costs of RM35.7 million mainly due to lower deferred tax estimated on our FPSO projects.

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	4th Quarter 2013 RM'000	3rd Quarter 2013 RM'000	Change RM'000
FPSO	206,619	194,970	11,649
OSV	170,691	172,884	(2,193)
T&I	179,404	178,451	953
OFS	-	-	-
Revenue	556,714	546,305	10,409
EBITDA	221,826	274,096	(52,270)
EBITDA margin	40%	50%	(10%)
Profit for the financial period	89,054	121,521	(32,467)
Total depreciation	110,761	109,674	1,087

The Group posted a quarter on quarter increase in revenue of RM10.4 million (2%) as a result of a mixed contribution across all segments, as detailed below:

- (a) FPSO revenue in the current quarter was higher mainly due to start up of the Kraken FPSO;
- (b) OSV revenue in the current quarter was impacted by lower utilisation of the older vessels offset by contribution by new vessels which started operations in the current quarter (Armada Tuah 304 and Armada Tuah 305). The fleet utilisation rates are as shown below:

OSV vessel average utilisation rates for the quarter ended	4th Quarter 2013 %	3rd Quarter 2013 %	Change in %
Group's vessels	81	84	(3)
Group's vessels including those held by jointly controlled entities	81	82	(1)

- (c) T&I revenue in the current quarter was marginally higher, as a result of higher revenue from the LukOil EPIC contract recognised on percentage of completion basis offset by the completion of the Hawk charter and impact of O&M revenue recognised on the Armada Installer in the previous quarter.

The Group posted an EBITDA of RM221.8 million and profit of RM89.1 million reflecting the level of activities in the current quarter. The EBITDA margin was impacted by the higher percentage of revenue contribution from the LukOil EPIC contract as a result of its higher contribution in the current quarter.

The Group's profit in the current quarter was further impacted by:

- (a) higher depreciation of RM1.1 million due to vessel additions in the OSV segments;
- (b) lower finance costs of RM2.0 million as a result of project debt repayment; and
- (c) lower taxation costs of RM18.9 million mainly due to a change in estimate for deferred taxes on our FPSO projects.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014

The long term outlook for the offshore oil and gas services sector remains positive with long term oil price expected to remain strong 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, global economics over the short to medium term remain relatively fragile and this could have an impact on some of the current forecast assumptions in the O&G sector.

Notwithstanding the above, Bumi Armada remains positive on the activities across its major sectors of FPSO, OSV, T&I and OFS over the long term. Bumi Armada continues to consolidate its presence in the markets in which it operates.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the audited financial statements for the preceding 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 year ended 31 December 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 243,000 and 106,800 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 prices of RM3.03 and RM3.75 respectively.

9. DIVIDENDS PAID

The following dividend payment was made during the financial year ended 31 December 2013:

	RM'000
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 share and a dividend of 0.14 sen per share less 25% income tax paid on 16 July 2013.	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 quarters and years ended 31 December 2013 and 31 December 2012 are as follows:

Individual Quarter Ended 31.12.2013	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	206,619	170,691	179,404	-	556,714
Results					
Segment results	86,374	12,062	23,039	-	121,475
Other operating income					2,338
Share of results of jointly controlled entities					(12,748)
Finance costs					(23,664)
Taxation					1,653
Profit for the financial period					89,054

Individual Quarter Ended 31.12.2012	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	187,210	162,720	127,838	-	477,768
Results					
Segment results	67,013	45,293	25,804	-	138,110
Other operating income					19,208
Share of results of jointly controlled entities					6,886
Finance costs					(28,450)
Taxation					(25,848)
Profit for the financial period					109,906

10. SEGMENTAL INFORMATION (CONTINUED)

Year Ended 31.12.2013	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	787,629	636,804	648,571	-	2,073,004
Results					
Segment results	266,726	126,331	125,394	-	518,451
Other operating income					25,504
Share of results of jointly controlled entities					33,473
Finance costs					(97,455)
Taxation					(44,875)
Profit for the financial year					435,098

Year Ended 31.12.2012	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Group RM'000
Revenue	715,978	551,040	388,488	3,678	1,659,184
Results					
Segment results	244,009	130,870	120,453	4,414	499,746
Other operating income					52,014
Share of results of jointly controlled entities					40,268
Finance costs					(123,411)
Taxation					(80,599)
Profit for the financial year					388,018

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment for the period under review. As at 31 December 2013, all property, plant and equipment were stated at cost less accumulated depreciation and accumulated impairment losses.

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

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:

Armada Oyo Ltd. (“AOL”) and Bumi Armada (Singapore) Pte. Ltd. (“BASPL”), wholly-owned subsidiaries of the Company have signed a Bareboat Charterparty contract and a Contract of Provision of Operational and Maintenance Services (collectively, the “Contracts”) respectively with Oceanic Consultants Nigeria Limited (“Oceanic”) for the continued deployment of the FPSO Armada Perdana (the “FPSO”) at the Oyo Field Development (the “Oyo Field”) located offshore of Nigeria.

The FPSO has been deployed to work at the Oyo Field since 2008 under contracts with the previous operator of the Oyo Field, Nigerian Agip Exploration Ltd (“NAE”). As NAE is no longer the operator of the field, the contracts with NAE were ended by mutual agreement on 31 December 2013. The FPSO will continue its deployment at the Oyo Field under the Contracts signed with Oceanic effective from 1 January 2014. Oceanic will, in turn, provide the use of the FPSO and the related services to the new operator of the Oyo Field, CAMAC Energy Inc..

The Contracts are expected to contribute to the revenue and earnings of the Bumi Armada Group for the financial year ending 31 December 2014 and the financial periods thereafter for the duration of the Contracts, as relevant.

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 19 November 2013, Armada Kraken Limited was incorporated as a wholly-owned subsidiary of Bumi Armada Offshore Holdings Limited (“BAOHL”) in the Republic of The Marshall Islands, with an authorised capital of USD50,000 comprising 50,000 shares of USD1.00 each, of which 10,000 shares have been issued. BAOHL is a wholly-owned subsidiary of the Company.
- (b) On 22 November 2013, Armada Synergy Ltd (“ASL”) was incorporated under the English Companies Act, 2006 as a private company limited by shares. Armada Kamelia Sdn Bhd (“AKSB”), a wholly-owned subsidiary of the Company subscribed for 51 ordinary shares of GBP1.00 per share representing 51% of the issued share capital of ASL, at the point of ASL’s incorporation. The incorporation and subscription were undertaken pursuant to a Joint Venture Agreement (“JVA”) entered into between AKSB and Fugro Synergy Limited. In accordance with the terms of the JVA, ASL will be treated as a jointly controlled entity of the Company.
- (c) On 13 December 2013, Armada Kraken Pte. Ltd. was incorporated as a wholly-owned subsidiary of BAOHL in Singapore with an issued share capital of USD2.00 comprising 2 ordinary shares.

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 31 December 2013 are as follows:

	RM’000
- authorised and contracted	568,905
- authorised but not contracted	3,613,010
	<hr/> 4,181,915 <hr/>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Year Ended 31.12.2013 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	4,965 5,272
(b) Telecommunication expenses to Maxis Berhad ⁽²⁾	3,110
(c) Rental to Malaysian Landed Property Sdn Bhd (“MLP”) ⁽³⁾	6,366
(d) Transactions with jointly controlled entities: - ship management fees to Century Bumi Limited - vessel hiring fee from Century Bumi Limited	14,550 2,751
(e) Key management personnel compensation: - salaries, bonus and allowances and other staff related costs - defined contribution plan	21,918 3,993
(f) Payment on behalf: - jointly controlled entities	72,986

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 Year Ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Income tax:				
- Current tax	27,307	8,385	94,495	45,500
- Prior year	255	(378)	4,923	2,613
Deferred tax	(29,215)	17,841	(54,543)	32,486
Total	(1,653)	25,848	44,875	80,599

The Group's effective tax rates for the individual quarter and financial year ended 31 December 2013 were (2%) and 9% 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 31 December 2013 are as follows:

	As at 31.12.2013 RM'000
SHORT TERM DEBT	
Secured:	
Term loans	316,324
Unsecured:	
Revolving credit	471,701
Term loans	397,630
Total short term debt	1,185,655
LONG TERM DEBT	
Secured:	
Term loans	1,385,968
Unsecured:	
Term loans	1,205,379
Total long term debt	2,591,347
Total borrowings	3,777,002
CURRENCY PROFILE	
United States Dollar	2,807,675
Ringgit Malaysia	969,327
	3,777,002

21. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 December 2013 are set out below:

Types of Derivative	Contract/ Notional Amount RM'000	Fair Value (Liabilities)/ Assets RM'000
Interest rate swaps		
- Less than 1 year	267,705	(12,457)
- 1 to 3 years	731,678	(5,782)
- More than 3 years	579,224	5,163
	<u>1,578,607</u>	<u>(13,076)</u>
Cross currency interest rate swaps		
- Less than 1 year	27,696	(215)
- 1 to 3 years	55,391	(2,057)
- More than 3 years	49,000	(3,147)
	<u>132,087</u>	<u>(5,419)</u>

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

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

As at 31 December 2013, the Group recognised net derivative financial liabilities of RM18.5 million, a reduction of RM6.2 million from the previous financial year ended 31 December 2012, on remeasuring the fair values of the derivative financial instruments. The reduction of RM7.1 million was included in the cash flow hedging reserve attributable to the Group and the non-controlling interest while RM0.5 million was recorded as fair value loss from derivative financial instruments through the profit or loss.

The Group's cash flow hedging reserve of RM10.4 million as at 31 December 2013 represents the effective portion of the deferred fair value losses relating to the derivative financial instruments which qualified for hedge 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 31 December 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>46,615</u>	<u>-</u>	<u>2,027</u>	<u>48,642</u>
Financial liabilities:				
Fair value through profit or loss				
- Cross currency interest rate swap	-	(5,419)	-	(5,419)
Derivatives used for hedging				
- Interest rate swap	<u>-</u>	<u>(13,076)</u>	<u>-</u>	<u>(13,076)</u>

Level 2 comprises cross currency interest rate swap and interest rate swap valued using forward interest rates extracted from observable yield curves.

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 31.12.2013 RM'000
Total retained profits of the Company and its subsidiaries	
- realised	1,834,962
- unrealised	<u>20,383</u>
	<u>1,855,345</u>
Total share of retained profits from jointly controlled entities	
- realised	98,169
- unrealised	<u>(11,992)</u>
	<u>86,177</u>
Total retained profits of the Group	<u>1,941,522</u>

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 31.12.2013 RM'000	Individual Quarter Ended 31.12.2012 RM'000	Cumulative Quarters Year Ended 31.12.2013 RM'000	Cumulative Quarters Year Ended 31.12.2012 RM'000
Profit before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(491)	(1,333)	(4,168)	(10,217)
- Gain on disposal of property, plant and equipment	-	(9)	(204)	(48)
- Gain on disposal of a subsidiary	-	-	(9,358)	-
- Insurance claims	(102)	(7,115)	(1,218)	(17,586)
- Dividend income	-	-	(2,221)	(2,864)
- Allowance for doubtful debts written back	-	-	(1,976)	-
- Others	(1,745)	(10,751)	(6,359)	(21,299)
(b) Interest expense	27,841	30,147	106,592	124,578
(c) Depreciation and amortisation	110,761	75,414	416,756	355,994
(d) Allowance for and write off of doubtful debts	18,931	3,058	28,485	3,058
(e) Impairment of assets	-	6,797	-	6,797
(f) Net foreign exchange loss/(gain)	7,106	(1,673)	(15,497)	4,116
(g) (Gain)/Loss on derivatives	(3,411)	(2,012)	536	(3,311)

25. MATERIAL LITIGATION

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

26. DIVIDENDS

The Board of Directors proposes to recommend for shareholders' approval at the forthcoming Annual General Meeting of the Company, a tax exempt final cash dividend of 3.25 sen per share (2012: final cash dividend comprised a single tier tax exempt dividend of 3.0 sen per share and a dividend of 0.14 sen per share less 25% income tax) in respect of the financial year ended 31 December 2013 which is not taxable in the hands of the shareholders pursuant to Section 54A(3)(d and e) of the Income Tax Act, 1967 the entitlement and payment dates for which will be announced at a later date to be determined.

If the above recommendation is approved, the total dividend for the financial year ended 31 December 2013 will be 3.25 sen per share.

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 year.

The diluted earnings per share is calculated by dividing the profit for the financial year 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 Year Ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit attributable to Owners of the Company (RM’000)	88,318	109,145	431,191	385,828
Weighted average number of ordinary shares in issue for basic EPS (’000)	2,931,517	2,929,142	2,930,411	2,928,698
Adjusted for potential ordinary shares on conversion of options under ESOS (’000)	202	169	220	501
Adjusted weighted average number of ordinary shares for diluted EPS (’000)	2,931,719	2,929,311	2,930,631	2,929,199
Basic earnings per share (sen)	3.01	3.73	14.71	13.17
Diluted earnings per share (sen)	3.01	3.73	14.71	13.17

BY ORDER OF THE BOARD

NOOR HAMIZA BINTI ABD HAMID
(MAICSA 7051227)
Company Secretary

CHEW ANN NEE
(MAICSA 7030413)
Joint Company Secretary

Kuala Lumpur
19 February 2014