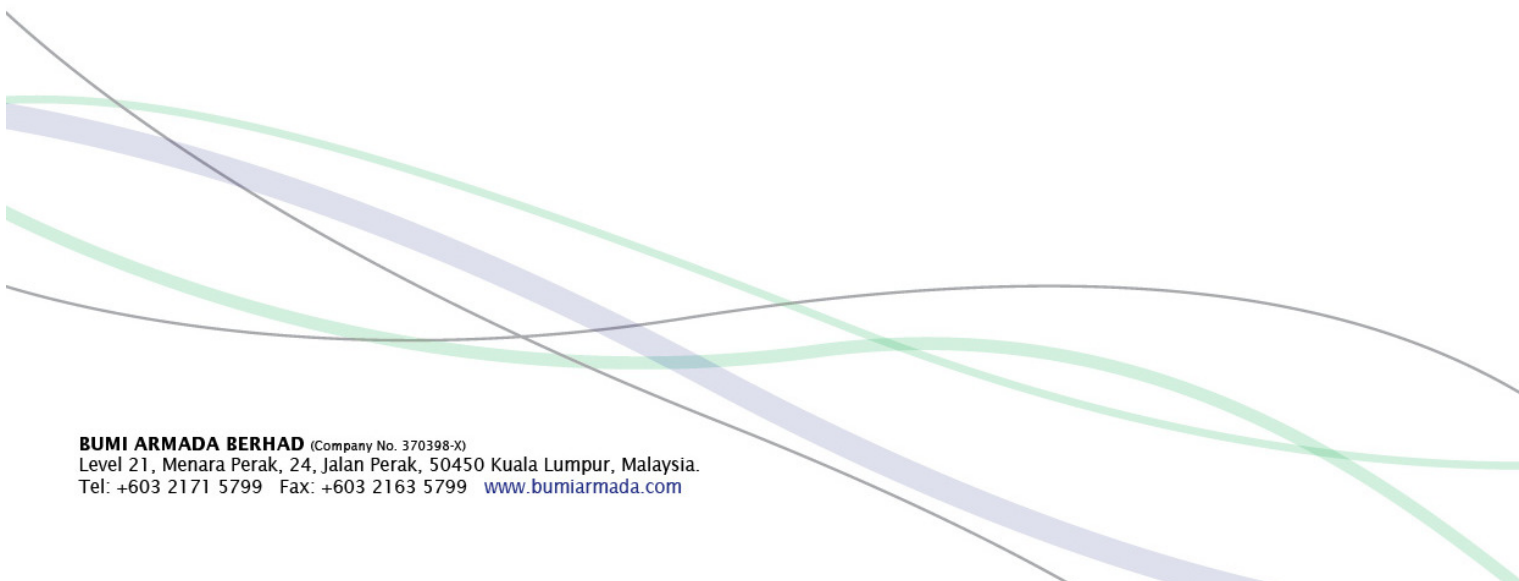




BUMI ARMADA

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2016



UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016

The Board of Directors of Bumi Armada Berhad (“Bumi Armada” or “the Company” or “the Group”) would like to announce the following unaudited condensed consolidated financial statements for the fourth quarter and year ended 31 December 2016 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 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	
		31.12.2016 RM'000	31.12.2015 RM'000 Restated	31.12.2016 RM'000	31.12.2015 RM'000 Restated
Revenue		205,453	589,042	1,416,596	2,179,734
Cost of sales		(364,757)	(558,020)	(1,517,549)	(1,758,417)
Gross (loss)/profit		(159,304)	31,022	(100,953)	421,317
Other operating income		163,844	14,941	188,207	90,635
Selling and distribution costs		(17,587)	(2,750)	(35,110)	(15,769)
Administrative expenses		(65,100)	(88,494)	(130,950)	(173,328)
Operating (loss)/profit before impairment		(78,147)	(45,281)	(78,806)	322,855
Impairment		(1,145,593)	(45,526)	(1,743,160)	(423,064)
Operating loss		(1,223,740)	(90,807)	(1,821,966)	(100,209)
Finance costs		(34,393)	(21,517)	(100,784)	(122,684)
Share of results of joint ventures		(34,189)	8,313	77,693	51,501
Loss before taxation		(1,292,322)	(104,011)	(1,845,057)	(171,392)
Taxation	18	(14,939)	17,147	(60,772)	(70,385)
Loss for the financial period/year		<u>(1,307,261)</u>	<u>(86,864)</u>	<u>(1,905,829)</u>	<u>(241,777)</u>
Attributable to:					
- Owners of the Company		(1,295,575)	(85,080)	(1,887,181)	(234,566)
- Non-controlling interests		(11,686)	(1,784)	(18,648)	(7,211)
		<u>(1,307,261)</u>	<u>(86,864)</u>	<u>(1,905,829)</u>	<u>(241,777)</u>
Earnings per share (sen)	27				
- Basic		(22.09)	(1.45)	(32.17)	(4.00)
- Diluted		(22.09)	(1.45)	(32.17)	(4.00)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Year Ended	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Loss for the financial period/year		(1,307,261)	(86,864)	(1,905,829)	(241,777)
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss					
- Available-for-sale financial assets:					
- Gain on fair value change		7,224	-	7,385	-
- Fair value gain/(loss) on cash flow hedges		174,884	64,817	125,329	(132,346)
- Foreign currency translation differences		487,050	(174,133)	212,547	1,044,147
- Share of other comprehensive gain of joint ventures		1,253	1,233	569	-
Other comprehensive income/(expense) for the financial period/year, net of tax		670,411	(108,083)	345,830	911,801
Total comprehensive (expense)/income for the financial period/year		(636,850)	(194,947)	(1,559,999)	670,024
Total comprehensive (expense)/income attributable to:					
- Owners of the Company		(629,048)	(194,184)	(1,543,538)	664,036
- Non-controlling interests		(7,802)	(763)	(16,461)	5,988
		(636,850)	(194,947)	(1,559,999)	670,024

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000 Restated
NON-CURRENT ASSETS			
Property, plant and equipment	11	16,602,637	14,143,868
Investments in joint ventures		651,332	583,511
Available-for-sale financial assets		22,884	20,240
Accrued lease rentals		-	117,605
Derivative financial instruments	21	116,108	-
Other receivables		49,075	-
Deferred tax assets		6,467	35,799
Amounts due from joint ventures		19,470	14,987
		17,467,973	14,916,010
CURRENT ASSETS			
Inventories		6,356	6,051
Amounts due from customers on contract		-	154,984
Trade receivables		632,956	513,349
Accrued lease rentals		510,345	572,922
Other receivables, deposits and prepayments		85,904	165,324
Tax recoverable		2,312	10,894
Amounts due from joint ventures		335,032	201,687
Deposits, cash and bank balances		3,015,854	1,525,718
		4,588,759	3,150,929
Non-current assets classified as held-for-sale		33,397	5,700
TOTAL ASSETS		22,090,129	18,072,639

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		1,227,072	1,298,857
Amounts due to customers on contracts		69,645	-
Other payables and accruals		1,030,003	179,327
Amounts due to joint ventures		36,562	25,189
Hire purchase creditors		88	-
Borrowings	20	2,517,059	1,770,171
Derivative financial instruments	21	42,250	22,941
Taxation		46,661	72,831
		4,969,340	3,369,316
NET CURRENT LIABILITIES			
		(347,184)	(212,687)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		97,014	456,820
Provisions		98,149	-
Hire purchase creditors		287	-
Borrowings	20	10,529,054	6,259,383
Derivative financial instruments	21	705,741	654,769
Deferred tax liabilities		709	36,579
		11,430,954	7,407,551
NET ASSETS			
		5,689,835	7,295,772
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,173,253	1,173,253
Reserves		4,494,729	6,084,205
		5,667,982	7,257,458
NON-CONTROLLING INTERESTS			
		21,853	38,314
TOTAL EQUITY			
		5,689,835	7,295,772
NET ASSETS PER SHARE (RM)			
		0.97*	1.24

* Based on 5,866,269,344 ordinary shares in issue at RM0.20 par value as at 31 December 2016.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company										
	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/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
<u>2016</u>											
At 1 January	5,866,269	1,173,253	3,137,730	1,383,557	6,562	44,817	(227,314)	1,738,853	7,257,458	38,314	7,295,772
Loss for the financial year	-	-	-	-	-	-	-	(1,887,181)	(1,887,181)	(18,648)	(1,905,829)
Other comprehensive income for the financial year, net of tax	-	-	-	210,418	7,385	-	125,840	-	343,643	2,187	345,830
Total comprehensive income/(expense) for the financial year, net of tax	-	-	-	210,418	7,385	-	125,840	(1,887,181)	(1,543,538)	(16,461)	(1,559,999)
Transactions with owners:											
- Employee share options granted	-	-	-	-	-	2,165	-	-	2,165	-	2,165
- Employee share options forfeited	-	-	-	-	-	(27,054)	-	27,054	-	-	-
- Dividend paid	-	-	-	-	-	-	-	(48,103)	(48,103)	-	(48,103)
At 31 December	5,866,269	1,173,253	3,137,730	1,593,975	13,947	19,928	(101,474)	(169,377)	5,667,982	21,853	5,689,835

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>2015</u>											
At 1 January	5,866,269	1,173,253	3,137,730	352,580	6,562	44,862	(94,939)	2,065,151	6,685,199	32,326	6,717,525
Loss for the financial year	-	-	-	-	-	-	-	(234,566)	(234,566)	(7,211)	(241,777)
Other comprehensive income/(expense) for the financial year, net of tax	-	-	-	1,030,977	-	-	(132,375)	-	898,602	13,199	911,801
Total comprehensive income/(expense) for the financial year, net of tax	-	-	-	1,030,977	-	-	(132,375)	(234,566)	664,036	5,988	670,024
Transactions with owners:											
- Employee share options granted	-	-	-	-	-	3,843	-	-	3,843	-	3,843
- Employee share options forfeited	-	-	-	-	-	(3,888)	-	3,888	-	-	-
- Dividend paid	-	-	-	-	-	-	-	(95,620)	(95,620)	-	(95,620)
At 31 December	5,866,269	1,173,253	3,137,730	1,383,557	6,562	44,817	(227,314)	1,738,853	7,257,458	38,314	7,295,772

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended 31.12.2016 RM'000	Year Ended 31.12.2015 RM'000
OPERATING ACTIVITIES		
Loss for the financial year	(1,905,829)	(241,777)
Adjustments for non-cash items:		
Share of results of joint ventures	(77,693)	(51,501)
Depreciation of property, plant and equipment	570,758	606,658
Fair value through profit and loss on derivative financial instruments	(7,190)	15,208
Gain on disposal of property, plant and equipment and non-current assets held for sale	(3,916)	(1,113)
Gain on disposal of a subsidiary	-	(17,645)
Fair value gain on remeasurement of a joint venture	(27,277)	-
Net allowance for doubtful debts	91,356	167,951
Bad debts written off	-	18
Unrealised foreign exchange gain	(10,071)	(53,278)
Share-based payment	2,165	3,843
Write off of property, plant and equipment	-	1,928
Impairment		
- property, plant and equipment and non-current assets held for sale	1,737,994	395,150
- available-for-sale financial assets	5,166	25,223
- investment in a joint venture	-	2,691
Interest income	(17,374)	(52,829)
Interest expense	99,159	123,227
Dividend income	-	(1,841)
Taxation	60,772	70,385
Operating profit before changes in working capital	518,020	992,298
Changes in working capital:		
Inventories	(305)	(262)
Trade and other receivables	202,421	(379,772)
Trade and other payables	777,899	253,785
Cash from operations	1,498,035	866,049
Interest paid	(378,761)	(233,159)
Net of tax paid	(39,122)	(109,981)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	1,080,152	522,909

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended 31.12.2016 RM'000	Year Ended 31.12.2015 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,418,523)	(3,568,056)
Proceeds from disposal of property, plant and equipment and non-current assets held for sale	7,649	10,449
Investments in joint ventures	(16)	(17,971)
Interest received	15,746	56,750
Dividend received from a joint venture	21,380	12,452
Dividend received from investments	2,003	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(4,371,761)	(3,506,376)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	5,941,250	4,533,941
Repayment of bank borrowings	(1,155,666)	(3,558,602)
Proceeds from hire purchase creditors	453	-
Repayment of hire purchase creditors	(66)	(125)
Decrease in deposit pledged as security	-	600
Dividend paid	(48,103)	(95,620)
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	4,737,868	880,194
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,446,259	(2,103,273)
CURRENCY TRANSLATION DIFFERENCES	43,877	326,344
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	1,524,818	3,301,747
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	3,014,954	1,524,818
Cash and cash equivalents consist of:		
Deposits with licensed banks	2,755,841	815,342
Cash and bank balances	260,013	710,376
Less: Designated deposits placed with licensed banks	(900)	(900)
	3,014,954	1,524,818

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FORTH QUARTER ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the reporting requirement as set out in 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 condensed consolidated financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 31 December 2015. The results of the joint ventures are based on unaudited management accounts.

The Group’s current liabilities exceeded its current assets by RM347.2 million due to the classification of advances from customers of approximately RM360.0 million, from non-current liabilities to current liabilities during the quarter. Upon acceptance of conversion projects by the charterers, the advances from customers would become non-refundable by the Group. The Directors are of the view that the conversion projects will be accepted by the charterers in year 2017.

The Kraken FPSO project is progressing well (hook up has been completed) but unless first oil is achieved by 1st April 2017 (“Backstop Date”), the charterers have contractual right to terminate the charter. In order to mitigate this risk, the Group is negotiating a new Backstop Date with the charterers. The charterers and the Group are fully aligned with regards to the project delivery and achieving first oil.

The consequence of a termination by the charterer is the repayment of the term loan to the lenders if lenders calls an event of default.

Except as disclosed above, the Directors believe no material uncertainty exist that may cast significant doubt on the Group’s ability to continue as a going concern.

The significant accounting policies and methods of computation applied in the unaudited condensed consolidated financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2015, other than those disclosed below:

(a) Amendments and annual improvements to MFRS which are applicable to the Group effective on or after 1 January 2016:

- Annual Improvements to MFRSs 2012 - 2014 cycle
- Amendments to MFRS 10 “Consolidated Financial Statements” and MFRS 128 “Investment in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 127 “Separate Financial Statements” - Equity Method in Separate Financial Statements
- Amendments to MFRS 116 “Property, Plant and Equipment” and MFRS 138 “Intangibles Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 101 “Presentation of Financial Statements” – Disclosure Initiative

The adoption of the above amendments and annual improvements to MFRS did not have any significant impact on the financial statements of the Group.

(b) Amendments to MFRS which are applicable to the Group effective on or after 1 January 2017:

- Amendments to MFRS 107 “Statement of Cash Flows” – Disclosure Initiative
- Annual Improvements to MFRS 12 “Disclosures of Interests in Other Entities”
- Amendments to MFRS 112 “Income Taxes” – Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above amendments are not anticipated to have any significant impact on the financial statements of the Group upon initial application.

1. BASIS OF PREPARATION (CONTINUED)

(c) New MFRS and Amendments to MFRS which are applicable to the Group effective on or after 1 January 2018:

- MFRS 9 “Financial Instruments”
- MFRS 15 “Revenue from Contracts with Customers”
- Amendments to MFRS 2 “Share-based Payment” – Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to MFRS 1 “First-Time Adoption of Malaysian Financial Reporting Standards”
- Annual Improvements to MFRS 128 “Investments in Associates and Joint Ventures”
- IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”

The adoption of the above MFRS may result in a change in accounting policy. The Group will quantify the effect of adopting these standards when the full standard is effective.

The adoption of the above amendments are not anticipated to have any significant impact on the financial statements of the Group upon initial application.

(d) New MFRS which is applicable to the Group effective on or after 1 January 2019:

- MFRS 16 “Leases”

The adoption of the above MFRS may result in a change in accounting policy. The Group will quantify the effect of adopting this MFRS when the full standard is effective.

2. MANAGEMENT COMMENTARY

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

Financial Indicators	YTD 31.12.2016 RM’000	YTD 31.12.2015 RM’000 Restated	Change RM’000
Segment revenue			
FPSO & FGS ⁽¹⁾	493,383	1,305,596	(812,213)
OMS ⁽¹⁾	923,213	874,138	49,075
Total revenue	1,416,596	2,179,734	(763,138)
EBITDA ⁽²⁾	569,645	981,014	(411,369)
EBITDA margin	40%	45%	(5%)
Loss for the financial year	(1,905,829)	(241,777)	(1,664,052)
Depreciation	570,758	606,658	(35,900)
Impairment	1,743,160	423,064	1,320,096

The Group posted a revenue of RM1,416.6 million for the financial year ended 31 December 2016 (“FY 2016”), a decrease of 35% compared to the financial year ended 31 December 2015 (“FY 2015”). The decrease was mainly attributed to lower conversion activities from the Eni 1506 and Kraken FPSO projects, recognition of supplementary payments for the Kraken FPSO project, reduced contribution from Armada Claire, Armada Perdana, Armada Perkasa and lower OSV vessel utilisation which was offset by the higher contribution from the LukOil project in the Caspian Sea.

The Group posted EBITDA of RM569.6 million for FY 2016, a decrease of RM411.4 million compared to FY 2015. The lower EBITDA was due to reduced contributions from the FPSO & FGS segment and OMS segment as well as lower earnings from joint ventures due mainly to lower conversion activities and earnings from Karapan Armada Sterling III which was offset by increased earnings from the operations of Armada Sterling and Armada Sterling II.

With reference to the segmental information, the segment results from FPSO & FGS segment decreased to a loss of RM186.9 million in FY 2016 as compared to a profit RM309.7 million in FY 2015 due to lower conversion activities from the Eni 1506 and Kraken FPSO projects, recognition of supplementary payments for the Kraken FPSO project and reduced contribution from Armada Claire, Armada Perdana and Armada Perkasa. The loss from OMS segment has decreased from RM77.4 million in FY 2015 to RM80.1 million in FY 2016 due to lower OSV vessel utilisation which was partly offset by higher level of activity from the LukOil project.

The Group made a non-cash impairment charge of RM1,738.0 million in FY 2016 for certain FPSO and OMS vessels (refer to Note 2(C)) and for available-for-sale financial assets of RM5.2 million. Excluding the impairment charge of RM1,743.2 million and net allowance for doubtful debts of RM91.4 million, the Group would have posted a loss of RM71.2 million for FY 2016.

For FY 2016, the Group posted a loss attributable to the Owners of the Company of RM1,887.2 million after taking into account the impairment charge and net allowance for doubtful debts. Excluding the impairment charge and net allowance for doubtful debts, the Group would have posted a loss attributable to the Owners of the Company of RM52.6 million.

Notes:

⁽¹⁾ FPSO - Floating Production Storage Offloading system, FGS - Floating Gas Solutions and OMS - Offshore Marine Services (previously separately known as OSV - Offshore Support Vessel and T&I - Transport and Installation). These acronyms are also used hereinafter.

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

2. MANAGEMENT COMMENTARY (CONTINUED)

(B) Performance of the current quarter as compared with the immediate preceding quarter

Financial Indicators	4th Quarter 2016 RM'000	3rd Quarter 2016 RM'000	Change RM'000
Segment revenue			
FPSO & FGS	5,177	115,979	(110,802)
OMS	200,276	261,527	(61,251)
Total revenue	205,453	377,506	(172,053)
EBITDA	28,468	91,014	(62,546)
EBITDA margin	14%	24%	(10%)
Loss for the financial period	(1,307,261)	(103,533)	(1,203,728)
Depreciation	140,804	138,027	2,777
Impairment	1,145,593	4,218	1,141,375

The Group posted a revenue of RM205.5 million for the quarter ended 31 December 2016 (“Q4 2016”), a decrease of 46% compared to the quarter ended 30 September 2016 (“Q3 2016”). The decrease was attributed mainly to the following factors:

- Decrease in FPSO & FGS revenue due mainly to lower conversion activities and recognition of supplementary payments for the Kraken FPSO project; and
- Decrease in OMS revenue due to lower vessel utilisation in Q4 2016 as compared to Q3 2016, and a lower level of activities from the LukOil project in the Caspian Sea.

OSV vessel average utilisation rates for the quarter ended	4th Quarter 2016 %	3rd Quarter 2016 %	Change in %
Group’s vessels	48	55	(7)
- Class A ⁽³⁾	47	50	(3)
- Class B ⁽⁴⁾	49	62	(13)
Group’s vessels including those held by joint ventures	49	56	(7)

The Group posted an EBITDA of RM28.5 million for Q4 2016, a decrease of RM62.5 million compared to Q3 2016. The decrease in EBITDA resulted from lower contributions from both FPSO & FGS segment and OMS segment as well as lower earnings from joint ventures due mainly to lower conversion activities and earnings from Karapan Armada Sterling III. This was offset by a decrease in net allowance for doubtful debts of RM64.1 million.

Segment results from FPSO & FGS segment decreased to a loss of RM165.6 million in Q4 2016 as compared to a loss of RM76.7 million in Q3 2016. This was due mainly to lower conversion activities and recognition of supplementary payments for the Kraken FPSO project. Segment results from OMS segment decreased from a loss of RM5.9 million in Q3 2016 to a loss of RM75.4 million in Q4 2016 due to lower vessel utilisation and lower contribution from the LukOil project.

During Q4 2016, the Group made a non-cash impairment charge of RM1,145.6 million for certain FPSO and OMS vessels (refer to Note 2(C)). Excluding the impairment charge and net allowance for doubtful debts of RM15.5 million, the Group would have posted a loss of RM146.2 million.

For Q4 2016, the Group posted a loss attributable to the Owners of the Company of RM1,295.6 million. Excluding the impairment charge and net allowance for doubtful debts, the Group would have posted a loss attributable to the Owners of the Company of RM134.5 million.

Notes:

⁽³⁾ Class A represents vessels which are less than 12 years old or more than 8000 brake horse power and accommodation work barges which are more than 200 pax in capacity.

⁽⁴⁾ Class B represents vessels which are more than 12 years old or less than 8000 brake horse power and accommodation work barges which are less than 200 pax in capacity.

2. MANAGEMENT COMMENTARY (CONTINUED)

(C) Critical accounting estimates and judgements

The Group performed an assessment during the quarter on the recoverable amount of certain vessels to determine whether the carrying value of these vessels are recoverable. The review was carried out in accordance with MFRS 136 “Impairment of Assets”. In such evaluation, the estimated recoverable amount is determined based on the higher of an asset’s value-in-use (“VIU”) or fair value less costs to sell (“FV”). The recoverable amount was compared to the carrying value of each asset with identified impairment triggers. If the recoverable amount is lower, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss. The Group considered each vessel within a segment as a cash-generating unit (“CGU”), however, they are grouped together for disclosure purposes.

VIU is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount received in the event the vessel is sold on a willing buyer and willing seller basis (considered as Level 3 in the fair value hierarchy as defined in Note 22).

The recoverable amount of each vessel is based on estimates and judgement with respect to key assumptions such as utilisation rates, daily charter rates and the discount rate, amongst others. Several of the Group’s contracts are long-term in nature and there can be no certainty that the continuity of these contracts will not be materially affected by conditions such as a deterioration in the oil and gas market or a specific client’s financial condition. Should the actual conditions be different to those in our assumptions, there may be an adverse effect on the recoverable amount of our non-financial assets or non-current assets held for sale.

The Group has reviewed the carrying value of some vessels during the financial year 2016 and has made an impairment charge of RM1,738.0 million for certain FPSO and OMS vessels. The recoverable amount for these vessels of which an impairment charge was made during the financial year 2016 was RM1,988.8 million, comprising RM814.3 million in the FPSO segment and RM1,174.5 million in the OMS segment.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

Whilst there was a recovery in oil prices over the course of 2016 due to improved consensus opinions on OPEC production controls and general expectations that longer term energy supply will contract to align with demand, the challenges in the offshore oil and gas sector remain. Despite the recovery in prices, oil companies continue to remain prudent in 2017, with capital expenditure budgets, on average for the year, expected to see marginal increases. While the bulk of this expenditure is forecasted to go towards developing and bringing either existing or approved projects on-stream, which is potentially positive for our Floating Production business, a lack of new exploration activity would be negative for our Offshore Support Vessel business.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the audited financial statements for the preceding financial year ended 31 December 2015.

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 2016.

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 other than those disclosed in Note 24.

7. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the unaudited condensed consolidated financial statements of the Group other than those disclosed in Note 24.

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.

9. DIVIDEND PAID

The following dividend payment was made during the year ended 31 December 2016:

In respect of the financial year ended 31 December 2015:

- Final cash dividend comprising a single tier tax-exempt dividend of 0.82 sen per ordinary share paid on 18 August 2016

RM'000

48,103

10. SEGMENTAL INFORMATION

The Group is organised into 2 core business segments based on the type of activities carried out by its vessels and barges. The information of each of the Group's business segments for the individual and cumulative quarters ended 31 December 2016 and 31 December 2015 are as follows:

Individual Quarter Ended 31.12.2016	FPSO & FGS RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	5,177	200,276	-	-	205,453
Inter-segment revenue	-	-	72,010	(72,010)	-
Results	(165,647)	(75,448)	36,767	(37,663)	(241,991)
Impairment	(434,736)	(710,857)	-	-	(1,145,593)
Share of results of joint ventures	(34,531)	342	-	-	(34,189)
Other operating income					163,844
Finance costs					(34,393)
Taxation					(14,939)
Loss for the financial period					(1,307,261)

Individual Quarter Ended 31.12.2015	FPSO & FGS RM'000	OMS RM'000 Restated	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	378,218	210,824	-	-	589,042
Inter-segment revenue	-	-	56,792	(56,792)	-
Results					
Segment results	(20,394)	(39,828)	5,324	(5,324)	(60,222)
Impairment	(41,341)	-	(4,185)	-	(45,526)
Share of results of joint ventures	7,982	331	-	-	8,313
Other operating income					14,941
Finance costs					(21,517)
Taxation					17,147
Loss for the financial period					(86,864)

10. SEGMENTAL INFORMATION (CONTINUED)

The Group is organised into 2 core business segments based on the type of activities carried out by its vessels and barges. The information of each of the Group's business segments for the individual and cumulative quarters ended 31 December 2016 and 31 December 2015 are as follows:

Cumulative Quarters Year Ended 31.12.2016	FPSO & FGS RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	493,383	923,213	-	-	1,416,596
Inter-segment revenue	-	-	270,591	(270,591)	-
Results					
Segment results	(186,873)	(80,140)	73,638	(73,638)	(267,013)
Impairment	(1,004,821)	(733,173)	(5,166)	-	(1,743,160)
Share of results of joint ventures	76,601	1,092	-	-	77,693
Other operating income					188,207
Finance costs					(100,784)
Taxation					(60,772)
Loss for the financial year					(1,905,829)

Cumulative Quarters Year Ended 31.12.2015	FPSO & FGS RM'000	OMS RM'000 Restated	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	1,305,596	874,138	-	-	2,179,734
Inter-segment revenue	-	-	185,865	(185,865)	-
Results					
Segment results	309,658	(77,438)	13,921	(13,921)	232,220
Impairment	(41,341)	(353,811)	(27,912)	-	(423,064)
Share of results of joint ventures	50,812	689	-	-	51,501
Other operating income					90,635
Finance costs					(122,684)
Taxation					(70,385)
Loss for the financial year					(241,777)

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 2016, 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

No material event has arisen in the interval between the end of this reporting period and the date of this report.

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

The Group's contingent liabilities comprising bank guarantees extended to third parties amounted to RM708.8 million as at 31 December 2016 as compared to RM1,134.7 million as at 31 December 2015. There are no material contingent assets to be disclosed.

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 2016 are as follows:

	RM'000
- authorised and contracted	1,143,530
- authorised but not contracted	827,809
	<hr/>
	1,971,339
	<hr/> <hr/>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Cumulative Quarters Year Ended 31.12.2016 RM'000
(a) Transactions with UTSB Management Sdn Bhd ⁽¹⁾ : - management fees	9,844
(b) Telecommunication expenses to - Maxis Berhad ⁽²⁾ - Maxis Broadband Sdn Bhd ⁽²⁾	481 1,192
(c) Rental to Malaysian Landed Property Sdn Bhd ⁽³⁾	8,004
(d) Management and engineering assistance services charged to joint ventures	120,772
(e) Key management personnel compensation: - non-executive directors' fees - salaries, bonus and allowances and other staff related costs - defined contribution plan - share-based payment	2,252 10,248 1,272 1,105
(f) Payment on behalf: - joint ventures	<u>6,577</u>

Usaha Tegas Sdn Bhd ("UTSB") is a party related to the Company by virtue of its substantial equity interest in Objektif Bersatu Sdn Bhd ("OBSB"), a substantial 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.

Notes:

- ⁽¹⁾ Subsidiary of UTSB, a substantial shareholder of the Company.
⁽²⁾ Subsidiary of a joint venture, in which UTSB has a significant equity interest.
⁽³⁾ Subsidiary of a company in which TAK has 100% equity interest.

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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Income tax:				
- Current year	35,907	25,433	93,364	123,073
- Prior year	(34,876)	736	(34,876)	1,013
Deferred tax	13,908	(43,316)	2,284	(53,701)
Total	14,939	(17,147)	60,772	70,385

The Group's effective tax rates for the individual and cumulative quarters ended 31 December 2016 were negative 1.2% and negative 3.3% respectively. The difference in the effective tax rate and the Malaysian statutory tax rate is due to income of foreign subsidiaries which are subject to different statutory tax rates, expenses not deductible for tax purposes, exempt income which are not taxable and withholding taxes deducted at source.

19. STATUS OF CORPORATE PROPOSALS ANNOUNCED

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this report:

On 13 August 2013, we announced that our wholly-owned subsidiary, Bumi Armada Capital Offshore Ltd ("BACOL") had on 6 August 2013, entered into documentation for the establishment of a Multi Currency Euro Medium Term Note Programme with a programme size of USD1.5 billion (or its equivalent in other currencies) ("EMTN Programme").

An application has been made to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of, any medium term notes ("Notes") that may be issued pursuant to the EMTN 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 listing of the Notes under the Exempt Regime. The Notes to be issued under the EMTN Programme may be listed on Bursa Securities but will not be quoted for trading. No Notes have been issued yet under the EMTN Programme.

20. BORROWINGS

The borrowings of the Group as at 31 December 2016 are as set out below:

	As at 31.12.2016 RM'000
SHORT TERM DEBT	
Secured:	
Term loans	717,725
Unsecured:	
Sukuk Murabahah	30,393
Revolving credit	1,578,271
Term loans	190,670
Total short term debt	2,517,059
LONG TERM DEBT	
Secured:	
Term loans	6,694,379
Unsecured:	
Sukuk Murabahah	1,499,075
Term loans	2,335,600
Total long term debt	10,529,054
Total borrowings	13,046,113
CURRENCY PROFILE	
United States Dollar	11,192,412
Ringgit Malaysia	1,853,701
	13,046,113

21. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 December 2016 are as set out below:

Types of Derivative	Contract/ Notional amount RM'000	Fair value assets/ (liabilities) RM'000
Derivatives used for hedging:		
Interest rate swaps		
- Less than 1 year	641,824	(19,101)
- 1 to 3 years	1,164,787	24,269
- More than 3 years	3,421,792	91,763
	<u>5,228,403</u>	<u>96,931</u>
Cross currency interest rate swaps		
- Less than 1 year	27,696	(23,149)
- 1 to 3 years	21,304	(47,313)
- More than 3 years	1,500,000	(658,352)
	<u>1,549,000</u>	<u>(728,814)</u>

There have been no changes since the end of the previous financial year ended 31 December 2015 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;
- the policies in place for mitigating or controlling the risks associated with the derivatives; and
- the related accounting policies.

As at 31 December 2016, the Group recognised net derivative financial liabilities of RM631.9 million (2015: RM677.7 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM45.8 million from the previous financial year ended 31 December 2015, an amount of RM125.8 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests, of which RM1.1 million was recycled to the profit or loss while the total gain on derivatives charged to profit or loss was RM7.2 million as disclosed in the Note 24 (k).

The Group's cash flow hedging reserve of RM101.5 million as at 31 December 2016 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 or 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 and amortised cost, 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)

(a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 31 December 2016 except as set out below, measured using Level 3 valuation technique:

	Carrying amount RM'000	Fair value RM'000
Sukuk Murabahah	<u>1,529,468</u>	<u>1,485,270</u>

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 31 December 2016, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Financial asset:			
Available-for-sale financial asset	22,884	-	22,884
Derivatives used for hedging			
- Interest rate swaps	<u>-</u>	<u>116,108</u>	<u>116,108</u>
Financial liabilities:			
Derivatives used for hedging			
- Interest rate swaps	-	(19,177)	(19,177)
- Cross currency interest rate swaps	<u>-</u>	<u>(728,814)</u>	<u>(728,814)</u>

The fair value of financial instruments traded in an active market is based on quoted market price at the statement of financial position date. This instrument is included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as estimated discounted cash flows. These valuation techniques are used to determine the fair value of derivative financial instruments. The fair value of cross currency interest rate swaps and interest rate swaps are calculated as the present value of the estimated future cash flows based on forward interest rates and exchange rates from observable yield curves.

No transfers between any levels of the fair value estimation took place during the current year and the comparative year. 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/(ACCUMULATED LOSSES)

The following analysis of realised and unrealised retained earnings/(accumulated losses) 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 the Main Market Listing Requirements of Bursa Securities, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Securities.

The breakdown of realised and unrealised retained earnings/(accumulated losses) of the Group is as follows:

	As at 31.12.2016 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries	
- realised	(490,805)
- unrealised	15,829
	<u>(474,976)</u>
Total share of retained earnings/(accumulated losses) from joint ventures	
- realised	349,746
- unrealised	(44,147)
	<u>305,599</u>
Total accumulated losses of the Group	<u><u>(169,377)</u></u>

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 31.12.2016 RM'000	Individual Quarter Ended 31.12.2015 RM'000	Cumulative Quarters Year Ended 31.12.2016 RM'000	Cumulative Quarters Year Ended 31.12.2015 RM'000
Loss before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(6,658)	(8,701)	(17,374)	(52,829)
- Loss/(Gain) on disposal of property, plant and equipment and non-current assets held for sale	399	(1,023)	(3,916)	(1,113)
- Gain on disposal of a subsidiary	-	-	-	(17,645)
- Fair value gain on remeasurement of a joint venture	(27,277)	-	(27,277)	-
- Insurance claims	(6,476)	(1,552)	(6,650)	(6,127)
- Dividend income	-	-	-	(1,841)
- Management and engineering services charged to joint ventures	(120,772)	-	(120,772)	-
- Others	(3,060)	(3,665)	(12,218)	(11,080)
(b) Interest expense	33,775	21,286	99,159	123,227
(c) Depreciation and amortisation	140,804	162,863	570,758	606,658
(d) Net allowance for doubtful debts	15,468	183,257	91,356	167,951
(e) Bad debts written off	-	-	-	18
(f) Impairment for property, plant and equipment and non-current assets held for sale	1,145,593	41,341	1,737,994	395,150
(g) Impairment for available-for-sale financial assets	-	4,185	5,166	25,223
(h) Impairment for investment in a joint venture	-	-	-	2,691
(i) Write-off of property, plant and equipment	-	-	-	1,928
(j) Net foreign exchange loss/(gain):				
- realised	(13,030)	38,927	11,547	38,984
- unrealised	(3,027)	7,462	(10,071)	(53,278)
(k) Fair value through profit and loss on derivative financial instruments	1,079	(281)	(7,190)	15,208
(l) Retrenchment expenses	801	-	6,232	26,248

Other than as presented in the statements of income and as disclosed above, there was no allowance for and write-off of inventories, gain or loss on disposal of quoted or unquoted investments and other exceptional items for the current quarter ended 31 December 2016.

25. MATERIAL LITIGATION

Save for the following, as at 31 December 2016, neither our Company nor any of our subsidiaries was involved in any material litigation, claims or arbitration, and our Company and our subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against our Company and our subsidiaries:

In the Supreme Court of Western Australia CIV 1408 of 2016 between Armada Balnaves Pte Ltd (ARBN 158 694 949) and Woodside Energy Julimar Pty Ltd (ACN 130 391 365)

The matter arose out of a dispute between Armada Balnaves Pte Ltd (“ABPL”) and Woodside Energy Julimar Pty Ltd (“WEJ”) in relation to a contract dated 30 September 2011 for the Armada Claire FPSO (“Contract”). On 4 March 2016, WEJ purported to terminate the Contract by issuing a purported notice of termination to ABPL. ABPL considered that this purported notice of termination by WEJ was tantamount to a cancellation for convenience, or a repudiation of the Contract, either of which entitles ABPL to claim damages.

On 14 March 2016, ABPL filed a Writ of Summons in the Supreme Court of Western Australia against WEJ for inter alia (i) a declaration that WEJ was in repudiatory breach of the Contract and (ii) damages for WEJ’s breach of the Contract.

Subsequently on 20 April 2016, ABPL filed and served a Statement of Claim in the Supreme Court of Western Australia against WEJ claiming for damages in general for such repudiation, and the amount of such damages has been quantified by ABPL to include the sum of USD275,813,698.63 (being the amount of the termination payment to which ABPL is entitled had the Contract been terminated without breach) plus any additional damages for loss of bargain caused to ABPL as a consequence of WEJ’s repudiation of the Contract. An additional sum of USD7,700,000.00 was sought for work done and materials supplied pursuant to the Contract. WEJ had, on 2 June 2016, filed its defence to ABPL’s Statement of Claim.

26. DIVIDENDS

No dividend was declared or recommended for the current financial year ended 31 December 2016.

27. EARNINGS PER SHARE

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

The diluted EPS is calculated by dividing the Group’s loss for the financial year attributable to Owners of the Company (adjusted for interest income, net of tax, earned on the proceeds arising from the conversion of the Employee Share Option Scheme (“ESOS”) options) by the weighted average number of ordinary shares as adjusted for the basic EPS and includes all potential dilutive shares arising from the 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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Loss attributable to Owners of the Company (RM’000)	(1,295,575)	(85,080)	(1,887,181)	(234,566)
Weighted average/adjusted weighted average number of ordinary shares in issue for basic EPS (’000)	5,866,269	5,866,269	5,866,269	5,866,269
Basic EPS (sen)	(22.09)	(1.45)	(32.17)	(4.00)
Diluted EPS (sen)	(22.09)	(1.45)	(32.17)	(4.00)

28. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current year's presentation, which more appropriately reflects the nature of relevant transactions.

	As previously reported 31.12.2015 RM'000	Effect of reclassification RM'000	As restated 31.12.2015 RM'000
<u>Consolidated Statements of Income</u>			
<u>Individual Quarter Ended 31.12.2015</u>			
Cost of sales	(558,649)	629	(558,020)
Selling and distribution costs	(6,302)	3,552	(2,750)
Administrative expenses	(84,313)	(4,181)	(88,494)
	<u> </u>	<u> </u>	<u> </u>
<u>Cumulative Quarters Year Ended 31.12.2015</u>			
Cost of sales	(1,766,197)	7,780	(1,758,417)
Selling and distribution costs	(27,735)	11,966	(15,769)
Administrative expenses	(153,582)	(19,746)	(173,328)
	<u> </u>	<u> </u>	<u> </u>
<u>Consolidated Statement of Financial Position</u>			
<u>Non-current assets</u>			
Investment in joint ventures	535,842	47,669	583,511
Amount due from joint ventures	62,656	(47,669)	14,987
	<u> </u>	<u> </u>	<u> </u>
<u>Segmental Information</u>			
<u>Individual Quarter Ended 31.12.2015</u>			
<u>Revenue</u>			
OMS	-	210,824	210,824
OSV	110,311	(110,311)	-
T&I	100,513	(100,513)	-
	<u> </u>	<u> </u>	<u> </u>
<u>Segment results</u>			
OMS	-	(39,828)	(39,828)
OSV	(75,917)	75,917	-
T&I	36,089	(36,089)	-
	<u> </u>	<u> </u>	<u> </u>
<u>Cumulative Quarters Year Ended 31.12.2015</u>			
<u>Revenue</u>			
OMS	-	874,138	874,138
OSV	538,117	(538,117)	-
T&I	336,021	(336,021)	-
	<u> </u>	<u> </u>	<u> </u>
<u>Segment results</u>			
OMS	-	(77,438)	(77,438)
OSV	(117,091)	117,091	-
T&I	39,653	(39,653)	-
	<u> </u>	<u> </u>	<u> </u>
<u>Impairment</u>			
OMS	-	(353,811)	(353,811)
OSV	(249,094)	249,094	-
T&I	(104,717)	104,717	-
	<u> </u>	<u> </u>	<u> </u>

28. COMPARATIVE FIGURES (CONTINUED)

Certain expenses previously classified as cost of sales, have been reclassified to selling and distribution costs and administrative expenses.

Certain investment in joint ventures have been reclassified to amount due from joint ventures to appropriately reflect the nature of the balances.

BY ORDER OF THE BOARD

NOREEN MELINI BINTI MUZAMLI (LS 0008290)
NOOR HAMIZA BINTI ABD HAMID (MAICSA 7051227)
Joint Company Secretaries

Kuala Lumpur
28 February 2017