BUMIARMADA

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017

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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2017

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 2017 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2016 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	
		31.12.2017 RM'000	**31.12.2016 RM'000 Restated**	**31.12.2017 RM'000**	**31.12.2016 RM'000 Restated**
Revenue		**662,147**	106,246	**2,402,130**	1,317,389
Cost of sales		**(462,227)**	(358,769)	**(1,596,228)**	(1,537,454)
Gross profit/(loss)		**199,920**	(252,523)	**805,902**	(220,065)
Other operating income		**30,783**	111,161	**177,903**	188,207
Selling and distribution costs		**(4,592)**	(14,382)	**(20,827)**	(29,812)
Administrative expenses		**(43,974)**	(21,610)	**(195,809)**	(116,343)
Operating profit/(loss) before impairment		**182,137**	(177,354)	**767,169**	(178,013)
Impairment		**(664)**	(1,145,593)	**(8,328)**	(1,743,160)
Operating profit/(loss)		**181,473**	(1,322,947)	**758,841**	(1,921,173)
Finance costs		**(125,772)**	(34,393)	**(430,958)**	(100,784)
Share of results of joint ventures		**24,602**	(34,189)	**164,347**	77,693
Profit/(loss) before taxation		**80,303**	(1,391,529)	**492,230**	(1,944,264)
Taxation	18	**(2,403)**	(14,939)	**(115,823)**	(60,772)
Profit/(loss) for the financial period/year		**77,900**	(1,406,468)	**376,407**	(2,005,036)
Attributable to:					
- Owners of the Company		**63,816**	(1,376,045)	**352,247**	(1,967,651)
- Non-controlling interests		**14,084**	(30,423)	**24,160**	(37,385)
		77,900	(1,406,468)	**376,407**	(2,005,036)
Earnings per share (sen)	26				
- Basic		**1.09**	(23.46)	**6.00**	(33.54)
- Diluted		**1.09**	(23.46)	**6.00**	(33.54)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Year Ended	
		31.12.2017 RM'000	**31.12.2016 RM'000**	**31.12.2017 RM'000**	**31.12.2016 RM'000**
Profit/(loss) for the financial period/year		**77,900**	(1,406,468)	**376,407**	(2,005,036)
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss					
- Available-for-sale financial assets:					
- (Loss)/gain on fair value change		**(179)**	7,224	**3,072**	7,385
- Fair value gain on cash flow hedges		**27,966**	174,884	**60,467**	125,329
- Foreign currency translation differences		**(214,829)**	486,499	**(516,796)**	211,996
- Share of other comprehensive income of joint ventures		**2,116**	1,253	**789**	569
Other comprehensive (expense)/income for the financial period/year, net of tax		**(184,926)**	669,860	**(452,468)**	345,279
Total comprehensive expense for the financial period/year		**(107,026)**	(736,608)	**(76,061)**	(1,659,757)
Total comprehensive (expense)/income attributable to:					
- Owners of the Company		**(120,020)**	(710,069)	**(96,647)**	(1,624,559)
- Non-controlling interests		**12,994**	(26,539)	**20,586**	(35,198)
		(107,026)	(736,608)	**(76,061)**	(1,659,757)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**9,235,066**	16,602,637
Investments in joint ventures		**668,967**	651,332
Available-for-sale financial assets		**16,498**	22,884
Finance lease receivables		**5,280,228**	-
Other receivables		**153,600**	49,075
Amounts due from joint ventures		**32,162**	19,470
Derivative financial instruments	21	**64,767**	116,108
Deferred tax assets		**7,295**	6,467
		15,458,583	17,467,973
CURRENT ASSETS			
Inventories		**4,199**	6,356
Finance lease receivables		**53,961**	-
Trade receivables		**727,153**	632,956
Accrued lease rentals		**372,945**	510,345
Other receivables, deposits and prepayments		**68,249**	85,904
Amount due from customers on contract		**8,745**	-
Amounts due from joint ventures		**251,865**	335,032
Derivative financial instruments	21	**41,422**	-
Tax recoverable		**-**	2,312
Deposits, cash and bank balances		**1,846,114**	3,015,854
		3,374,653	4,588,759
Non-current assets classified as held-for-sale		**1,770**	33,397
TOTAL ASSETS		**18,835,006**	22,090,129

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		**598,783**	1,227,072
Other payables and accruals		**454,906**	1,129,761
Amounts due to customers on contract		**-**	69,645
Amounts due to joint ventures		**32,237**	36,562
Hire purchase creditors		**88**	88
Borrowings – others	20	**3,352,727**	2,517,059
Borrowings – Armada Kraken Pte Ltd	20	**2,145,196**	-
Derivative financial instruments	21	**11,839**	42,250
Taxation		**52,309**	46,661
		6,648,085	5,069,098
NET CURRENT LIABILITIES		**(3,271,662)**	(446,942)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		**68,285**	97,014
Provisions		**106,921**	98,149
Hire purchase creditors		**198**	287
Borrowings	20	**6,024,982**	10,529,054
Derivative financial instruments	21	**449,850**	705,741
Deferred tax liabilities		**15,654**	709
		6,665,890	11,430,954
NET ASSETS		**5,521,031**	5,590,077
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**4,311,294**	1,173,253
Reserves		**1,186,035**	4,413,708
		5,497,329	5,586,961
NON-CONTROLLING INTERESTS		**23,702**	3,116
TOTAL EQUITY		**5,521,031**	5,590,077
NET ASSETS PER SHARE (RM)		**0.94***	0.95

* Based on 5,866,269,344 ordinary shares in issue per the Companies Act, 2016 as at 31 December 2017.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company										
	Number of shares '000	Share capital RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Other reserves RM'000	Share option reserve RM'000	Hedging reserve RM'000	Accumulated losses / Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
2017											
At 1 January 2017	5,866,269	1,173,253	3,137,730	1,593,424	13,947	19,928	(101,474)	(249,847)	5,586,961	3,116	5,590,077
Transfer to share capital [1]	-	3,138,041	(3,137,730)	-	(311)	-	-	-	-	-	-
Profit for the financial year	-	-	-	-	-	-	-	352,247	352,247	24,160	376,407
Other comprehensive (expense)/income for the financial year, net of tax	-	-	-	(513,183)	3,072	-	61,217	-	(448,894)	(3,574)	(452,468)
Total comprehensive (expense)/income for the financial year, net of tax	-	-	-	(513,183)	3,072	-	61,217	352,247	(96,647)	20,586	(76,061)
Transactions with owners:											
- Employee share options granted	-	-	-	-	-	266	-	-	266	-	266
- Employee share options forfeited	-	-	-	-	-	(7,591)	-	7,591	-	-	-
- Management incentive plan granted	-	-	-	-	-	6,749	-	-	6,749	-	6,749
At 31 December 2017	**5,866,269**	**4,311,294**	**-**	**1,080,241**	**16,708**	**19,352**	**(40,257)**	**109,991**	**5,497,329**	**23,702**	**5,521,031**

Note:

[1] Effective from 31 January 2017, the new Companies Act, 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium and preference share redemption reserve becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. The Board of Directors will make a decision thereon by 31 January 2019. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to Owners of the Company										
	Number of shares '000	**Share capital 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**	**Non-controlling interests RM'000**	**Total equity RM'000**
2016											
At 1 January 2016	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	-	-	-	-	-	-	-	(1,967,651)	(1,967,651)	(37,385)	(2,005,036)
Other comprehensive income for the financial year, net of tax	-	-	-	209,867	7,385	-	125,840	-	343,092	2,187	345,279
Total comprehensive income/(expense) for the financial year, net of tax	-	-	-	209,867	7,385	-	125,840	(1,967,651)	(1,624,559)	(35,198)	(1,659,757)
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 2016	5,866,269	1,173,253	3,137,730	1,593,424	13,947	19,928	(101,474)	(249,847)	5,586,961	3,116	5,590,077

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended 31.12.2017 RM'000	**Year Ended 31.12.2016 RM'000**
OPERATING ACTIVITIES		
Profit/(loss) for the financial year	**376,407**	(2,005,036)
Adjustments for non-cash items:		
Share of results of joint ventures	**(164,347)**	(77,693)
Depreciation of property, plant and equipment	**575,350**	570,758
Fair value through profit and loss on derivative financial instruments	**(14,046)**	(7,190)
Gain on disposal of property, plant and equipment and non-current assets held-for-sale	**(94,866)**	(3,916)
Fair value gain on remeasurement of a joint venture	**-**	(27,277)
Net allowance for doubtful debts	**1,741**	91,356
Unrealised foreign exchange loss/(gain)	**48,598**	(10,071)
Share-based payment	**7,015**	2,165
Impairment of property, plant and equipment and non-current assets held-for-sale	**-**	1,737,994
Impairment of available-for-sale financial assets	**8,328**	5,166
Interest income	**(39,575)**	(17,374)
Interest expense	**434,519**	99,159
Accretion of interest	**10,485**	1,200
Taxation	**115,823**	60,772
Operating profit before changes in working capital	**1,265,432**	420,013
Changes in working capital:		
Inventories	**1,662**	(305)
Trade and other receivables	**(140,216)**	193,147
Trade and other payables	**(74,253)**	97,675
Cash from operations	**1,052,625**	710,530
Interest paid	**(453,629)**	(378,761)
Tax paid (net)	**(34,140)**	(39,122)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**564,856**	292,647

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended 31.12.2017 RM'000	Year Ended 31.12.2016 RM'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,815,963)**	(3,639,092)
Proceeds from disposal of property, plant and equipment	**139,660**	7,649
Dividend received from a joint venture	**-**	21,380
Interest received	**40,822**	15,746
Investment in joint ventures	**(30)**	(16)
Repayment from joint ventures	**26,135**	8,074
Dividend received from investments	**-**	2,003
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,609,376)**	(3,584,256)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**307,894**	5,941,250
Repayment of bank borrowings	**(750,170)**	(1,155,666)
Proceeds from redemption of redeemable preference shares	**40,628**	-
Decrease in deposits pledged as security	**900**	-
Proceeds from hire purchase creditors	**-**	453
Repayment of hire purchase creditors	**(88)**	(66)
Dividend paid	**-**	(48,103)
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(400,836)**	4,737,868
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,445,356)**	1,446,259
CURRENCY TRANSLATION DIFFERENCES	**276,516**	43,877
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**3,014,954**	1,524,818
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**1,846,114**	3,014,954
Cash and cash equivalents consist of:		
Deposits with licensed banks	**1,670,465**	2,755,841
Cash and bank balances	**175,649**	260,013
Less: Designated deposits placed with licensed banks	**-**	(900)
	1,846,114	3,014,954

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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 2016 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 2016. The results of the joint ventures are based on unaudited management accounts.

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 2016, other than as stated in Note 27.

As at 31 December 2017, the Group's current liabilities exceeded its current assets by RM3,271.7 million primarily due to non-current borrowings of RM2,145.2 million being reclassified to current liabilities, as a result of Armada Kraken Pte Ltd ("AKPL") not being able to achieve final acceptance by the scheduled date. Thus, the project lenders have the right to issue a cancellation notice for full prepayment of the loan.

The Group is currently in discussion with the charterer to address the matters relating to the project delivery and achieving final acceptance. The Group is also in communication with the project lenders on the acceptance milestones being discussed with the charterer.

In assessing the appropriateness of going concern basis to prepare the financial statements of the Group, the Directors prepared a cash flow forecast for the next 12 months from the reporting date which lists out the funding plan of the Group's obligations, including cash generated from operations, and have considered several options including issuance of medium term notes through the Multi-Currency Euro Medium Term Note Programme and/or asset monetisation. Based on the cash flow forecast, the Directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements.

2. MANAGEMENT COMMENTARY

(A) Review of performance for the current financial year ("FY") results as compared with the previous FY

Financial Indicators	FY 31.12.2017 RM'000	FY 31.12.2016 RM'000	Change RM'000
Segment revenue			
FPO [(1)]	**1,432,886**	394,176	1,038,710
OMS [(1)]	**969,244**	923,213	46,031
Total revenue	**2,402,130**	1,317,389	1,084,741
EBITDA [(2)]	**1,506,866**	470,438	1,036,428
Profit/(loss) for the financial year	**376,407**	(2,005,036)	2,381,443
Finance costs	**(430,958)**	(100,784)	(330,174)
Depreciation	**(575,350)**	(570,758)	(4,592)
Impairment	**(8,328)**	(1,743,160)	1,734,832

The Group's revenue of RM2,402.1 million for the financial year ended 31 December 2017 ("FY 2017"), an increase of RM1,084.7 million compared to the financial year ended 31 December 2016 ("FY 2016"), was mainly attributed to increased revenue from the Armada Olombendo FPSO, Armada LNG Mediterrana Floating Storage Unit ("FSU"), one-off revenue recognised based on work completed on the LukOil project arising from the signing of the supplementary agreement and recognition of supplementary payments for the Armada Kraken FPSO project in FY 2016. The increase was offset by lower utilisation of the OSV[(3)] vessels in FY 2017.

The Group's EBITDA of RM1,506.9 million for FY 2017, an increase of RM1,036.4 million compared to FY 2016 was mainly due to higher contribution from the FPO segment due to Armada Olombendo FPSO, Armada LNG Mediterrana FSU, gain on disposal of vessels and recognition of supplementary payments for the Armada Kraken FPSO project in FY 2016. The increase in EBITDA was partly offset by higher foreign exchange losses compared to FY 2016.

With reference to Note 10 Segmental Information, results from the FPO segment increased to RM748.6 million for FY 2017 as compared RM97.8 million for FY 2016 mainly due to higher contribution from Armada Olombendo FPSO, Armada LNG Mediterrana FSU and recognition of supplementary payments for the Armada Kraken FPSO in FY 2016. In respect of the OMS segment, results improved to a profit of RM403.2 million for FY 2017 as compared RM170.7 million for FY 2016 mainly due to higher contribution from the LukOil project.

The Group's profit of RM376.4 million for FY 2017 and profit attributable to the Owners of the Company of RM352.2 million, is an increase of RM2,381.4 million and RM2,319.9 million respectively compared to FY 2016, as the FY 2016 earnings were negatively impacted by a non-cash impairment charge of RM1,738.0 million for FPSO and OMS multipurpose construction vessels. Excluding these non-cash impairment charges, the Group's profit and profit attributable to Owners of the Company is an increase of RM646.6 million and RM585.1 million respectively compared to FY 2016.

Notes:

(1) FPO - Floating Production and Operation (previously known as FPSO & FGS - Floating Production Storage Offloading system and Floating Gas Solution), and OMS - Offshore Marine Services. These acronyms are also used hereinafter.

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

(3) OSV – Offshore Support Vessels

2. MANAGEMENT COMMENTARY (CONTINUED)

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

Financial Indicators	4th Quarter 2017 RM'000	3rd Quarter 2017 RM'000	Change RM'000
Segment revenue			
FPO	**452,846**	**402,698**	50,148
OMS	**209,301**	**238,693**	(29,392)
Total revenue	**662,147**	**641,391**	20,756
EBITDA	**363,436**	**466,882**	(103,446)
Profit for the financial period	**77,900**	**124,375**	(46,475)
Finance costs	**(125,772)**	**(133,147)**	7,375
Depreciation	**(156,697)**	**(179,501)**	22,804
Impairment	**(664)**	**(1,908)**	1,244

The Group's revenue of RM662.1 million for the quarter ended 31 December 2017 ("Q4 2017"), an increase of RM20.8 million compared to the quarter ended 30 September 2017 ("Q3 2017"), was attributed mainly to the following factors:

(a) Increase in FPO revenue mainly from the Armada Olombendo FPSO and Armada Kraken FPSO.
(b) Decrease in OMS revenue mainly due to lower level of activities from the LukOil project in the Caspian Sea in Q4 2017 as compared to Q3 2017, and lower OSV vessel utilisation in Q4 2017.

OSV vessel average utilisation rates for the quarter ended	4th Quarter 2017 %	3rd Quarter 2017 %	Change in %
Group's vessels	**46**	**53**	(7)
- Class A [4]	45	44	1
- Class B [5]	49	72	(23)
Group's vessels including those held by joint ventures	**48**	**54**	(6)

The Group's EBITDA of RM363.4 million in Q4 2017, a decrease of RM103.4 million compared to Q3 2017, was driven by decreased contribution from the LukOil project and reduced contribution from the FPO segment due to foreign exchange loss, partially offset by higher contribution from the Armada Olombendo FPSO and Armada Kraken FPSO. In addition, lower share of results of joint ventures from Armada Sterling I FPSO and Armada Sterling II FPSO, and gain on disposal of certain FPSO vessels in Q3 2017 have also contributed to the decrease in EBITDA.

Results from the FPO segment decreased to RM202.4 million for Q4 2017 as compared to RM221.2 million for Q3 2017 mainly due to foreign exchange loss. Results from the OMS segment increased marginally to RM85.8 million for Q4 2017 as compared to RM81.0 million for Q3 2017 mainly due to lower operating cost incurred on OSV vessels.

The Group posted a profit of RM77.9 million in Q4 2017 and a profit attributable to Owners of the Company of RM63.8 million, a decrease of RM46.5 million and RM59.9 million respectively, compared to Q3 2017. The decrease was mainly due to lower other income and lower share of results of joint ventures.

Notes:

[4] 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.

[5] 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

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

Oil prices are forecast to be more stable over 2018, helping to provide more visibility for the oil and gas industry going forward, and we do expect to see an increase in exploration and production activities over the course of the year.

For the FPO business, we expect to see new projects, which were postponed in 2017, to be awarded in 2018. We believe we are well positioned in the projects we are pursuing, and will submit bids that appropriately balance risk with reward. The Group will also look to actively pursue other upside opportunities in the FPO business, including contract extension and potential re-deployment of available assets.

In our OMS business, we expect activity in the OSV business to remain muted. The OSV market remains oversupplied, and with relatively subdued new demand in 2018, rates are not expected to rise significantly. The subsea construction (“SC”) business will be busy over 2018 completing its secured work load in the Caspian Sea.

Over the course of 2018, we expect to see a more stable performance from the Group on the back of the internal reorganisation and cost rationalisation, as well as the final acceptance of the new large projects, carried out over the last 12 months.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

The audited financial statements for the preceding financial year ended 31 December 2016 were unqualified.

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 2017.

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 flows of the Group during the financial year ended 31 December 2017.

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.

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. DIVIDENDS PAID

There were no dividends paid during the financial year ended 31 December 2017.

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 2017 and 31 December 2016 are as follows:

Individual Quarter Ended 31.12.2017	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	**452,846**	**209,301**	-	-	**662,147**
Inter-segment revenue	-	-	**41,796**	**(41,796)**	-
Results					
Segment results	**202,367**	**85,802**	**23,468**	-	**311,637**
Depreciation and amortisation	**(97,838)**	**(57,172)**	**(1,687)**	-	**(156,697)**
Impairment	-	-	**(664)**	-	**(664)**
Net allowance for doubtful debts	-	**(3,586)**	**-**	-	**(3,586)**
Share of results of joint ventures	**24,037**	**565**	-	-	**24,602**
Other operating income					**30,783**
Finance costs					**(125,772)**
Taxation					**(2,403)**
Profit for the financial period					**77,900**

Individual Quarter Ended 31.12.2016	**FPO RM'000 Restated**	**OMS RM'000 Restated**	**Corporate and others RM'000 Restated**	**Elimination RM'000 Restated**	**Group RM'000 Restated**
Revenue	(94,031)	200,277	-	-	106,246
Inter-segment revenue	-	-	42,223	(42,223)	-
Results					
Segment results	(153,353)	22,991	(6,801)	4,919	(132,244)
Depreciation and amortisation	(71,557)	(67,417)	(1,830)	-	(140,804)
Impairment	(434,736)	(710,857)	-	-	(1,145,593)
Net allowance for doubtful debts	(5,953)	(9,514)	-	-	(15,467)
Share of results of joint ventures	(34,531)	342	-	-	(34,189)
Other operating income					111,161
Finance costs					(34,393)
Taxation					(14,939)
Loss for the financial period					(1,406,468)

10. SEGMENTAL INFORMATION (CONTINUED)

Cumulative Quarters Year Ended 31.12.2017	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	**1,432,886**	**969,244**	-	-	**2,402,130**
Inter-segment revenue	-	-	**145,021**	**(145,021)**	-
Results					
Segment results	**748,619**	**403,193**	**14,545**	-	**1,166,357**
Depreciation and amortisation	**(319,940)**	**(249,435)**	**(5,975)**	-	**(575,350)**
Impairment	-	-	**(8,328)**	-	**(8,328)**
Net allowance for doubtful debts written back/(allowance for doubtful debts)	**2,687**	**(4,428)**	**-**	-	**(1,741)**
Share of results of joint ventures	**163,048**	**1,299**	-	-	**164,347**
Other operating income					**177,903**
Finance costs					**(430,958)**
Taxation					**(115,823)**
Profit for the financial year					**376,407**

Cumulative Quarters Year Ended 31.12.2016	**FPO RM'000 Restated**	**OMS RM'000 Restated**	**Corporate and others RM'000 Restated**	**Elimination RM'000 Restated**	**Group RM'000 Restated**
Revenue	394,176	923,213	**-**	**-**	1,317,389
Inter-segment revenue	**-**	**-**	160,865	(160,865)	**-**
Results					
Segment results	97,842	170,697	22,436	4,919	295,894
Depreciation and amortisation	(315,212)	(255,546)	-	-	(570,758)
Impairment	(1,004,821)	(733,173)	(5,166)	**-**	(1,743,160)
Net allowance for doubtful debts	(82,620)	(8,736)	-	**-**	(91,356)
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					(2,005,036)

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 2017, 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 are 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 comprised bank guarantees extended to third parties amounted to RM387.7 million as at 31 December 2017 as compared to RM708.8 million as at 31 December 2016. 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 2017 are as follows:

	RM'000
- authorised and contracted	162,142
- authorised but not contracted	278,385
	440,527

16. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions undertaken during the financial year ended 31 December 2017 are described below:

		Cumulative Quarters Year Ended 31.12.2017 RM'000
(a)	Transactions with UTSB Management Sdn Bhd [1]:	
	- management fees	6,241
(b)	Telecommunication expenses to Maxis Berhad [2]	1,220
(c)	Rental to Malaysian Landed Property Sdn Bhd [3]	7,890
(d)	Management services charged to joint ventures	
	- revenue	3,207
	- other operating income	16,641
(e)	Key management personnel compensation:	
	- Non-Executive Directors fees	2,124
	- salaries, bonus and allowances and other staff related costs	17,079
	- defined contribution plan	822
	- share-based payment	4,249
(f)	Payment on behalf:	
	- joint ventures	11,076

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	
	31.12.2017 RM'000	**31.12.2016 RM'000**	**31.12.2017 RM'000**	**31.12.2016 RM'000**
Income tax:				
- Current year	**(12,139)**	35,907	**95,622**	93,364
- Prior year	**(983)**	(34,876)	**5,594**	(34,876)
Deferred tax	**15,525**	13,908	**14,607**	2,284
Total	**2,403**	14,939	**115,823**	60,772

The Group's effective tax rates for the individual and cumulative quarters year ended 31 December 2017 were 3.0% and 23.5% 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 2017 are as set out below:

	Denominated in USD RM'000	Denominated in RM RM'000	Total RM'000
SHORT-TERM DEBTS			
Secured:			
Term loans – others [1]	**832,209**	**21,306**	**853,515**
Term loans – Armada Kraken Pte Ltd [2]	**2,145,196**	**-**	**2,145,196**
Unsecured:			
Sukuk Murabahah	**-**	**30,654**	**30,654**
Revolving credit	**1,020,389**	**-**	**1,020,389**
Term loans	**1,355,642**	**92,527**	**1,448,169**
Total short-term debts	**5,353,436**	**144,487**	**5,497,923**
LONG TERM DEBTS			
Secured:			
Term loans	**3,485,818**	**-**	**3,485,818**
Unsecured:			
Sukuk Murabahah	**-**	**1,499,213**	**1,499,213**
Revolving credit	**364,185**	**-**	**364,185**
Term loans	**675,766**	**-**	**675,766**
Total long-term debts	**4,525,769**	**1,499,213**	**6,024,982**
Total borrowings	**9,879,205**	**1,643,700**	**11,522,905**

(1) For one of the term loans included in current liabilities with carrying amount of RM671.6 million, the Group has not met the financial covenant of net debt over earnings before interest, taxation, depreciation and amortisation ("EBITDA"). Subsequent to the financial year end, the Group was informed that approvals to grant the waiver on the covenant breach have been received from the lenders.

(2) As elaborated in Note 1 – Basis of Preparation, the amount due after one year from the reporting date of RM2,145.2 million is reclassified as current liabilities as the project lenders of Armada Kraken Pte Ltd have the right to issue a cancellation notice for a full prepayment of the loan.

21. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 December 2017 are as set out below:

Types of Derivatives	**Contract/ Notional amount RM'000**	**Fair value assets/ (liabilities) RM'000**
Derivatives used for hedging:		
Interest rate swaps		
- Less than 1 year	**600,805**	**39,729**
- 1 to 3 years	**1,032,694**	**23,870**
- More than 3 years	**2,740,368**	**39,335**
	4,373,867	**102,934**
Cross currency interest rate swaps		
- Less than 1 year	**21,304**	**(10,146)**
- 1 to 3 years	**-**	**(17,001)**
- More than 3 years	**1,500,000**	**(431,287)**
	1,521,304	**(458,434)**

There have been no changes since the end of the previous financial year ended 31 December 2016 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;
(c) the policies in place for mitigating or controlling the risks associated with the derivatives; and
(d) the related accounting policies.

As at 31 December 2017, the net derivative financial liabilities of the Group amounted to RM355.5 million (2016: RM631.9 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM276.4 million from the previous financial year ended 31 December 2016, a net amount of RM261.5 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests and RM14.9 million was recycled to the profit or loss which was included in finance costs.

RM197.8 million was reclassified to the statements of profit or loss to offset the foreign exchange loss which arose from the strengthening of RM against USD, and RM2.5 million was recycled to profit or loss. This has resulted in a decrease in the debit balance of the cash flow hedging reserve as at 31 December 2017 by RM61.2 million.

The Group's cash flow hedging reserve as at 31 December 2017 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 profit or loss within finance costs 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 2017 except as set out below, measured using Level 3 valuation technique, i.e. discounted cash flow basis:

	Carrying amount RM'000	Fair value RM'000
Finance lease receivables	**5,334,189**	**5,324,652**
Amounts due from joint ventures	**248,795**	**240,673**
Sukuk Murabahah	**1,529,867**	**1,505,313**

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 31 December 2017, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Financial assets:			
Available-for-sale financial assets	**16,498**	**-**	**16,498**
Derivatives used for hedging			
- Interest rate swaps	**-**	**103,974**	**103,974**
- Cross currency interest rate swaps	**-**	**2,215**	**2,215**
Financial liabilities:			
Derivatives used for hedging			
- Interest rate swaps	**-**	**(1,040)**	**(1,040)**
- Cross currency interest rate swaps	**-**	**(460,649)**	**(460,649)**

The fair value of finance ial 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 period and the comparative period. There were also no changes in the purpose of any financial instruments that subsequently caused a change in classification of those instruments.

23. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 31.12.2017 RM'000	Individual Quarter Ended 31.12.2016 RM'000	Cumulative Quarters Year Ended 31.12.2017 RM'000	Cumulative Quarters Year Ended 31.12.2016 RM'000
Profit before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	**(9,517)**	(5,458)	**(39,575)**	(17,374)
- Insurance claims	**(227)**	(6,388)	**(2,946)**	(6,650)
- (Gain)/loss on disposal of property, plant and equipment	**(16,841)**	399	**(94,866)**	(3,916)
- Management services charged to joint ventures	**-**	(68,088)	**(16,641)**	(120,772)
- Fair value gain on remeasurement of a joint venture	**-**	(27,277)	**-**	(27,277)
- Others	**(4,198)**	(4,349)	**(23,875)**	(12,218)
(b) Interest expense	**137,026**	33,775	**434,519**	99,159
(c) Accretion of interest	**2,760**	1,200	**10,485**	1,200
(d) Depreciation and amortisation	**156,697**	140,804	**575,350**	570,758
(e) Net allowance for doubtful debts	**3,586**	15,467	**1,741**	91,356
(f) Impairment of property, plant and equipment and non-current asset held-for-sale	**-**	1,145,593	**-**	1,737,994
(g) Impairment of available-for-sales financial assets	**664**	-	**8,328**	5,166
(h) Net foreign exchange (gain)/loss				
- realised	**1,316**	(11,989)	**(1,214)**	11,547
- unrealised	**(2,261)**	(4,067)	**48,598**	(10,071)
(i) Fair value through profit and loss on derivative financial instruments	**(4,099)**	1,079	**(14,046)**	(7,190)
(j) Retrenchment expenses	**2,676**	801	**5,055**	6,232

Other than as presented in the consolidated 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 or properties and other exceptional items for the current quarter ended 31 December 2017.

24. MATERIAL LITIGATION

Save for the following, as at 31 December 2017, 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:

(a) In the Supreme Court of Western Australia between Armada Balnaves Pte Ltd and Woodside Energy Julimar Pty Ltd

The matter arose out of a dispute between Armada Balnaves Pte Ltd ("ABPL"), our wholly-owned subsidiary, and Woodside Energy Julimar Pty Ltd ("WEJ") in relation to a contract for the provision of floating production storage and offloading services dated 30 September 2011 ("Contract"). On 4 March 2016, WEJ purported to terminate the Contract by issuing a notice of termination to ABPL. ABPL considered that this purported 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 ("Supreme Court") 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 its Statement of Claim in the Supreme Court against WEJ claiming for damages in general for WEJ's repudiation of the Contract, 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. ABPL is also claiming for the additional sum of USD7,700,000.00 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. The matter is currently progressing towards trial. The Supreme Court has listed the matter for trial to commence on 15 October 2018.

The management is of the view that there are reasonable grounds to expect a favourable outcome in respect of ABPL's claims with regards to the said repudiation by WEJ of the Contract. Notwithstanding the foregoing, the award of damages in the event of a favourable outcome is subject to final determination by the Supreme Court.

(b) In the High Court of Bayelsa State, Nigeria between Century Energy Services Limited v Bumi Armada Berhad

On 16 November 2016, Century Energy Services Limited ("CESL") commenced a suit against our Company at the High Court of Bayelsa State ("High Court") in Nigeria by way of a Writ of Summons and Statement of Claim ("Suit") which was received by our Company on 16 December 2016. In the Suit, CESL alleged that our Company was in breach of one of the terms of a shareholders' agreement dated 14 April 2010 between our Company and CESL ("Agreement") and CESL has sought several declaratory reliefs, orders and damages in the sum of USD10,000,000.

In accordance with the terms of the Agreement which provided for the resolution of disputes by way of arbitration, on 19 January 2017, our Company issued a Notice of Arbitration to CESL stating our intention to arbitrate all claims and disputes between parties pursuant to the terms of the Agreement. On 25 January 2017, our Company filed an application in the High Court to stay the Suit. On 6 February 2017, the Court granted our Company's application and stayed the Suit sine die pending the arbitration.

The management is of the view that until the parties' respective claims have been filed in the arbitration, it is not possible at this stage to evaluate the probable outcome of the case.

24. MATERIAL LITIGATION (CONTINUED)

(c) In the Singapore International Commercial Court of the Republic of Singapore between Tozzi Srl (formerly known as Tozzi Industries S.p.A) v Bumi Armada Offshore Holdings Limited and Bumi Armada Berhad

Tozzi Srl (formerly known as Tozzi Industries S.p.A) ("Tozzi") had instituted proceedings against Bumi Armada Offshore Holdings Limited ("BAOHL") and Bumi Armada Berhad (the "Company") claiming that BAOHL and the Company are in breach of contract in failing to grant Tozzi an alleged right of first refusal to provide gas processing facilities relating to the construction and lease of a floating production storage and offloading vessel in Madura, Indonesia, with damages to be assessed by the court.

On 21 September 2017, the Singapore International Commercial Court ("SICC") in its judgment found in favour of Tozzi. As the trial proceedings were agreed to be bifurcated, the trial proceeded on the basis that only liability will be determined at this stage. The issue of the assessment of losses or damages, if ordered will be conducted in a separate hearing where Tozzi has the burden of proving its claims.

The Company disagrees that there is a binding contract with Tozzi and have filed an appeal on 20 Oct 2017 with the Singapore Court of Appeal against the decision of the SICC.

The Company is of the view that that regardless of the outcome of final judgement the matter will not have any material impact on the financial statements of the Company.

25. DIVIDENDS

No dividend was declared or recommended for the financial year ended 31 December 2017.

26. EARNINGS PER SHARE

The basic earnings per share ("EPS") is calculated by dividing the Group's profit/(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 profit/(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.

MIP shares granted during the financial year were not dilutive for the financial year ended 31 December 2017 as there is one vesting condition to be satisfied before Q2, 2018. Hence, the calculation of diluted earnings per share does not assume the exercise of MIP. The ESOS is not dilutive as the exercise price is higher than the current market price.

	Individual Quarter Ended		**Cumulative Quarters Year Ended**	
	31.12.2017	**31.12.2016**	**31.12.2017**	**31.12.2016**
Profit/(loss) attributable to Owners of the Company (RM'000)	**63,816**	(1,376,045)	**352,247**	(1,967,651)
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)	**1.09**	(23.46)	**6.00**	(33.54)
Diluted EPS (sen)	**1.09**	(23.46)	**6.00**	(33.54)

27. SIGNIFICANT ACCOUNTING POLICIES

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 2016, other than those disclosed below:

(a) Compliance with the requirements of the Companies Act, 2016 in Malaysia.

(b) Amendments and annual improvements 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
- Amendments to MFRS 112 “Income Taxes” – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRS 12 “Disclosures of Interests in Other Entities”

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

(c) New MFRS, amendments and annual improvements 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 amendments and annual improvements to MFRS did not have any significant impact on the financial statements of the Group, except as set out below:

<u>MFRS 9 “Financial Instruments”</u>

MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 introduces changes to the classification and measurement of financial liabilities and financial assets, an expected credit loss (“ECL”) model on impairment that replaces the incurred loss impairment model used in MFRS 139, and a substantially-reformed approach to hedge accounting.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

- Changes in classification in financial assets as “amortised cost”, “fair value through profit or loss”, or “fair value through other comprehensive income”, depending on its business model for managing those financial assets and assets’ contractual cash flow characteristics. The previous classification at “fair value through profit or loss”, “loans and receivables”, and “available-for-sale financial assets” will be discontinued from 1 January 2018.

  There is no financial impact arising from the changes of these classifications to the financial statements.

- There will be no impact on the Group’s accounting for financial liabilities.

27. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New MFRS, amendments and annual improvements to MFRS which are applicable to the Group effective on or after 1 January 2018: (continued)

The adoption of the above amendments and annual improvements to MFRS did not have any significant impact on the financial statements of the Group, except as set out below: (continued)

MFRS 9 "Financial Instruments" (continued)

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018: (continued)

- The ECL model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under MFRS 139. The Group has assessed the impact on application of the ECL model on trade and other receivables, finance lease receivables and intercompany balances, and based on the assessments undertaken to date, the impact to the profit or loss is not expected to be significant to the Group.

- The Group has reviewed that its current hedge relationships and will qualify as continuing hedges upon the adoption of MFRS 9.

MFRS 15 "Revenue from contracts with customers"

MFRS 15 "Revenue from contracts with customers" (effective from 1 January 2018) will replace MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services through a single, principles based five-step model to be applied to all contracts with customers.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Accounting for vessel conversion and support services

  MFRS 15 requires the identification of performance obligations within a contract and to allocate the transaction price to the performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. In assessing the impact of MFRS 15, the Group has allocated the transaction price to each performance obligation (or distinct good or service) by considering all information that is reasonably available to the Group. The point at which revenue is recognised for each performance obligation may vary depending on when control of each good or service is transferred to the customer.

  This may give rise to contract liabilities balances due to the identification of separate performance obligation which has different timing of satisfaction.

- Accounting for certain costs incurred in obtaining a contract

  MFRS 111 allows the capitalisation of costs incurred in securing a contract if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

  Under MFRS 15, costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. There will be some impact to the profit of loss upon implementation of MFRS 15, depending on the level of bidding activities undertaken by the Group.

27. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New MFRS, amendments and annual improvements to MFRS which are applicable to the Group effective on or after 1 January 2018: (continued)

The adoption of the above amendments and annual improvements to MFRS did not have any significant impact on the financial statements of the Group, except as set out below: (continued)

MFRS 15 "Revenue from contracts with customers" (continued)

- Presentation of contract assets and contract liabilities in the statement of financial position

  MFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position. This will result in some reclassification as of 1 January 2018 which are currently included in the amount due to customers on contract and other line items within the statement of financial position.

The application of MFRS 15 may further result in the identification of separate performance obligations in relation to vessel conversion and support services contracts which could affect the timing of the recognition of revenue going forward.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

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

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 128 "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation
- Annual improvements to MFRS Standards 2015–2017 Cycle:
  - Amendments to MFRS 3 "Business Combinations" - Previously Held Interest in a Joint Operation
  - Amendments to MFRS 11 "Joint Arrangements" - Previously Held Interest in a Joint Operation
  - Amendments to MFRS 112 "Income Taxes" - Income Tax Consequences of Payments on Financial Instruments Classified as Equity
  - Amendments to MFRS 123 "Borrowing Costs" - Borrowing Costs Eligible for Capitalisation

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

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 31.12.2016 RM'000	Effect of reclassification RM'000	As restated 31.12.2016 RM'000
Consolidated Statements of Income			
Individual Quarter Ended 31.12.2016			
Cost of sales	(364,757)	5,988	(358,769)
Other operating income	163,844	(52,683)	111,161
Selling and distribution costs	(17,587)	3,205	(14,382)
Administrative expenses	(65,100)	43,490	(21,610)
Cumulative Quarters Year Ended 31.12.2016			
Cost of sales	(1,517,549)	(19,905)	(1,537,454)
Selling and distribution costs	(35,110)	5,298	(29,812)
Administrative expenses	(130,950)	14,607	(116,343)
Segmental Information			
Individual Quarter Ended 31.12.2016			
Segment revenue			
Inter-segment revenue	72,010	(29,787)	42,223
Segment results			
FPO (previously known as FPSO & FGS)	(257,145)	103,792	(153,353)
OMS	(83,157)	106,148	22,991
Corporate and others	36,845	(43,646)	(6,801)
Elimination	(37,741)	42,660	4,919
Depreciation and amortisation	-	(140,804)	(140,804)
Net allowance for doubtful debts	-	(15,467)	(15,467)
Other operating income	163,844	(52,683)	111,161
Cumulative Quarters Year Ended 31.12.2016			
Segment revenue			
Inter-segment revenue	270,591	(109,726)	160,865
Segment results			
FPO (previously known as FPSO & FGS)	(278,371)	376,213	97,842
OMS	(87,849)	258,546	170,697
Corporate and others	73,716	(51,280)	22,436
Elimination	(73,716)	78,635	4,919
Depreciation and amortisation	-	(570,758)	(570,758)
Net allowance for doubtful debts	-	(91,356)	(91,356)

28. COMPARATIVE FIGURES (CONTINUED)

Management fees charged to joint ventures and reversal of certain expenses, previously classified as administrative expenses has been reclassified to other income and to cost of sales and selling and distribution costs respectively to better reflect the nature of the transactions.

Comparatives on segmental information is updated to reflect the changes affected in Q1 2017 on internal reporting provided to the Chief Executive Officer.

BY ORDER OF THE BOARD

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

Kuala Lumpur
26 February 2018