BUMIARMADA

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2018

BUMI ARMADA BERHAD (Company No. 370398-X)
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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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 first quarter ended 31 March 2018 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Note	**Individual Quarter Ended**			**Cumulative Quarter Period Ended**		
		31.03.2018 RM'000	**31.03.2017 RM'000**	**+/(-) %**	**31.03.2018 RM'000**	**31.03.2017 RM'000**	**+/(-) %**
Revenue		**600,342**	404,173	49	**600,342**	404,173	49
Cost of sales		**(400,053)**	(278,260)		**(400,053)**	(278,260)	
Gross profit		**200,289**	125,913		**200,289**	125,913	
Other operating income		**28,227**	28,917		**28,227**	28,917	
Selling and distribution costs		**(13,422)**	(10,709)		**(13,422)**	(10,709)	
Administrative expenses		**(45,681)**	(56,023)		**(45,681)**	(56,023)	
Operating profit		**169,413**	88,098	92	**169,413**	88,098	92
Finance costs		**(122,763)**	(63,542)		**(122,763)**	(63,542)	
Share of results of joint ventures		**18,890**	49,061		**18,890**	49,061	
Profit before taxation		**65,540**	73,617	(11)	**65,540**	73,617	(11)
Taxation	18	**(16,826)**	(17,199)		**(16,826)**	(17,199)	
Profit for the financial period		**48,714**	56,418	(14)	**48,714**	56,418	(14)
Attributable to:							
- Owners of the Company		**48,417**	48,108	1	**48,417**	48,108	1
- Non-controlling interests		**297**	8,310		**297**	8,310	
		48,714	56,418		**48,714**	56,418	
Earnings per share (sen)	27						
- Basic		**0.83**	0.82		**0.83**	0.82	
- Diluted		**0.83**	0.82		**0.83**	0.82	

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarter Period Ended	
		31.03.2018 RM'000	**31.03.2017 RM'000**	**31.03.2018 RM'000**	**31.03.2017 RM'000**
Profit for the financial period		**48,714**	56,418	**48,714**	56,418
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss					
- Financial assets at fair value through other comprehensive income:					
- Gain on fair value change		**611**	3,247	**611**	3,247
- Fair value gain on cash flow hedges		**128,869**	21,811	**128,869**	21,811
- Foreign currency translation differences		**(215,657)**	(24,437)	**(215,657)**	(24,437)
- Share of other comprehensive (expense)/income of joint ventures		**(979)**	762	**(979)**	762
Other comprehensive (expense)/income for the financial period, net of tax		**(87,156)**	1,383	**(87,156)**	1,383
Total comprehensive (expense)/income for the financial period		**(38,442)**	57,801	**(38,442)**	57,801
Total comprehensive (expense)/income attributable to:					
- Owners of the Company		**(37,471)**	49,396	**(37,471)**	49,396
- Non-controlling interests		**(971)**	8,405	**(971)**	8,405
		(38,442)	57,801	**(38,442)**	57,801

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**As at 31.03.2018 RM'000**	**As at 31.12.2017 RM'000**
NON-CURRENT ASSETS			
Property, plant and equipment	11	**8,790,140**	9,235,066
Investments in joint ventures		**893,263**	668,967
Financial assets at fair value through other comprehensive income		**16,836**	16,498
Finance lease receivables		**5,064,623**	5,280,228
Other receivables		**99,965**	153,600
Amounts due from joint ventures		**28,149**	32,162
Derivative financial instruments	22	**93,037**	64,767
Deferred tax assets		**7,372**	7,295
		14,993,385	15,458,583
CURRENT ASSETS			
Inventories		**5,973**	4,199
Finance lease receivables		**77,596**	53,961
Trade receivables	20	**699,603**	727,153
Accrued lease rentals		**325,608**	372,945
Other receivables, deposits and prepayments		**71,283**	68,249
Contract assets	28	**59,383**	-
Amounts due from customers on contract		**-**	8,745
Amounts due from joint ventures		**40,749**	251,865
Derivative financial instruments	22	**68,358**	41,422
Tax recoverable		**8,989**	-
Deposits, cash and bank balances		**1,491,193**	1,846,114
		2,848,735	3,374,653
Non-current assets classified as held-for-sale		**1,690**	1,770
TOTAL ASSETS		**17,843,810**	18,835,006

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		**543,850**	598,783
Other payables and accruals		**400,268**	454,906
Contract liabilities	28	**14,607**	-
Amounts due to joint ventures		**71,104**	32,237
Provisions		**74,239**	-
Hire purchase creditors		**88**	88
Borrowings – others	21	**3,510,364**	3,352,727
Borrowings – Armada Kraken Pte Ltd	21	**1,955,083**	2,145,196
Derivative financial instruments	22	**9,044**	11,839
Taxation		**67,157**	52,309
		6,645,804	6,648,085
NET CURRENT LIABILITIES		**(3,795,379)**	(3,271,662)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		**65,197**	68,285
Provisions		**1,614**	106,921
Hire purchase creditors		**176**	198
Borrowings	21	**5,402,936**	6,024,982
Derivative financial instruments	22	**290,313**	449,850
Deferred tax liabilities		**17,671**	15,654
		5,777,907	6,665,890
NET ASSETS		**5,420,099**	5,521,031
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**4,311,294**	4,311,294
Reserves		**1,086,074**	1,186,035
		5,397,368	5,497,329
NON-CONTROLLING INTERESTS		**22,731**	23,702
TOTAL EQUITY		**5,420,099**	5,521,031
NET ASSETS PER SHARE (RM)		**0.92***	0.94

* Based on 5,866,269,344 ordinary shares in issue per new Companies Act 2016 as at 31 March 2018.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company									
	Number of shares '000	Share capital RM'000	Foreign exchange reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
2018										
At 1 January 2018	**5,866,269**	**4,311,294**	**1,080,241**	**19,352**	**(40,257)**	**16,708**	**109,991**	**5,497,329**	**23,702**	**5,521,031**
Effect on the adoption of MFRS 9	**-**	**-**	**-**	**-**	**-**	**-**	**(15,473)**	**(15,473)**	**-**	**(15,473)**
Effect on the adoption of MFRS 15	**-**	**-**	**-**	**-**	**-**	**-**	**(48,402)**	**(48,402)**	**-**	**(48,402)**
At 1 January 2018 (Restated)	**5,866,269**	**4,311,294**	**1,080,241**	**19,352**	**(40,257)**	**16,708**	**46,116**	**5,433,454**	**23,702**	**5,457,156**
Profit for the financial period	**-**	**-**	**-**	**-**	**-**	**-**	**48,417**	**48,417**	**297**	**48,714**
Other comprehensive (expense)/income for the financial period, net of tax	**-**	**-**	**(214,389)**	**-**	**127,890**	**611**	**-**	**(85,888)**	**(1,268)**	**(87,156)**
Total comprehensive (expense)/income for the financial period, net of tax	**-**	**-**	**(214,389)**	**-**	**127,890**	**611**	**48,417**	**(37,471)**	**(971)**	**(38,442)**
Transactions with owners:										
- Management incentive plan granted	**-**	**-**	**-**	**1,385**	**-**	**-**	**-**	**1,385**	**-**	**1,385**
- Employee share options forfeited	**-**	**-**	**-**	**(5,509)**	**-**	**-**	**5,509**	**-**	**-**	**-**
At 31 March 2018	**5,866,269**	**4,311,294**	**865,852**	**15,228**	**87,633**	**17,319**	**100,042**	**5,397,368**	**22,731**	**5,420,099**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to Owners of the Company										
	Number of shares '000	**Nominal value RM'000**	**Share premium RM'000**	**Foreign exchange reserve RM'000**	**Share option reserve RM'000**	**Hedging reserve RM'000**	**Other reserves RM'000**	**Accumu-lated losses 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	19,928	(101,474)	13,947	(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 period	-	-	-	-	-	-	-	48,108	48,108	8,310	56,418
Other comprehensive (expense)/income for the financial period, net of tax	-	-	-	(24,532)	-	22,573	3,247	-	1,288	95	1,383
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	(24,532)	-	22,573	3,247	48,108	49,396	8,405	57,801
Transactions with owners:											
- Employee share options granted	-	-	-	-	266	-	-	-	266	-	266
- Employee share options forfeited	-	-	-	-	(1,058)	-	-	1,058	-	-	-
At 31 March 2017	5,866,269	4,311,294	-	1,568,892	19,136	(78,901)	16,883	(200,681)	5,636,623	11,521	5,648,144

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) and Section 618(4) 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 STATEMENTS OF CASH FLOWS

	Period Ended 31.03.2018 RM'000	Period Ended 31.03.2017 RM'000
OPERATING ACTIVITIES		
Profit for the financial period	**48,714**	56,418
Adjustments for non-cash items:		
Share of results of joint ventures	**(18,890)**	(49,061)
Gain on disposal of property, plant and equipment	**(14,721)**	1
Depreciation of property, plant and equipment	**132,316**	111,229
Fair value through profit and loss on derivative financial instruments	**(6,221)**	(1,251)
Net allowance for impairment losses/(writeback of impairment losses)	**47,782**	(8,725)
Unrealised foreign exchange (gain)/loss	**(747)**	39,817
Share-based payment	**1,385**	266
Interest income	**(9,570)**	(8,056)
Interest expense	**127,131**	61,476
Accretion of receivables	**1,853**	2,451
Taxation	**16,826**	17,199
Operating profit before changes in working capital	**325,858**	221,764
Changes in working capital:		
Inventories	**(1,897)**	223
Trade and other receivables	**88,814**	157,003
Trade and other payables	**(54,091)**	(34,478)
Cash from operations	**358,684**	344,512
Interest paid	**(142,595)**	(142,159)
Tax paid	**(1,611)**	(18,555)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**214,478**	183,798
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(107,158)**	(718,111)
Proceeds from disposal of property, plant and equipment	**16,432**	43,812
Interest received	**10,619**	8,638
Increase in paid-up share capital in a joint venture	**(224,083)**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(304,190)**	(665,661)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(188,232)**	(70,191)
Decrease in deposits pledged as security	**-**	900
Repayment of hire purchase creditors	**(22)**	(22)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(188,254)**	(69,313)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(277,966)**	(551,176)
CURRENCY TRANSLATION DIFFERENCES	**(76,955)**	(38,100)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	**1,846,114**	3,014,954
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**1,491,193**	2,425,678
Cash and cash equivalents consist of:		
Deposits with licensed banks	**1,192,007**	1,930,327
Cash and bank balances	**299,186**	495,351
	1,491,193	2,425,678

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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 2017 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 2017. The results of the joint ventures are based on unaudited management accounts.

As at 31 March 2018, the Group's current liabilities exceeded its current assets by RM3,795.4 million mainly due to the following:

1) Non-current borrowings for Armada Kraken Pte Ltd ("AKPL") of RM1,955.1 million, remains classified in current liabilities. Due to Armada Kraken FPSO project not achieving final acceptance by the scheduled date, the project lenders have the right to issue, but have to-date not issued, a cancellation notice for full prepayment of the loan. Thus, AKPL did not have an unconditional right to defer payment of the non-current borrowings for at least 12 months after the balance sheet date.

   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 of the same being discussed with the charterer.

2) Certain unsecured term loans of RM1,295.0 million is classified in current liabilities as the repayment is due within 12 months from the balance sheet date.

In assessing the appropriateness of going concern basis to prepare the financial statements of the Group, the management 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, other debt facilities and/or asset monetisation.

The cash flow forecast assumes the refinancing of the unsecured term loans of RM1,931.8 million maturing in 2018 and 2019 by way of issuance of the Notes or other options (including other debt facilities and/or asset monetisation). All these options are being progressed concurrently and several of them depend on the completion of project related milestones.

Based on the cash flow forecast and its related assumptions, the Board is of the view that the going concern assumption is appropriate for the preparation of the financial statements.

1. BASIS OF PREPARATION (CONTINUED)

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 2017, other than those disclosed below:

(a) New MFRS, amendments to MFRS, annual improvements and interpretation 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 improvement to MFRS did not have any significant impact on the financial statements of the Group, except for MFRS 9 and MFRS 15 as disclosed in Note 28.

(b) New MFRS, amendments to MFRS, annual improvements and interpretation which are 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 amendments and annual improvement to 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.

(c) Amendments to MFRS and interpretation which are applicable to the Group effective on or after 1 January 2020:

- Amendments to MFRS 2 “Share-Based Payment”
- Amendment to MFRS 3 “Business Combinations”
- Amendments to MFRS 101 “Presentation of Financial Statements”
- Amendments to MFRS 108 “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to MFRS 134 “Interim Financial Reporting”
- Amendment to MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets”
- Amendment to IC Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments”
- Amendment to IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”

The adoption of the above 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.

2. MANAGEMENT COMMENTARY

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

Financial Indicators	YTD 31.03.2018 RM'000	YTD 31.03.2017 RM'000	Change RM'000
Segment revenue			
FPO [1]	**460,347**	239,703	220,644
OMS [1]	**139,995**	164,470	(24,475)
Total revenue	**600,342**	404,173	196,169
Profit for the financial period	**48,714**	56,418	(7,704)
Finance costs	**(122,763)**	(63,542)	(59,221)
Depreciation	**(132,316)**	(111,229)	(21,087)

The Group posted revenue of RM600.3 million for the financial period up to 31 March 2018 ("YTD 2018"), an increase from the financial period up to 31 March 2017 ("YTD 2017") of RM196.2 million. The YTD 2017 revenue suffered from the recognition of supplementary payments for the Armada Kraken FPSO project. On the other hand, the revenue YTD 2018 benefited from higher contribution from the Armada Olombendo FPSO and Armada Kraken FPSO. The increase in revenue from the FPO segment was offset by the deterioration of OSV[2] vessel utilisation in YTD 2018 as compared to YTD 2017.

With reference to Note 10 Segmental Information, segment results from the FPO segment increased to RM285.2 million for YTD 2018 as compared to RM124.2 million for YTD 2017 mainly due to higher contribution from Armada Olombendo FPSO and Armada Kraken FPSO. Segment results from the OMS segment decreased to RM30.2 million for YTD 2018 as compared to RM54.0 million for YTD 2017 mainly due to lower OSV vessel utilisation.

The Group posted a profit of RM48.7 million for YTD 2018 and a profit attributable to the Owners of the Company of RM48.4 million, a decrease of 14% and an increase of 1% respectively compared to YTD 2017. The decrease is mainly due to higher allowance for impairment losses, lower share of results of joint ventures and higher finance costs due to the cessation of capitalisation of borrowing costs following the completion of certain FPSO vessels, partially offset by higher contribution from the FPO segment.

Notes:

(1) FPO – Floating Production and Operation, and OMS – Offshore Marine Services. These acronyms are also used hereinafter.
(2) OSV – Offshore Support Vessel

2. MANAGEMENT COMMENTARY (CONTINUED)

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

Financial Indicators	1st Quarter 2018 RM'000	4th Quarter 2017 RM'000	Change RM'000
Segment revenue			
FPO	**460,347**	452,846	7,501
OMS	**139,995**	209,301	(69,306)
Total revenue	**600,342**	662,147	(61,805)
Profit for the financial period	**48,714**	77,900	(29,186)
Finance costs	**(122,763)**	(125,772)	3,009
Depreciation	**(132,316)**	(156,697)	24,381
Impairment	-	(664)	664

The Group posted revenue of RM600.3 million for the quarter ended 31 March 2018 ("Q1 2018"), a decrease compared to the quarter ended 31 December 2017 ("Q4 2017"). The decrease was attributed mainly to the following factors:

(a) OMS revenue was lower due to lower contribution from the LukOil project in the Caspian Sea. The OSV vessel utilisation continued to be adversely affected by the challenging oil and gas market environment with a utilisation of 38% for the Group's vessels in Q1 2018 as compared to 46% in Q4 2017.

OSV vessel average utilisation rates for the quarter ended	1st Quarter 2018 %	4th Quarter 2017 %	Change in %
Group's vessels	**38**	46	(8)
- Class A[(3)]	**40**	45	(5)
- Class B[(4)]	**35**	49	(14)
Group's vessels including those held by joint ventures	**40**	48	(8)

(b) The decrease in OMS revenue was compensated by the increase in FPO revenue mainly due to higher contribution from Armada Kraken FPSO.

Segment results from the FPO segment increased to a profit of RM285.2 million for Q1 2018 as compared to a profit of RM202.4 million for Q4 2017 due to higher contribution from Armada Kraken FPSO in Q1 2018 compared to Q4 2017. Segment results from the OMS segment decreased to RM30.2 million for Q1 2018 as compared to RM85.8 million in Q4 2017 mainly driven by lower contribution from the LukOil project.

The Group posted a profit of RM48.7 million in Q1 2018 and a profit attributable to Owners of the Company of RM48.4 million, a decrease of 37% and 24% respectively compared to Q4 2017. The decrease is mainly due to higher allowance for impairment losses charged during the quarter, partially offset by higher contribution from the FPO segment.

<u>Notes:</u>

(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) Review of consolidated statement of financial position

Financial Indicators	As at 31.03.2018 RM'000	As at 31.03.2017 RM'000	Change RM'000
Total assets	**17,843,810**	18,835,006	(991,196)
Total liabilities	**(12,423,711)**	(13,313,975)	890,264
Total equity	**(5,420,099)**	(5,521,031)	100,932

As at 31 March 2018, the Group had total assets of RM17,843.8 million, a decrease of 5% compared to 31 March 2017, mainly due to decrease in property, plant and equipment ("PPE"), finance lease receivables and cash and bank balances. PPE and finance lease receivables reduced due to lower translation of PPE for subsidiaries with USD as functional currency, where USD weakened against RM in March 2018, compared to March 2017. Cash and bank balances decreased due to repayment of borrowings and vendors.

As at 31 March 2018, the Group had total liabilities of RM12,423.7 million, a decrease of 7% compared to 31 March 2017, mainly due to repayment of borrowings and vendors. The weakening of USD against RM in March 2018 has also caused borrowings denominated in USD to decrease.

(D) Review of consolidated statement of cash flows

Financial Indicators	YTD 31.03.2018 RM'000	YTD 31.03.2017 RM'000	Change RM'000
Net cash flows generated from operating activities	**214,478**	183,798	30,680
Net cash flows used in investing activities	**(304,190)**	(665,661)	361,471
Net cash flows used in financing activities	**(188,254)**	(69,313)	(118,941)
Net decrease in cash and cash equivalents	**(277,966)**	(551,176)	273,210

The Group had higher net cash flows generated from operating activities in YTD 2018 compared to YTD 2017 mainly due to higher operating profit and repayment of advances, from a joint venture in YTD 2018.

The Group had lower net cash flows used in investing activities in YTD 2018 compared to YTD 2017 due to lower purchase of PPE in YTD 2018, following the completion of certain FPSO vessels in 2017. The decrease is offset by an equity investment in a joint venture during the period.

The Group had higher net cash flows used in financing activities in YTD 2018 compared to YTD 2017 due to higher repayment of bank borrowings during the period.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

Despite higher oil prices since the beginning of the year, oil companies remain generally cautious on committing new capital expenditure and are likely to prioritise these expenditures for adding new production capacity over exploration of new reserves.

For the FPO business, we expect to see projects awarded in 2018 and beyond. We believe we are well positioned in the projects we are pursuing, and continue to 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 extensions and potential re-deployment of available assets.

In our OMS business, the activity of our OSV business remains weak and we expect utilisation of our OSV fleet to only improve when the oil companies start to increase their exploration drilling activities. Whilst we do note an increase in client discussions around this, we do not expect such activities to really pick-up in 2018 and thus fleet utilisation and rates are not likely to rise significantly for this year.

Our subsea construction (“SC”) business will be busy over 2018 completing work that has already been secured in the Caspian Sea.

Over the course of 2018, we expect to see a stable performance from the Group on the back of the internal reorganisation and cost rationalisation, as well as improved revenue on the back of the final acceptances of our FPO projects.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the audited financial statements for the preceding financial year ended 31 December 2017.

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 31 March 2018.

6. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE

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

7. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior financial years that have a material effect 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 in the current financial period ended 31 March 2018.

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 quarter ended 31 March 2018 and 31 March 2017 are as follows:

Individual Quarter Ended 31.03.2018	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	**460,347**	**139,995**	**-**	**-**	**600,342**
Inter-segment revenue	**-**	**-**	**30,737**	**(30,737)**	**-**
Results					
Segment results	**285,178**	**30,219**	**5,887**	**-**	**321,284**
Depreciation and amortisation	**(72,806)**	**(58,776)**	**(734)**	**-**	**(132,316)**
Net (allowance for impairment losses)/ writeback of allowance for impairment losses	**(37,761)**	**(10,041)**	**20**	**-**	**(47,782)**
Share of results of joint ventures	**18,895**	**(5)**	**-**	**-**	**18,890**
Subtotal	**193,506**	**(38,603)**	**5,173**	**-**	**160,076**
Other operating income					**28,227**
Finance costs					**(122,763)**
Taxation					**(16,826)**
Profit for the financial period					**48,714**

Individual Quarter Ended 31.03.2017	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	239,703	164,470	-	-	404,173
Inter-segment revenue	-	-	34,700	(34,700)	-
Results					
Segment results	124,239	54,010	(16,564)	-	161,685
Depreciation and amortisation	(57,521)	(52,048)	(1,660)	-	(111,229)
Net writeback of allowance for impairment losses	2,687	6,038	-	-	8,725
Share of results of joint ventures	48,773	288	-	-	49,061
Subtotal	118,178	8,288	(18,224)	-	108,242
Other operating income					28,917
Finance costs					(63,542)
Taxation					(17,199)
Profit for the financial period					56,418

Segmental revenue for FPO and OMS is mainly denominated in USD.

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no revaluation of property, plant and equipment for the period under review. As at 31 March 2018, 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 PERIOD

No material event has arisen in the interval between the end of this reporting period and the date of this report except as follows:

(a) On 11 April 2018, Bumi Armada (Singapore) Pte Ltd ("BASPL"), a wholly-owned subsidiary of the Company received a notice from Erin Petroleum Nigeria Limited ("EPNL") among others, advising of a purported "Force Majeure Event" and requesting immediate, orderly shutdown of operations of the FPSO Armada Perdana. The Company had also received a Notice of Seizure/Attachment of Goods from a third party informing that the entire crude oil produced and to be produced and stored in Armada Perdana has been seized/attached by a Writ of Attachment of the Federal High Court, Lagos, in relation to legal proceedings to which the Group is not a party.

The Company maintains that the purported Force Majeure declaration by EPNL is wrongful under the Operational and Maintenance Services Contract, and EPNL is not relieved from its obligation to make payments due to Armada Oyo Ltd ("AOL") and BASPL under the Bareboat Charterparty Contract and Operational and Maintenance Contract.

(b) On 17 May 2018, the Armada Olombendo FPSO received its Production Readiness Notice ("PRN"), or final acceptance, from Eni Angola S.p.A ("Eni Angola"). The contract for the FPSO was signed on 19 August 2014 between the consortium of Bumi Armada Offshore Holdings Limited ("BAOHL"), a wholly-owned subsidiary of the Group, and Angoil Bumi JV Lda ("ABJV") and the client, Eni Angola. The FPSO arrived at Block 15/06 East Hub Field offshore Angola on 11 December 2016 and achieved first oil production on 8 February 2017.

13. CHANGES IN THE COMPOSITION OF THE GROUP

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

(a) On 26 February 2018, Armada Indah Sdn. Bhd. ("AISB"), Armada Tankers Sdn. Bhd. ("ATSB") and Armada Alpha Sdn. Bhd. ("AASB"), collectively referred to as "Subsidiaries" have approved via Special Resolutions at their respective Members' meeting, for the Subsidiaries to be voluntarily wound-up pursuant to Section 439(1)(b) of the Act.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group's contingent liabilities comprising bank guarantees extended to third parties amounted to RM348.2 million as at 31 March 2018 as compared to RM387.7 million as at 31 December 2017. 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 March 2018 are as follows:

	RM'000
- authorised and contracted	99,549
- authorised but not contracted	58,505
	158,054

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

		Quarter Ended 31.03.2018 RM'000
(a)	Transactions with UTSB Management Sdn Bhd [(1)]:	
	- management fees	1,674
(b)	Telecommunication expenses to Maxis Berhad [(2)]	234
(c)	Rental to Malaysian Landed Property Sdn Bhd [(3)]	1,983
(d)	Key management personnel compensation:	
	- Non-Executive Directors' fees	485
	- salaries, bonus and allowances and other staff related costs	4,897
	- defined contribution plan	185
	- share-based payment	5,476
(e)	Payment on behalf:	
	- joint ventures	1,354

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 Quarter Period Ended	
	31.03.2018 RM'000	**31.03.2017 RM'000**	**31.03.2018 RM'000**	**31.03.2017 RM'000**
Income tax:				
- Current year	**14,118**	14,282	**14,118**	14,282
- Prior year	**(101)**	-	**(101)**	-
Deferred tax	**2,809**	2,917	**2,809**	2,917
Total	**16,826**	17,199	**16,826**	17,199

The Group's effective tax rates for the quarter ended 31 March 2018 was 25.7%. 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. TRADE RECEIVABLES

The credit terms of trade receivables ranged from 0 to 45 days. Ageing analysis of trade receivables as at 31 March 2018 is as follows:

	RM'000
Current	**369,760**
Less than 30 days past due	**92,791**
Between 31 and 60 days past due	**62,008**
Between 61 and 90 days past due	**44,837**
Between 91 days and 1 year past due	**16,857**
More than 1 year past due	**113,350**
	699,603

The above trade receivables are past due but not impaired as the Group has assessed these balances and believes that they are recoverable.

21. BORROWINGS

	As at 31 March 2018			As at 31 December 2017			As at 31 March 2017		
	Denominated in USD RM'000	**Denominated in RM RM'000**	**Total RM'000**	**Denominated in USD RM'000**	**Denominated in RM RM'000**	**Total RM'000**	**Denominated in USD RM'000**	**Denominated in RM RM'000**	**Total RM'000**
SHORT-TERM DEBTS									
Secured:									
Term loans – others	**812,129**	**21,306**	**833,435**	832,209	21,306	853,515	864,403	27,688	892,091
Term loans – Armada Kraken Pte Ltd (1)	**1,955,083**	**-**	**1,955,083**	2,145,196	-	2,145,196	-	-	-
Unsecured:									
Sukuk Murabahah	**-**	**6,646**	**6,646**	-	30,654	30,654	-	6,385	6,385
Revolving credit	**1,281,532**	**-**	**1,281,532**	1,020,389	-	1,020,389	1,561,139	-	1,561,139
Term loans (2)	**1,295,004**	**93,747**	**1,388,751**	1,355,642	92,527	1,448,169	-	188,200	188,200
Total short-term debts	**5,343,748**	**121,699**	**5,465,447**	5,353,436	144,487	5,497,923	2,425,542	222,273	2,647,815
LONG TERM DEBTS									
Secured:									
Term loans	**3,258,483**	**-**	**3,258,483**	3,485,818	-	3,485,818	6,340,660	21,306	6,361,966
Unsecured:									
Sukuk Murabahah	**-**	**1,499,248**	**1,499,248**	-	1,499,213	1,499,213	-	1,499,109	1,499,109
Term loans	**645,205**	**-**	**645,205**	675,766	-	675,766	2,212,750	92,500	2,305,250
Revolving credit	**-**	**-**	**-**	364,185	-	364,185	-	-	-
Total long-term debts	**3,903,688**	**1,499,248**	**5,402,936**	4,525,769	1,499,213	6,024,982	8,553,410	1,612,915	10,166,325
Total borrowings	**9,247,436**	**1,620,947**	**10,868,383**	9,879,205	1,643,700	11,522,905	10,978,952	1,835,188	12,814,140

21. BORROWINGS (CONTINUED)

[1] As elaborated in Note 1 – Basis of Preparation, the amount due after one year from the reporting date of RM1,955.1 million (2017: RM2,145.2 million) remains classified as current liabilities as the project lenders of Armada Kraken Pte Ltd have the right to issue, but have to-date not issued, a cancellation notice for a full prepayment of the loan.

[2] As reported in the previous quarter, the Group has not met the financial covenant of net debt over earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the financial year ended 31 December 2017 of the unsecured term loans with a carrying amount of RM1,931.8 million.

However, the Group has received waiver on the covenant breach from all lenders (where required) except for one which has granted indulgence with expiry date of 14 April 2018 with the intention to reassess the Group's financial performance on or before 14 April 2018.

As at the date of this Report, this lender has not reverted with its approval to extend the indulgence period. The carrying amount of this unsecured term loan is RM641.3 million.

As at 31 March 2018, the proportion of borrowings between floating interest rate and fixed interest rate is 86%:14%. The term loan facility that has floating interest rate has been partially hedged using Interest Rate Swap and Cross Currency Interest Rate Swap, while Sukuk Murabahah has been hedged using Cross Currency Interest Rate Swap, as disclosed in Note 22.

The weighted contractual interest/profit rates per annum of borrowings that were effective as at the end of the financial period are as follows:

	31.03.2018 **%**	**31.12.2017** **%**	**31.03.2017** **%**
Revolving credits	**4.12**	3.58	3.24
Term loans	**4.43**	3.91	3.31
Sukuk Murabahah	**6.35**	6.35	6.35

Borrowings as at 31 March 2018 reduced by 15% as compared to 31 March 2017 mainly due to favourable foreign exchange rate movement as the borrowings of the Group are substantially denominated in USD.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 March 2018 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	**432,441**	**65,568**
- 1 to 3 years	**978,484**	**38,151**
- More than 3 years	**2,741,248**	**47,793**
	4,152,173	**151,512**
Cross currency interest rate swaps		
- Less than 1 year	**21,304**	**(6,254)**
- 1 to 3 years	**-**	**(6,289)**
- More than 3 years	**1,500,000**	**(276,931)**
	1,521,304	**(289,474)**

There have been no changes since the end of the previous financial year ended 31 December 2017 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 March 2018, the net derivative financial liabilities of the Group amounted to RM138.0 million (31 December 2017: RM355.5 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM217.5 million from the previous financial year ended 31 December 2017, a net amount of RM211.0 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests and RM6.5 million was recycled to the profit or loss which was included in finance cost.

RM82.3 million was reclassified to the statements of profit or loss to offset the foreign exchange gain which arose from the strengthening RM against USD, and RM0.8 million was recycled to profit or loss. This has resulted in a decrease in the debit balance of the cash flow hedging reserve to a credit balance as at 31 March 2018 by RM127.9 million.

The Group's cash flow hedging reserve as at 31 March 2018 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.

23. 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 March 2018 except as set out below, measured using Level 3 valuation technique:

	Carrying amount RM'000	**Fair value RM'000**
Finance lease receivables	**5,142,219**	**5,689,999**
Amounts due from joint ventures	**51,180**	**48,581**
Sukuk Murabahah	**1,505,894**	**1,470,505**

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 31 March 2018, by valuation method.

	Level 1 RM'000	**Level 2 RM'000**	**Total RM'000**
Financial asset:			
Financial asset at fair value through other comprehensive income	**16,836**	**-**	**16,836**
Derivatives used for hedging			
- Interest rate swaps	**-**	**156,823**	**156,823**
- Cross currency interest rate swaps	**-**	**4,572**	**4,572**
Financial liabilities:			
Derivatives used for hedging			
- Interest rate swaps	**-**	**(5,311)**	**(5,311)**
- Cross currency interest rate swaps	**-**	**(294,046)**	**(294,046)**

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.

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

		Individual Quarter Ended 31.03.2018 RM'000	Individual Quarter Ended 31.03.2017 RM'000
Profit before taxation is arrived at after charging/(crediting):			
(a)	Other operating income		
	- Interest income	**(9,570)**	(8,056)
	- Insurance claims	**-**	(1,155)
	- Management services charged to joint ventures	**-**	(16,641)
	- Gain on disposal of property, plant and equipment	**(14,721)**	1
	- Others	**(3,936)**	(3,066)
(b)	Interest expense	**127,131**	61,476
(c)	Accretion of receivables	**1,853**	2,451
(d)	Depreciation and amortisation	**132,316**	111,229
(e)	Net allowance for impairment losses/(writeback of impairment losses)		
	- Trade receivables	**10,021**	(8,725)
	- Other receivables	**37,761**	-
(f)	Net foreign exchange loss/(gain)		
	- realised	**13,784**	(12,281)
	- unrealised	**(747)**	39,817
(g)	Fair value through profit and loss on derivative financial instruments	**(6,221)**	(1,251)
(h)	Retrenchment expenses	**2,927**	139

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 or properties, impairments and other exceptional items for the current quarter ended 31 March 2018.

25. MATERIAL LITIGATION

Save for the following, as at 31 March 2018, 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 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 were 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.

On 5 April 2018, CESL filed a Notice of Motion in Court to re-list the Suit for hearing. On the hearing date of 30 April 2018, counsel for CESL withdrew CESL's application and the Notice of Motion was struck out. Consequently, the Suit is adjourned sine die.

The management is of the view that until the parties' respective claims have been filed in the arbitration or a full and final out-of-court settlement is reached between the parties, it is not possible at this stage to evaluate the probable outcome of the case.

25. 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 BAOHL and 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 has filed an appeal on 20 Oct 2017 with the Singapore Court of Appeal against the decision of the SICC. The hearing for the appeal proceeded on 7 May 2018 and pending delivery of judgment. The Company is of the view that regardless of the final judgement outcome, the matter will not have any material impact on the business nor the financial statements of the Company.

26. DIVIDENDS

No dividend was declared or recommended for the current financial period ended 31 March 2018.

27. EARNINGS PER SHARE

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

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:

- the after income tax effect of interest and other financing costs associated with the Employee Share Options Scheme ("ESOS") and Management Incentive Plan ("MIP"); and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares from the ESOS and MIP.

The MIP shares granted during the financial year were not dilutive for the quarter ended 31 March 2018 as there is one vesting condition to be satisfied before Quarter 2, 2018. Hence, the calculation of diluted earnings per share does not assume the exercise of the MIP. The ESOS is not dilutive as the exercise price is higher than the current market price.

	Individual Quarter Ended		**Cumulative Quarter Period Ended**	
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**
Profit attributable to Owners of the Company (RM'000)	**48,417**	48,108	**48,417**	48,108
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)	**0.83**	0.82	**0.83**	0.82
Diluted EPS (sen)	**0.83**	0.82	**0.83**	0.82

28. ADOPTION OF MFRS 9 AND MFRS 15

This note explains the impact of the adoption of MFRS 9 and MFRS 15 from 1 January 2018 on the Group's unaudited condensed financial statements for the first quarter ended 31 March 2018.

(a) MFRS 9 Financial Instruments

There is no financial impact arising from the adoption of the new standard except for the replacement of the forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured either via the simplified approach or the general approach (incorporating 12-month ECL and Lifetime ECL). As permitted by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

The impact on the Group's retained earnings as at 1 January 2018 is a decrease of RM15.5 million with a corresponding decrease in trade and other receivables of RM4.1 million, and accrued lease rental of RM11.4 million.

(b) MFRS 15 Revenue from Contracts with Customers

In accordance with the transition provisions in MFRS 15, the Group has adopted this 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.

The following table shows the adjustments recognised for each affected financial statement line items from the adoption of the new MFRSs and the effect of each financial statement line item should the new MFRSs were not adopted. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated Statements of Income	**As per existing MFRSs 31.03.2018 RM'000**	**Effect of MFRS 15 RM'000**	**As presented 31.03.2018 RM'000**
Revenue	603,507	(3,165)	**600,342**
Cost of sales	(395,613)	(4,440)	**(400,053)**
Share of results of joint ventures	20,892	(2,002)	**18,890**
Profit for the financial period	58,321	(9,607)	**48,714**
Consolidated Statements of Comprehensive Income			
Foreign currency translation differences	(218,113)	2,456	**(215,657)**
Consolidated Statement of Financial Position			
Investments in joint ventures	907,541	(14,278)	**893,263**
Other receivables	101,813	(30,530)	**71,283**
Contract assets	-	59,383	**59,383**
Amounts due from customers on contract	55,521	(55,521)	**-**
Contract liabilities	-	(14,607)	**(14,607)**
Reserves	(1,141,627)	55,553	**(1,086,074)**

28. ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(b) MFRS 15 Revenue from Contracts with Customers (Continued)

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	RM'000
Restatement of contract assets/(liabilities) - net	(i)	8,151
Decrease in investments in joint ventures	(i)	12,878
Recognition of expenses for costs to fulfil a contract	(ii)	27,373
Adjustment to retained earnings from adoption of MFRS 15		48,402

(i) 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.

(ii) Accounting for certain costs incurred in obtaining a contract

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.

(iii) Disaggregation of revenue

In the following table, the Group's revenue is disaggregated by revenue stream and the timing of revenue recognition.

Individual Quarter Ended 31.03.2018	**FPO RM'000**	**OMS RM'000**	**Total RM'000**
Revenue stream:			
Finance lease income	**193,181**	**-**	**193,181**
Vessel charter fees and support services rendered	**267,166**	**92,087**	**359,253**
Construction and conversion work	**-**	**47,908**	**47,908**
	460,347	**139,995**	**600,342**
Revenue recognised under MFRS 15:			
Timing of revenue recognition:			
At a point in time	**267,166**	**92,087**	**359,253**
Over time	**-**	**47,908**	**47,908**
	267,166	**139,995**	**407,161**
Revenue recognised under MFRS 117 "Leases"	**193,181**	**-**	**193,181**
	460,347	**139,995**	**600,342**

BY ORDER OF THE BOARD

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

Kuala Lumpur
31 May 2018