BUMIARMADA

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018

BUMI ARMADA BERHAD (Company No. 370398-X)
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UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 second quarter ended 30 June 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 Quarters Period Ended		
		30.06.2018 RM'000	**30.06.2017 RM'000**	**+/(-) %**	**30.06.2018 RM'000**	**30.06.2017 RM'000**	**+/(-) %**
Revenue		**654,042**	694,419	(6)	**1,254,384**	1,098,592	14
Cost of sales		**(607,086)**	(385,253)		**(1,007,139)**	(668,701)	
Gross profit		**46,956**	309,166		**247,245**	429,891	
Other operating income		**18,338**	26,150		**46,565**	55,067	
Selling and distribution costs		**(128)**	(3,467)		**(13,550)**	(14,175)	
Administrative expenses		**(67,216)**	(51,009)		**(112,897)**	(107,033)	
Operating (loss)/profit before impairment		**(2,050)**	280,840	(101)	**167,363**	363,750	(54)
Impairment		**(478,942)**	(5,756)		**(478,942)**	(5,756)	
Operating (loss)/profit		**(480,992)**	275,084	(275)	**(311,579)**	357,994	(187)
Finance costs		**(131,430)**	(108,497)		**(254,193)**	(172,039)	
Share of results of joint ventures		**27,647**	9,350		**46,537**	58,411	
(Loss)/Profit before taxation		**(584,775)**	175,937	(432)	**(519,235)**	244,366	(312)
Taxation	18	**(7,434)**	(58,223)		**(24,260)**	(70,234)	
(Loss)/Profit for the financial period		**(592,209)**	117,714	(603)	**(543,495)**	174,132	(412)
Attributable to:							
- Owners of the Company		**(585,480)**	116,590	(602)	**(537,063)**	164,698	(426)
- Non-controlling interests		**(6,729)**	1,124		**(6,432)**	9,434	
		(592,209)	117,714		**(543,495)**	174,132	
Earnings per share (sen)	27						
- Basic		**(9.97)**	1.99		**(9.15)**	2.81	
- Diluted		**(9.97)**	1.99		**(9.15)**	2.81	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.06.2018 RM'000	**30.06.2017 RM'000**	**30.06.2018 RM'000**	**30.06.2017 RM'000**
(Loss)/Profit for the financial period		**(592,209)**	117,714	**(543,495)**	174,132
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss					
- Financial assets at fair value through other comprehensive income:					
- (Loss)/Gain on fair value change		**(8,615)**	(37)	**(8,004)**	3,210
- Fair value gain/(loss) on cash flow hedges		**56,192**	(2,597)	**185,061**	19,214
- Foreign currency translation differences		**239,964**	(152,965)	**24,307**	(177,402)
- Share of other comprehensive income/(expense) of joint ventures		**4,943**	(2,831)	**3,964**	(2,069)
Other comprehensive income/(expense) for the financial period, net of tax		**292,484**	(158,430)	**205,328**	(157,047)
Total comprehensive (expense)/income for the financial period		**(299,725)**	(40,716)	**(338,167)**	17,085
Total comprehensive (expense)/income attributable to:					
- Owners of the Company		**(288,308)**	(41,068)	**(325,779)**	8,747
- Non-controlling interests		**(11,417)**	352	**(12,388)**	8,338
		(299,725)	(40,716)	**(338,167)**	17,085

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**8,555,595**	9,235,066
Investments in joint ventures		**981,990**	668,967
Financial assets at fair value through other comprehensive income		**16,405**	16,498
Finance lease receivables		**5,028,693**	5,280,228
Other receivables		**-**	153,600
Amounts due from joint ventures		**42,282**	32,162
Derivative financial instruments	22	**104,586**	64,767
Deferred tax assets		**2,601**	7,295
		14,732,152	15,458,583
CURRENT ASSETS			
Inventories		**6,067**	4,199
Finance lease receivables		**174,988**	53,961
Trade receivables	20	**1,059,561**	727,153
Accrued lease rentals		**319,143**	372,945
Other receivables, deposits and prepayments		**360,175**	68,249
Contract assets	28	**22,547**	-
Amounts due from customers on contract		**-**	8,745
Amounts due from joint ventures		**34,413**	251,865
Derivative financial instruments	22	**79,291**	41,422
Tax recoverable		**17,203**	-
Deposits, cash and bank balances		**1,419,661**	1,846,114
		3,493,049	3,374,653
Non-current assets classified as held-for-sale		**-**	1,770
TOTAL ASSETS		**18,225,201**	18,835,006

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		**636,186**	598,783
Other payables and accruals		**696,232**	454,906
Contract liabilities	28	**34,900**	-
Amounts due to joint ventures		**87,996**	32,237
Provisions		**79,557**	-
Hire purchase creditors		**88**	88
Borrowings – others	21	**4,273,072**	3,352,727
Borrowings – Armada Kraken Pte Ltd	21	**1,946,893**	2,145,196
Derivative financial instruments	22	**5,981**	11,839
Taxation		**82,385**	52,309
		7,843,290	6,648,085
NET CURRENT LIABILITIES		**(4,350,241)**	(3,271,662)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		**68,150**	68,285
Provisions		**1,688**	106,921
Hire purchase creditors		**146**	198
Borrowings	21	**4,828,148**	6,024,982
Derivative financial instruments	22	**340,182**	449,850
Deferred tax liabilities		**21,718**	15,654
		5,260,032	6,665,890
NET ASSETS		**5,121,879**	5,521,031
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**4,314,815**	4,311,294
Reserves		**795,750**	1,186,035
		5,110,565	5,497,329
NON-CONTROLLING INTERESTS		**11,314**	23,702
TOTAL EQUITY		**5,121,879**	5,521,031
NET ASSETS PER SHARE (RM)		**0.87***	0.94

* Based on 5,870,937,544 ordinary shares in issue per Companies Act 2016 as at 30 June 2018.

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/ Accumu-lated losses 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**
Loss for the financial period	**-**	**-**	**-**	**-**	**-**	**-**	**(537,063)**	**(537,063)**	**(6,432)**	**(543,495)**
Other comprehensive income/(expense) for the financial period, net of tax	**-**	**-**	**30,273**	**-**	**189,015**	**(8,004)**	**-**	**211,284**	**(5,956)**	**205,328**
Total comprehensive income/(expense) for the financial period, net of tax	**-**	**-**	**30,273**	**-**	**189,015**	**(8,004)**	**(537,063)**	**(325,779)**	**(12,388)**	**(338,167)**
Transactions with owners:										
- Shares issued pursuant to the management incentive plan	**4,668**	**3,521**	**-**	**(3,521)**	**-**	**-**	**-**	**-**	**-**	**-**
- Management incentive plan granted	**-**	**-**	**-**	**2,890**	**-**	**-**	**-**	**2,890**	**-**	**2,890**
- Employee share options forfeited	**-**	**-**	**-**	**(5,526)**	**-**	**-**	**5,526**	**-**	**-**	**-**
At 30 June 2018	**5,870,937**	**4,314,815**	**1,110,514**	**13,195**	**148,758**	**8,704**	**(485,421)**	**5,110,565**	**11,314**	**5,121,879**

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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	-	-	-	-	-	-	-	164,698	164,698	9,434	174,132
Other comprehensive (expense)/income for the financial period, net of tax	-	-	-	(176,280)	-	17,119	3,210	-	(155,951)	(1,096)	(157,047)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	-	(176,280)	-	17,119	3,210	164,698	8,747	8,338	17,085
Transactions with owners:											
- Employee share options granted	-	-	-	-	3,352	-	-	-	3,352	-	3,352
- Employee share options forfeited	-	-	-	-	(2,607)	-	-	2,607	-	-	-
At 30 June 2017	5,866,269	4,311,294	-	1,417,144	20,673	(84,355)	16,846	(82,542)	5,599,060	11,454	5,610,514

Note:

(1) Effective from 31 January 2017, the 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 30.06.2018 RM'000	Period Ended 30.06.2017 RM'000
OPERATING ACTIVITIES		
(Loss)/Profit for the financial period	**(543,495)**	174,132
Adjustments for non-cash items:		
Share of results of joint ventures	**(46,537)**	(58,411)
Gain on disposal of property, plant and equipment	**(14,471)**	(4,366)
Depreciation of property, plant and equipment	**272,238**	239,152
Fair value through profit and loss on derivative financial instruments	**(4,469)**	(9,455)
Net allowance for impairment losses/(writeback of impairment losses)	**165,158**	(9,730)
Unrealised foreign exchange loss	**14,031**	45,623
Share-based payment	**2,890**	3,352
Impairment of:		
- Property, plant and equipment and non-current assets held for sale	**478,942**	-
- Financial assets at fair value through other comprehensive income	**-**	5,756
Interest income	**(17,903)**	(20,890)
Interest expense	**255,195**	167,134
Accretion of receivables	**3,467**	4,986
Taxation	**24,260**	70,234
Operating profit before changes in working capital	**589,306**	607,517
Changes in working capital:		
Inventories	**(1,874)**	1,329
Finance lease receivables	**174,815**	(46,416)
Trade and other receivables	**(457,774)**	(300,995)
Trade and other payables	**36,540**	(254,357)
Joint ventures	**247,243**	57,342
Cash from operations	**588,256**	64,420
Interest paid	**(245,972)**	(240,016)
Tax paid	**(1,895)**	(20,864)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**340,389**	(196,460)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(113,515)**	(993,126)
Proceeds from disposal of property, plant and equipment	**16,432**	61,234
Interest received	**19,030**	20,704
Increase in paid-up share capital in a joint venture	**(224,083)**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(302,136)**	(911,188)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**-**	57,991
Repayment of bank borrowings	**(460,735)**	(291,821)
Decrease in deposits pledged as security	**-**	900
Repayment of hire purchase creditors	**(52)**	(44)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(460,787)**	(232,974)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 30.06.2018 RM'000	Period Ended 30.06.2017 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(422,534)**	(1,340,622)
CURRENCY TRANSLATION DIFFERENCES	**(3,919)**	119,147
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	**1,419,661**	1,793,479
Cash and cash equivalents consist of:		
Deposits with licensed banks	**1,261,374**	1,513,508
Cash and bank balances	**158,287**	279,971
	1,419,661	1,793,479

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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 30 June 2018, the Group's current liabilities exceeded its current assets by RM4,350.2 million mainly due to the reclassification of non-current borrowings for Armada Kraken Pte Ltd ("AKPL") of RM1,946.9 million, and certain unsecured term loans of RM2,019.3 million as current liabilities. Cash flow forecast for the 12 months from the reporting date was prepared to assess and confirm the appropriateness of the going concern basis for the preparation of the financial statements of the Group. The plan to address the Group's debt obligations is disclosed in Note 21.

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.

1. BASIS OF PREPARATION (CONTINUED)

(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 30.06.2018 RM'000	YTD 30.06.2017 RM'000	Change RM'000
Segment revenue			
FPO [1]	**906,812**	577,342	329,470
OMS [1]	**347,572**	521,250	(173,678)
Total revenue	**1,254,384**	1,098,592	155,792
(Loss)/Profit for the financial period	**(543,495)**	174,132	(717,627)
Finance costs	**254,193**	172,039	82,154
Depreciation	**272,238**	239,152	33,086
Impairment	**478,942**	5,756	473,186

The Group posted revenue of RM1,254.4 million for the financial period up to 30 June 2018 ("YTD 2018"), an increase of RM155.8 million compared to the financial period up to 30 June 2017 ("YTD 2017"). Revenue from the FPO segment increased due to commencement of operations for the Armada Olombendo FPSO in February 2017 and Armada Kraken FPSO in June 2017, i.e. revenue is recognised for a full period in YTD 2018. The increase in revenue from the FPO segment was partially offset by the decrease in revenue from the OMS segment, due to a one-off revenue recognised based on work completed on the LukOil project arising from the signing of the supplementary agreement in YTD 2017 and lower 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 RM451.5 million for YTD 2018 as compared to RM309.8 million for YTD 2017 mainly due to higher contribution from the Armada Olombendo FPSO and Armada Kraken FPSO. Segment results from the OMS segment decreased to RM104.0 million for YTD 2018 as compared to RM236.4 million for YTD 2017 mainly due to a one-off revenue recognised based on work completed on the LukOil project arising from the signing of supplementary agreement in YTD 2017 and lower OSV vessel utilisation in YTD 2018.

The Group posted a loss of RM543.5 million for YTD 2018 and a loss attributable to the Owners of the Company of RM537.1 million. The losses are mainly due to impairment of the Armada Kraken FPSO, net allowance for impairment losses, and higher finance costs due to the cessation of capitalisation of borrowing costs following the completion of certain FPSO vessels. Excluding the impairment charge of RM478.9 million and net allowance for impairment of RM165.2 million, the Group posted a profit of RM100.6 million for YTD 2018 and a profit attributable to the Owners of the Company of RM107.0 million.

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	2nd Quarter 2018 RM'000	1st Quarter 2018 RM'000	Change RM'000
Segment revenue			
FPO	**446,465**	460,347	(13,882)
OMS	**207,577**	139,995	67,582
Total revenue	**654,042**	600,342	53,700
(Loss)/Profit for the financial period	**(592,209)**	48,714	(640,923)
Finance costs	**131,430**	122,763	8,667
Depreciation	**139,923**	132,316	7,607
Impairment	**478,942**	-	478,942

The Group posted revenue of RM654.0 million for the quarter ended 30 June 2018 ("Q2 2018"), an increase of RM53.7 million compared to the quarter ended 31 March 2018 ("Q1 2018"). This increase was attributed mainly to the following:

(a) FPO revenue was lower due to recognition of compensation payable to the charterers of Armada Kraken FPSO in accordance with Amendment Agreement No. 2 and lower contribution from the Armada LNG Mediterrana Floating Storage Unit.

(b) OMS revenue increased due to higher contribution from the LukOil project in the Caspian Sea. The OSV vessel utilisation was lower in Q2 2018 as compared to Q1 2018. OSV vessel utilisation continues to be adversely affected by the challenging oil and gas market environment with a utilisation of 38% for the Group's vessels and 39% for the Group's vessels including those held by joint ventures in Q2 2018.

OSV vessel average utilisation rates for the quarter ended	2nd Quarter 2018 %	1st Quarter 2018 %	Change in %
Group's vessels	**38**	**38**	-
- Class A[3]	**38**	**40**	(2)
- Class B[4]	**35**	**35**	-
Group's vessels including those held by joint ventures	**39**	**40**	(1)

Segment results from the FPO segment reduced to a profit of RM166.2 million for Q2 2018 as compared to a profit of RM285.2 million for Q1 2018 due to lower contribution from Armada Kraken FPSO in Q2 2018 compared to Q1 2018. Segment profit from the OMS segment increased to RM73.8 million for Q2 2018 as compared to RM30.2 million for Q1 2018 mainly driven by higher contribution from the LukOil project.

The Group posted a loss of RM592.2 million in Q2 2018 and a loss attributable to Owners of the Company of RM585.5 million. The losses are mainly due to impairment of the Armada Kraken FPSO and net allowance for impairment losses, partly offset by higher contribution from the LukOil project and higher share of profit of joint ventures. Excluding the impairment charge of RM478.9 million and net allowance for impairment losses of RM117.4 million, the Group posted a profit of RM4.1 million for YTD 2018 and a profit attributable to the Owners of the Company of RM10.8 million.

Notes:

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

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

2. MANAGEMENT COMMENTARY (CONTINUED)

(C) Review of consolidated statement of financial position

Financial Indicators	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000	Change RM'000
Total assets	**18,225,201**	18,835,006	(609,805)
Total liabilities	**13,103,322**	13,313,975	(210,653)
Total equity	**5,121,879**	5,521,031	(399,152)

As at 30 June 2018, the Group had total assets of RM18,225.2 million, a decrease of 3% compared to 31 December 2017, mainly due to decrease in property, plant and equipment, other receivables, amounts due from joint ventures and cash and bank balances. Property, plant and equipment decreased due to the impairment losses recognised in YTD 2018. Amounts due from joint ventures decreased due to repayment from a joint venture in YTD 2018 while cash and bank balances decreased due to repayment of bank borrowings and payment to vendors. The decrease has been partially offset by the increase in trade receivables balance due to higher billings made to the customers in YTD 2018 for the LukOil project.

As at 30 June 2018, the Group had total liabilities of RM13,103.3 million, a decrease of 2% compared to 31 December 2017, mainly due to repayment of bank borrowings and payment to vendors.

(D) Review of consolidated statement of cash flows

Financial Indicators	YTD 30.06.2018 RM'000	YTD 30.06.2017 RM'000	Change RM'000
Net cash flows generated from/(used in) operating activities	**340,389**	(196,460)	536,849
Net cash flows used in investing activities	**(302,136)**	(911,188)	609,052
Net cash flows used in financing activities	**(460,787)**	(232,974)	(227,813)
Net decrease in cash and cash equivalents	**(422,534)**	(1,340,622)	918,088

The Group had higher net cash flows generated from operating activities in YTD 2018 compared to YTD 2017, mainly due to higher collection from the finance lease receivables with a full 6 months lease period, repayment from a joint venture in YTD 2018 and lower payment to trade and other payables in YTD 2018 as compared to YTD 2017. This is offset by the increased trade and other receivables due to higher billings made to the customers in Q2 2018 and lower collections 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 property, plant and equipment 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.

(E) Critical accounting estimates and judgements

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

VIU is the present value of the future cash flows expected to be derived from the CGU.

Based on the assessment, an impairment charge of RM477.2 million and RM1.7 million for the Armada Kraken FPSO and Armada Gema respectively, has been recognised during the quarter. The impairment on Armada Kraken FPSO was based on the amendment agreement to the charter agreement signed on 27 August 2018 as disclosed in Note 12.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

Despite higher oil prices since the beginning of the year, oil companies continue to remain cautious on committing new capital to new projects.

For the FPO business, we are focused on completing the Kraken project as a priority. The Group will also look to pursue other suitable new opportunities and potential re-deployment of available assets.

In our OMS business, the activity of the OSV segment remains weak and we only expect utilisation of our OSV fleet to improve when the oil companies start to increase their exploration drilling activities. The Group is reassessing its strategy in respect of the OSV segment.

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

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 30 June 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 30 June 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 and cumulative quarters ended 30 June 2018 and 30 June 2017 are as follows:

Individual Quarter Ended 30.06.2018	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	**446,465**	**207,577**	**-**	**-**	**654,042**
Inter-segment revenue	**-**	**-**	**23,002**	**(23,002)**	**-**
Results					
Segment results	**166,203**	**73,768**	**(3,059)**	**-**	**236,912**
Depreciation and amortisation	**(88,085)**	**(51,477)**	**(361)**	**-**	**(139,923)**
Net allowance for impairment losses	**(13,059)**	**(104,318)**	**-**	**-**	**(117,377)**
Impairment	**(478,942)**	**-**	**-**	**-**	**(478,942)**
Share of results of joint ventures	**28,473**	**(826)**	**-**	**-**	**27,647**
Subtotal	**(385,410)**	**(82,853)**	**(3,420)**	**-**	**(471,683)**
Other operating income					**18,338**
Finance costs					**(131,430)**
Taxation					**(7,434)**
Loss for the financial period					**(592,209)**

Individual Quarter Ended 30.06.2017	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	337,639	356,780	-	-	694,419
Inter-segment revenue	-	-	34,498	(34,498)	-
Results					
Segment results	190,727	182,354	8,527	-	381,608
Depreciation and amortisation	(55,075)	(71,441)	(1,407)	-	(127,923)
Net writeback of allowance for impairment losses	-	1,005	-	-	1,005
Impairment	-	-	(5,756)	-	(5,756)
Share of results of joint ventures	9,062	288	-	-	9,350
Subtotal	144,714	112,206	1,364	-	258,284
Other operating income					26,150
Finance costs					(108,497)
Taxation					(58,223)
Profit for the financial period					117,714

10. SEGMENTAL INFORMATION (CONTINUED)

Cumulative Quarters Period Ended 30.06.2018	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	**906,812**	**347,572**	**-**	**-**	**1,254,384**
Inter-segment revenue	**-**	**-**	**53,739**	**(53,739)**	**-**
Results					
Segment results	**451,454**	**103,987**	**2,753**		**558,194**
Depreciation and amortisation	**(160,890)**	**(110,253)**	**(1,095)**	**-**	**(272,238)**
Net (allowance for impairment losses)/ writeback of allowance for impairment losses	**(50,819)**	**(114,359)**	**20**	**-**	**(165,158)**
Impairment	**(478,942)**	**-**	**-**	**-**	**(478,942)**
Share of results of joint ventures	**47,368**	**(831)**	**-**	**-**	**46,537**
Subtotal	**(191,829)**	**(121,456)**	**1,678**	**-**	**(311,607)**
Other operating income					**46,565**
Finance costs					**(254,193)**
Taxation					**(24,260)**
Loss for the financial period					**(543,495)**

Cumulative Quarters Period Ended 30.06.2017	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	577,342	521,250	-	-	1,098,592
Inter-segment revenue	-	-	69,198	(69,198)	-
Results					
Segment results	309,778	236,365	(8,037)	-	538,106
Depreciation and amortisation	(112,596)	(123,490)	(3,067)	-	(239,153)
Net writeback of allowance for impairment losses	2,687	7,043	-	-	9,730
Impairment	-	-	(5,756)	-	(5,756)
Share of results of joint ventures	57,835	576	-	-	58,411
Subtotal	257,704	120,494	(16,860)	-	361,338
Other operating income					55,067
Finance costs					(172,039)
Taxation					(70,234)
Profit for the financial period					174,132

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

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

As at 30 June 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 3 August 2018, Armada TGT Ltd ("Armada TGT"), a wholly owned subsidiary of Bumi Armada Berhad has signed a Bareboat Charter Contract with Hoang Long Joint Operating Company ("HLJOC") for the extension of charter of FPSO Armada TGT 1 from 27 August 2018 until 14 November 2024 ("Contract") and a contract value of USD285.0 million. The first Bareboat Charter Contract expired on 26 August 2018.

(b) On 27 August 2018, Armada Kraken Pte Ltd ("AKPL"), a wholly owned subsidiary of Bumi Armada Berhad has entered into an Amendment Agreement Number Two ("AA2") with Enquest Heather Limited, Enquest Ens Limited and Nautical Petroleum Limited (collectively referred to as "the Charterers") in respect of the bareboat charter contract dated 20 December 2013 (as supplemented by Amendment Agreement Number One dated 10 August 2016) in relation to the Armada Kraken FPSO for the Kraken Field ("Bareboat Charter").

    The execution of AA2 allows AKPL and the Charterers to progress the project on a more defined basis towards final acceptance, in a mutually beneficial manner, and without being encumbered by historical events.

    AA2 reflects the parties' commercial consensus on certain technical requirements under the Bareboat Charter. Furthermore, AA2 provides an objective roadmap towards final acceptance and mitigates various exposures under the original contract.

13. CHANGES IN THE COMPOSITION OF THE GROUP

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

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group's contingent liabilities comprising bank guarantees extended to third parties amounted to RM190.5 million as at 30 June 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 30 June 2018 and 31 December 2017 are as follows:

	As at 30.06.2018 RM'000	**As at 31.12.2017 RM'000**
- authorised and contracted	**20,635**	162,142
- authorised but not contracted	**103,881**	278,385
	124,516	440,527

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

		Cumulative Quarters Period Ended 30.06.2018 RM'000	Cumulative Quarters Period Ended 30.06.2017 RM'000
(a)	Transactions with UTSB Management Sdn Bhd (1)		
	- management fees	**3,364**	3,098
(b)	Telecommunication expenses to Maxis Berhad (2)	**340**	777
(c)	Rental to Malaysian Landed Property Sdn Bhd (3)	**3,939**	3,962
(d)	Management fees charged to joint ventures		
	- revenue	**8,018**	3,207
	- other operating income	**-**	16,641
(e)	Key management personnel compensation:		
	- Non-Executive Directors' fees	**1,017**	1,147
	- salaries, bonus and allowances and other staff related costs	**8,841**	10,292
	- defined contribution plan	**318**	396
	- share-based payment	**2,505**	2,040
(f)	Payment on behalf:		
	- joint ventures	**1,637**	4,956

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 Period Ended	
	30.06.2018 RM'000	**30.06.2017 RM'000**	**30.06.2018 RM'000**	**30.06.2017 RM'000**
Income tax:				
- Current year	**12,906**	52,184	**27,023**	61,278
- Prior year	**(13,290)**	6,656	**(13,391)**	6,656
Deferred tax	**7,818**	(617)	**10,628**	2,300
Total	**7,434**	58,223	**24,260**	70,234

The Group's effective tax rates for the individual and cumulative quarters period ended 30 June 2018 were negative. The difference in the effective tax rate and the Malaysian statutory tax rate of 24% is mainly due to a tax refund received arising from dividend declared by foreign subsidiaries.

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 30 June 2018 and 31 December 2017 is as follows:

	As at 30.06.2018 RM'000	**As at 31.12.2017 RM'000**
Current	**690,545**	382,047
Less than 30 days past due	**132,296**	69,252
Between 31 and 60 days past due	**68,220**	41,835
Between 61 and 90 days past due	**17,635**	23,742
Between 91 days and 1 year past due	**34,605**	55,984
More than 1 year past due	**116,260**	154,293
	1,059,561	727,153

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 30.06.2018			As at 31.12.2017			As at 30.06.2017		
	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	**871,511**	**-**	**871,511**	832,209	21,306	853,515	834,419	27,688	862,107
Term loans – Armada Kraken Pte Ltd (1)	**1,946,893**	**-**	**1,946,893**	2,145,196	-	2,145,196	-	-	-
Unsecured:									
Sukuk Murabahah	**-**	**30,393**	**30,393**	-	30,654	30,654	-	30,132	30,132
Revolving credit	**1,348,410**	**-**	**1,348,410**	1,020,389	-	1,020,389	1,511,398	-	1,511,398
Term loans (2)	**2,022,758**	**-**	**2,022,758**	1,355,642	92,527	1,448,169	-	197,762	197,762
Total short-term debts	**6,189,572**	**30,393**	**6,219,965**	5,353,436	144,487	5,497,923	2,345,817	255,582	2,601,399
LONG TERM DEBTS									
Secured:									
Term loans	**3,328,865**	**-**	**3,328,865**	3,485,818	-	3,485,818	6,104,286	-	6,104,286
Unsecured:									
Sukuk Murabahah	**-**	**1,499,283**	**1,499,283**	-	1,499,213	1,499,213	-	1,499,144	1,499,144
Term loans	**-**	**-**	**-**	675,766	-	675,766	-	-	-
Revolving credit	**-**	**-**	**-**	364,185	-	364,185	2,146,401	-	2,146,401
Total long-term debts	**3,328,865**	**1,499,283**	**4,828,148**	4,525,769	1,499,213	6,024,982	8,250,687	1,499,144	9,749,831
Total borrowings	**9,518,437**	**1,529,676**	**11,048,113**	9,879,205	1,643,700	11,522,905	10,596,504	1,754,726	12,351,230

21. BORROWINGS (CONTINUED)

(1) Non-current borrowings for Armada Kraken Pte Ltd ("AKPL") of RM1,946.9 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 has recently agreed with the charterer on the technical criteria required to complete and rectify certain works on the FPSO to facilitate the issuance of the final acceptance certificate.

(2) As reported previously, 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 RM2,019.3 million.

As at the date of this Report, the Group has received waiver on the covenant breach from one of the lenders. The carrying amount of this unsecured term loan is RM670.4 million.

The Group is currently in active discussion with the lenders to refinance these unsecured term loans by October 2018.

In addition to refinancing the unsecured term loans, the Group is taking the following measures to strengthen its cash flow position:

- Completing the final drawdown of remaining project financing from existing facilities;
- Seeking fresh funding to repay existing credit facilities and for working capital purposes;
- Considering ongoing proposals for the monetisation of assets; and
- Pursuing collections from customers.

As at 30 June 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:

	30.06.2018 %	**31.12.2017 %**	**30.06.2017 %**
Revolving credits	**4.20%**	3.58	3.24
Term loans	**4.63%**	3.91	3.47
Sukuk Murabahah	**6.35%**	6.35	6.35

Borrowings as at 30 June 2018 reduced by 4% as compared to 31 December 2017 mainly due to repayment of borrowings in YTD 2018.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments outstanding as at 30 June 2018 and 31 December 2017 are as set out below:

	As at 30.06.2018		**As at 31.12.2017**	
Types of Derivative	**Contract/ Notional amount RM'000**	**Fair value assets/ (liabilities) RM'000**	**Contract/ Notional amount RM'000**	**Fair value assets/ (liabilities) RM'000**
Derivatives used for hedging:				
Interest rate swaps				
- Less than 1 year	**422,530**	**77,724**	600,805	39,729
- 1 to 3 years	**1,038,792**	**47,376**	1,032,694	23,870
- More than 3 years	**2,729,260**	**54,373**	2,740,368	39,335
	4,190,582	**179,473**	4,373,867	102,934
Cross currency interest rate swaps				
- Less than 1 year	**-**	**(4,414)**	21,304	(10,146)
- 1 to 3 years	**-**	**(13,040)**	-	(17,001)
- More than 3 years	**1,500,000**	**(324,305)**	1,500,000	(431,287)
	1,500,000	**(341,759)**	1,521,304	(458,434)

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 30 June 2018, the net derivative financial liabilities of the Group amounted to RM162.3 million (31 December 2017: RM355.5 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM193.2 million from the previous financial year ended 31 December 2017, a net amount of RM188.9 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests and RM4.3 million was recycled to the profit or loss which was included in finance cost.

RM3.6 million was reclassified to the statements of profit or loss to offset the foreign exchange loss which arose from the weakening of RM against USD, and RM3.7 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 30 June 2018 by RM189.0 million.

The Group's cash flow hedging reserve as at 30 June 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 30 June 2018 and 31 December 2017 except as set out below, measured using Level 3 valuation technique:

	As at 30.06.2018		**As at 31.12.2017**	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Finance lease receivables	**5,203,681**	**5,897,205**	5,334,189	6,036,757
Amounts due from joint ventures	**37,788**	**50,781**	248,795	240,673
Sukuk Murabahah	**1,529,676**	**1,451,328**	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 30 June 2018 and 31 December 2017, by valuation method.

As at 30.06.2018	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets:				
Financial assets at fair value through other comprehensive income	**16,405**	**-**	**-**	**16,405**
Derivatives used for hedging				
- Interest rate swaps	**-**	**181,283**	**-**	**181,283**
- Cross currency interest rate swaps	**-**	**2,594**	**-**	**2,594**
Amounts due from joint ventures	**-**	**-**	**76,695**	**76,695**
Finance lease receivables	**-**	**-**	**5,203,681**	**5,203,681**
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	**-**	**(1,810)**	**-**	**(1,810)**
- Cross currency interest rate swaps	**-**	**(344,353)**	**-**	**(344,352)**

23. FAIR VALUE HIERARCHY (CONTINUED)

(b) Financial instruments carried at fair value (continued)

As at 31.12.2017	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets:				
Financial assets at fair value through other comprehensive income	16,498	-	-	16,498
Derivatives used for hedging				
- Interest rate swaps	-	103,974	-	103,974
- Cross currency interest rate swaps	-	2,215	-	2,215
Amounts due from joint ventures	-	-	284,027	284,027
Finance lease receivables	-	-	5,334,189	5,334,189
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 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 30.06.2018 RM'000	Individual Quarter Ended 30.06.2017 RM'000	Cumulative Quarters Period Ended 30.06.2018 RM'000	Cumulative Quarters Period Ended 30.06.2017 RM'000
	Profit before taxation is arrived at after charging/(crediting):				
(a)	Other operating income				
	- Interest income	**(8,333)**	(12,834)	**(17,903)**	(20,890)
	- Insurance claims	**(229)**	(6)	**(229)**	(1,161)
	- Management services charged to joint ventures	-	-	-	(16,641)
	- Gain on disposal of property, plant and equipment	**-**	(5,365)	**(14,471)**	(4,366)
	- Others	**(9,776)**	(7,945)	**(13,962)**	(12,009)
(b)	Interest expense	**128,064**	105,658	**255,195**	167,134
(c)	Accretion of receivables	**1,614**	2,535	**3,467**	4,986
(d)	Depreciation and amortisation	**139,923**	127,923	**272,238**	239,152
(e)	Net (writeback of impairment losses)/allowance for impairment losses				
	- Trade receivables	**(1,653)**	(1,005)	**8,367**	(9,730)
	- Other receivables and deposits	**103,473**	-	**141,234**	-
	- Amount due from a joint venture	**15,557**	-	**15,557**	-
(f)	Impairment of:				
	- Property, plant and equipment and non-current assets held for sale	**478,942**	-	**478,942**	-
	- Financial assets held at fair value through other comprehensive income	**-**	5,756	**-**	5,756
(f)	Net foreign exchange loss/(gain)				
	- realised	**13,112**	8,810	**26,896**	(3,471)
	- unrealised	**14,778**	5,806	**14,031**	45,623
(g)	Fair value through profit and loss on derivative financial instruments	**1,752**	(8,204)	**(4,469)**	(9,455)
(h)	Retrenchment expenses	**1,984**	1,208	**4,911**	1,347

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 30 June 2018.

25. MATERIAL LITIGATION

Save for the following, as at 30 June 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. Pursuant to an application by Woodside to the Supreme Court for an extension of time, the matter is listed for trial to commence on 18 February 2019. The Supreme Court had previously 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 were 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 22 June 2018, the parties entered into a full and final settlement of the matter and the settlement sum did 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 30 June 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 30 June 2018 as there is one vesting condition to be satisfied before Quarter 2, 2019. 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 Quarters Period Ended**	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**
Profit attributable to Owners of the Company (RM'000)	**(585,480)**	116,590	**(537,063)**	164,698
Weighted average/adjusted weighted average number of ordinary shares in issue for basic EPS ('000)	**5,870,937**	5,866,269	**5,870,937**	5,866,269
Basic EPS (sen)	**(9.97)**	1.99	**(9.15)**	2.81
Diluted EPS (sen)	**(9.97)**	1.99	**(9.15)**	2.81

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 quarter ended 30 June 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.

	As per existing MFRSs RM'000	Effect of MFRS 15 RM'000	As presented RM'000
Consolidated Statements of Income for Cumulative Quarters Period Ended 30.06.2018			
Revenue	1,261,072	(6,688)	**1,254,384**
Selling and distribution costs	(1,392)	(12,158)	**(13,550)**
Share of results of joint ventures	50,625	(4,088)	**46,537**
Loss for the financial period	(520,561)	(22,934)	**(543,495)**
Consolidated Statements of Comprehensive Income			
Foreign currency translation differences	24,697	(390)	**24,307**
Consolidated Statement of Financial Position as at 30.06.2018			
Investments in joint ventures	999,021	(17,031)	**981,990**
Other receivables, deposits and prepayments	383,752	(23,577)	**360,175**
Contract assets	-	22,547	**22,547**
Amounts due from customers on contract	18,765	(18,765)	**-**
Contract liabilities	-	(34,900)	**(34,900)**
Reserves	(867,476)	71,726	**(795,750)**

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 Period Ended 30.06.2018	**FPO RM'000**	**OMS RM'000**	**Total RM'000**
Revenue stream:			
Finance lease income	**196,785**	**-**	**196,785**
Vessel charter fees and support services rendered	**252,470**	**103,449**	**355,919**
Construction and conversion work	**(2,790)**	**104,128**	**101,338**
	446,465	**207,577**	**654,042**
Revenue recognised under MFRS 15:			
Timing of revenue recognition:			
At a point in time	**249,680**	**103,449**	**353,129**
Over time	**-**	**104,128**	**104,128**
	249,680	**207,577**	**457,257**
Revenue recognised under MFRS 117 "Leases"	**196,785**	**-**	**196,785**
	446,465	**207,577**	**654,042**

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

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

(iii) Disaggregation of revenue (continued)

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

Cumulative Quarters Period Ended 30.06.2018	**FPO RM'000**	**OMS RM'000**	**Total RM'000**
Revenue stream:			
Finance lease income	**382,100**	**-**	**382,100**
Vessel charter fees and support services rendered	**527,502**	**195,536**	**723,038**
Construction and conversion work	**(2,790)**	**152,036**	**149,246**
	906,812	**347,572**	**1,254,384**
Revenue recognised under MFRS 15:			
Timing of revenue recognition:			
At a point in time	**524,712**	**195,536**	**720,248**
Over time	**-**	**152,036**	**152,036**
	524,712	**347,572**	**872,284**
Revenue recognised under MFRS 117 "Leases"	**382,100**	**-**	**382,100**
	906,812	**347,572**	**1,254,384**

29. 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 30.06.2017 RM'000	**Effect of reclassification RM'000**	**As restated 30.06.2017 RM'000**
Consolidated Statements of Income			
Individual Quarter Ended 30.06.2017			
Cost of sales	(375,206)	(10,047)	(385,253)
Tax expenses	(68,270)	10,047	(58,223)
Cumulative Quarters Period Ended 30.06.2017			
Cost of sales	(653,466)	(15,235)	(668,701)
Tax expenses	(85,469)	15,235	(70,234)
Segment information			
Individual Quarter Ended 30.06.2017			
Segment results			
FPO	145,699	45,028	190,727
OMS	111,918	70,436	182,354
Corporate and others	7,120	1,407	8,527

29. COMPARATIVE FIGURES (CONTINUED)

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 30.06.2017 RM'000	Effect of reclassification RM'000	As restated 30.06.2017 RM'000
Segment information			
Individual Quarter Ended 30.06.2017			
Depreciation			
FPO	-	(55,075)	(55,075)
OMS	-	(71,441)	(71,441)
Corporate and others	-	(1,407)	(1,407)
Net writeback of allowance for impairment losses			
OMS	-	1,005	1,005
Taxation	(68,270)	10,047	(58,223)
Cumulative Quarters Period Ended 30.06.2017			
Segment results			
FPO	215,104	94,674	309,778
OMS	119,918	116,447	236,365
Corporate and others	(11,104)	3,067	(8,037)
Depreciation			
FPO	-	(112,596)	(112,596)
OMS	-	(123,490)	(123,490)
Corporate and others	-	(3,067)	(3,067)
Net writeback of allowance for impairment losses			
FPO	-	2,687	2,687
OMS	-	7,043	7,043
Taxation	(85,469)	15,235	(70,234)

BY ORDER OF THE BOARD

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

Kuala Lumpur
29 August 2018