



BUMIARMADA

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

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND ENDED 31 DECEMBER 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 fourth quarter and year ended 31 December 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 Year Ended		
		31.12.2018 RM'000	31.12.2017 RM'000	+/(-) %	31.12.2018 RM'000	31.12.2017 RM'000	+/(-) %
Revenue		576,308	662,147	(13)	2,418,739	2,402,130	1
Cost of sales		(495,656)	(462,227)		(1,917,530)	(1,596,228)	
Gross profit		80,652	199,920		501,209	805,902	
Other operating income		9,759	30,783		65,483	177,903	
Selling and distribution costs		522	(4,592)		(29,955)	(20,827)	
Administrative expenses		(71,022)	(43,974)		(234,801)	(195,809)	
Operating profit before impairment		19,911	182,137	(89)	301,936	767,169	(61)
Impairment		(1,200,486)	(664)		(2,242,908)	(8,328)	
Operating (loss)/profit		(1,180,575)	181,473	(751)	(1,940,972)	758,841	(356)
Finance costs		(137,111)	(125,772)		(522,149)	(430,958)	
Share of results of joint ventures and associate		54,241	24,602		166,249	164,347	
(Loss)/Profit before taxation		(1,263,445)	80,303	(1,673)	(2,296,872)	492,230	(567)
Taxation	18	1,157	(2,403)		(22,276)	(115,823)	
(Loss)/Profit for the financial period/year		(1,262,288)	77,900	(1,720)	(2,319,148)	376,407	(716)
Attributable to:							
- Owners of the Company		(1,262,879)	63,816	(2,079)	(2,302,769)	352,247	(754)
- Non-controlling interests		591	14,084		(16,379)	24,160	
		(1,262,288)	77,900		(2,319,148)	376,407	
Earnings per share (sen)	27						
- Basic		(21.51)	1.09		(39.22)	6.00	
- Diluted		(21.51)	1.09		(39.22)	6.00	

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Year Ended	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
(Loss)/Profit for the financial period/year		(1,262,288)	77,900	(2,319,148)	376,407
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		(507)	(179)	(9,171)	3,072
- Fair value gain on cash flow hedges		(119,536)	27,966	93,905	60,467
- Foreign currency translation differences		6,788	(214,829)	142,333	(516,796)
- Share of other comprehensive (expense)/income of joint ventures		(843)	2,116	4,613	789
Other comprehensive (expense)/income for the financial period/year, net of tax		(114,098)	(184,926)	231,680	(452,468)
Total comprehensive (expense)/income for the financial period/year		(1,376,386)	(107,026)	(2,087,468)	(76,061)
Total comprehensive (expense)/income attributable to:					
- Owners of the Company		(1,377,005)	(120,020)	(2,066,205)	(96,647)
- Non-controlling interests		619	12,994	(21,263)	20,586
		(1,376,386)	(107,026)	(2,087,468)	(76,061)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,692,694	9,235,066
Investments in joint ventures		1,022,870	668,967
Investment in an associate		5	-
Financial assets at fair value through other comprehensive income		15,158	-
Available-for-sale financial assets		-	16,498
Finance lease receivables		5,011,820	5,280,228
Other receivables		-	153,600
Contract assets		44,090	-
Amounts due from joint ventures		26,069	32,162
Derivative financial instruments	22	65,060	64,767
Deferred tax assets		21,660	7,295
		12,899,426	15,458,583
CURRENT ASSETS			
Inventories		7,298	4,199
Finance lease receivables		156,639	53,961
Trade receivables	20	749,734	727,153
Accrued lease rentals		315,555	372,945
Other receivables, deposits and prepayments		58,810	68,249
Contract assets	28	5,574	-
Amounts due from customers on contract		-	8,745
Amounts due from joint ventures		30,055	251,865
Derivative financial instruments	22	65,804	41,422
Tax recoverable		19,734	-
Deposits, cash and bank balances		1,226,424	1,846,114
		2,635,627	3,374,653
Non-current assets classified as held-for-sale		114	1,770
TOTAL ASSETS		15,535,167	18,835,006

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		563,527	598,783
Other payables and accruals		520,798	454,906
Contract liabilities	28	42,251	-
Amounts due to joint ventures		34,667	32,237
Provisions		85,587	-
Hire purchase creditors		-	88
Borrowings – others	21	3,781,099	3,352,727
Borrowings – Armada Kraken Pte Ltd	21	1,782,895	2,145,196
Borrowings – Sukuk Murabahah	21	1,499,352	-
Derivative financial instruments	22	426,299	11,839
Taxation		35,467	52,309
		8,771,942	6,648,085
NET CURRENT LIABILITIES		(6,136,201)	(3,271,662)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		27,901	68,285
Provisions		-	106,921
Hire purchase creditors		-	198
Borrowings	21	3,317,184	6,024,982
Derivative financial instruments	22	7,044	449,850
Deferred tax liabilities		40,956	15,654
		3,393,085	6,665,890
NET ASSETS		3,370,140	5,521,031
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		4,314,815	4,311,294
Reserves		(951,578)	1,186,035
		3,363,237	5,497,329
NON-CONTROLLING INTERESTS		6,903	23,702
TOTAL EQUITY		3,370,140	5,521,031
NET ASSETS PER SHARE (RM)		0.57 *	0.94

* Based on 5,870,937,544 ordinary shares in issue per Companies Act 2016 as at 31 December 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company								Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Share capital RM'000	Foreign exchange reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Other reserves RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000		
<u>2018</u>										
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 year	-	-	-	-	-	-	(2,302,769)	(2,302,769)	(16,379)	(2,319,148)
Other comprehensive income/(expense) for the financial year, net of tax	-	-	147,202	-	98,533	(9,171)	-	236,564	(4,884)	231,680
Total comprehensive income/(expense) for the financial year, net of tax	-	-	147,202	-	98,533	(9,171)	(2,302,769)	(2,066,205)	(21,263)	(2,087,468)
Transactions with owners:										
- Changes in non-controlling interest	-	-	12,816	-	(1)	-	(17,279)	(4,464)	4,464	-
- Shares issued pursuant to the management incentive plan	4,668	3,521	-	(3,521)	-	-	-	-	-	-
- Management incentive plan granted	-	-	-	452	-	-	-	452	-	452
- Employee share options forfeited	-	-	-	(6,132)	-	-	6,132	-	-	-
At 31 December 2018	5,870,937	4,314,815	1,240,259	10,151	58,275	7,537	(2,267,800)	3,363,237	6,903	3,370,140

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	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
<u>2017</u>											
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 year	-	-	-	-	-	-	-	352,247	352,247	24,160	376,407
Other comprehensive (expense)/income for the financial year, net of tax	-	-	-	(513,183)	-	61,217	3,072	-	(448,894)	(3,574)	(452,468)
Total comprehensive (expense)/income for the financial year, net of tax	-	-	-	(513,183)	-	61,217	3,072	352,247	(96,647)	20,586	(76,061)
Transactions with owners:											
- Employee share options granted	-	-	-	-	266	-	-	-	266	-	266
- Employee share options forfeited	-	-	-	-	(7,591)	-	-	7,591	-	-	-
- Management incentive plan granted	-	-	-	-	6,749	-	-	-	6,749	-	6,749
At 31 December 2017	5,866,269	4,311,294	-	1,080,241	19,352	(40,257)	16,708	109,991	5,497,329	23,702	5,521,031

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 has elected not to apply Section 618(3) and Section 618(4) on this amount. 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended 31.12.2018 RM'000	Year Ended 31.12.2017 RM'000
OPERATING ACTIVITIES		
(Loss)/Profit for the financial year	(2,319,148)	376,407
Adjustments for non-cash items:		
Share of results of joint ventures and associate	(166,249)	(164,347)
Gain on disposal of property, plant and equipment and non-current assets held-for-sale	(14,823)	(94,866)
Depreciation of property, plant and equipment	499,350	575,350
Fair value through profit and loss on derivative financial instruments	(1,869)	(14,046)
Bad debts written off	8,223	-
Net allowance for impairment losses (2017: Net allowance for doubtful debts)	276,358	1,741
Unrealised foreign exchange loss	17,436	48,598
Share-based payment	452	7,015
Impairment of:		
- Property, plant and equipment	2,199,735	-
- Non-current assets held for sale	43,173	-
- Available-for-sale financial assets	-	8,328
Interest income	(33,679)	(39,575)
Interest expense	515,885	434,519
Accretion of receivables	8,133	10,485
Taxation	22,276	115,823
Operating profit before changes in working capital	1,055,253	1,265,432
Changes in working capital:		
Inventories	(3,041)	1,662
Finance lease receivables	385,887	65,386
Trade and other receivables	(54,457)	(238,663)
Trade and other payables	214,745	(54,984)
Joint ventures	9,637	13,792
Cash from operations	1,608,024	1,052,625
Interest paid	(505,930)	(453,629)
Tax paid	(34,728)	(34,140)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	1,067,366	564,856
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(534,254)	(1,815,963)
Proceeds from disposal of property, plant and equipment	85,779	139,660
Interest received	35,048	40,822
Increase in paid-up share capital in a joint venture	(224,083)	(30)
Dividend income from a joint venture	64,650	-
Repayment from joint ventures	183,511	26,135
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(389,349)	(1,609,376)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	-	307,894
Repayment of bank borrowings	(1,366,713)	(750,170)
Decrease in deposits pledged as security	-	900
Proceeds from redemption of redeemable preference shares	33,467	40,628
Repayment of hire purchase creditors	(286)	(88)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(1,333,532)	(400,836)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended 31.12.2018 RM'000	Year Ended 31.12.2017 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(655,515)	(1,445,356)
CURRENCY TRANSLATION DIFFERENCES	35,825	276,516
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	1,846,114	3,014,954
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	1,226,424	1,846,114
Cash and cash equivalents consist of:		
Deposits with licensed banks	1,029,016	1,670,465
Cash and bank balances	197,408	175,649
	1,226,424	1,846,114

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 December 2018, the Group’s current liabilities exceeded its current assets by RM6,136.2 million mainly due to the following reasons:

- a) re-classification of non-current borrowings for Armada Kraken Pte Ltd (“AKPL”) of RM1,782.9 million and Sukuk Murabahah of RM1,499.4 million; and
- b) current borrowings comprising Armada Floating Gas Storage Malta Limited (“AFGSML”) secured term loan of RM186.5 million, unsecured term loans of RM1,578.0 million and revolving credit of RM1,246.9 million classified as current liabilities. These loans are expected to be refinanced via long term loans.

A 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 Group’s plan to carry on as a going concern 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

1. BASIS OF PREPARATION (CONTINUED)

- (b) New MFRS, amendments to MFRS, annual improvements and interpretation which are applicable to the Group effective on or after 1 January 2019: (continued)

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

MFRS 16 “Leases”

MFRS 16 “Leases” (effective from 1 January 2019) supersedes MFRS 117 “Leases” and related interpretations.

MFRS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group has assessed the effects of applying the new standard on the Group’s financial statements and has identified that the non-cancellable operating lease commitment will be affected. The Group expects to recognise right-of-use assets and lease liabilities, recognition of amortisation of right-of-use assets and interest on the lease liabilities which will affect the earnings before interest, taxation, depreciation and amortisation (“EBITDA”). Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group does not expect the Group’s activities as a lessor to have any significant impact on the financial statements. However, some additional disclosures will be required upon adoption of MFRS 16.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

- (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 financial year (“FY”) results as compared with the previous FY

Financial Indicators	FY 31.12.2018 RM'000	FY 31.12.2017 RM'000	Change RM'000
Segment revenue			
FPO ⁽¹⁾	1,693,896	1,432,886	261,010
OMS ⁽¹⁾	724,843	969,244	(244,401)
Total revenue	2,418,739	2,402,130	16,609
(Loss)/Profit for the financial year	(2,319,148)	376,407	(2,695,555)
Finance costs	522,149	430,958	91,191
Depreciation of property, plant and equipment	499,350	575,350	(76,000)
Impairment	2,242,908	8,328	2,234,580

The Group posted revenue of RM2,418.7 million for the financial year ended 31 December 2018 (“FY 2018”), an increase of RM16.6 million compared to the financial year ended 31 December 2017 (“FY 2017”). Revenue from the FPO segment increased due to full year revenue recognised in FY2018 for Armada Olombendo FPSO and Armada Kraken FPSO which commenced operations in February 2017 and June 2017 respectively. The increase in revenue from the FPO segment was offset by the decrease in revenue from the OMS segment. In the previous year, OMS revenue was higher due to one-off revenue recognised on work completed on the LukOil project arising from the signing of the supplementary agreement. In addition, OSV⁽²⁾ vessel utilisation was lower in FY 2018 as compared to FY 2017.

The Group posted a loss of RM2,319.1 million for FY 2018 and a loss attributable to the Owners of the Company of RM2,302.8 million. The losses are mainly due to impairment of Armada Kraken FPSO and certain OSV vessels, 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 RM2,242.9 million and net allowance for impairment losses of RM276.4 million, the Group posted a profit of RM200.2 million for FY 2018 and a profit attributable to the Owners of the Company of RM216.5 million.

With reference to Note 10 Segmental Information, the FPO segment result increased to RM810.4 million for FY 2018 as compared to RM748.6 million for FY 2017 mainly due to higher contribution from the Armada Olombendo FPSO and Armada Kraken FPSO. The OMS segment result decreased to RM198.0 million for FY 2018 as compared to RM403.2 million for FY 2017 due to one-off revenue recognised on work completed on the LukOil project arising from the signing of supplementary agreement in FY 2017. In addition, the OMS segment result was impacted by lower OSV vessel utilisation in FY 2018.

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	4th Quarter 2018 RM'000	3rd Quarter 2018 RM'000	Change RM'000
Segment revenue			
FPO	381,373	405,712	(24,339)
OMS	194,935	182,335	12,600
Total revenue	576,308	588,047	(11,739)
Loss for the financial period	(1,262,288)	(513,365)	(748,923)
Finance costs	137,111	130,845	6,266
Depreciation of property, plant and equipment	97,543	129,569	(32,026)
Impairment	1,200,486	563,480	637,006

The Group posted revenue of RM576.3 million for the quarter ended 31 December 2018 (“Q4 2018”), a decrease of RM11.7 million compared to the quarter ended 30 September 2018 (“Q3 2018”). This decrease was attributed mainly to the following:

- (a) FPO revenue decreased due to lower revenue from Armada TGT FPSO after signing the extension agreement in August 2018 and lower revenue from Armada Kraken FPSO mainly contributed by lower vessel productivity in Q4 2018;
- (b) OMS revenue increased mainly due to recognition of variation order for work performed for the LukOil project in Q4 2018. The increase is offset by the lower OSV vessel utilisation in Q4 2018. OSV vessel utilisation in Q4 2018 decreased to 38% for the Group’s vessels and for the Group’s vessels including those held by joint ventures.

OSV vessel average utilisation rates for the quarter ended	4th Quarter 2018 %	3rd Quarter 2018 %	Change in %
Group’s vessels	38	43	(5)
- Class A ⁽³⁾	32	42	(10)
- Class B ⁽⁴⁾	50	44	6
Group’s vessels including those held by joint ventures	38	44	(6)

The Group posted a loss of RM1,262.3 million for Q4 2018 and a loss attributable to Owners of the Company of RM1,262.9 million. The losses are due to impairment of Armada Kraken FPSO and certain OSV vessels, and net allowance for impairment losses. Excluding the impairment charge of RM1,200.5 million and net allowance for impairment losses of RM96.7 million, the Group posted a profit of RM34.9 million for Q4 2018 and a profit attributable to the Owners of the Company of RM34.3 million.

With reference to Note 10 Segmental Information, The FPO segment result decreased to RM153.4 million for Q4 2018 as compared to RM196.5 million for Q3 2018 due to lower contribution from Armada TGT FPSO after signing the extension agreement and lower productivity from Armada Kraken FPSO in Q4 2018 compared to Q3 2018. The OMS segment result increased to RM58.5 million for Q4 2018 as compared to RM44.6 million for Q3 2018 due to recognition of variation order for work performed for the LukOil project in Q4 2018.

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 31.12.2018 RM'000	As at 31.12.2017 RM'000	Change RM'000
Total assets	15,535,167	18,835,006	(3,299,839)
Total liabilities	12,165,027	13,313,975	(1,148,948)
Total equity	3,370,140	5,521,031	(2,150,891)

As at 31 December 2018, the Group had total assets of RM15,535.2 million, a decrease of 18% compared to 31 December 2017, mainly due to a decrease in property, plant and equipment (“PPE”), other receivables, amounts due from joint ventures and cash and bank balances.

PPE decreased due to the impairment losses recognised in FY 2018. Other receivables decreased due to allowance for impairment losses of RM141.2 million recognised in FY 2018. Amounts due from joint ventures decreased mainly due to repayment from a joint venture and allowance for impairment losses of amount due from a joint venture in FY 2018. The cash and bank balances decreased mainly due to repayment of bank borrowings.

The decrease in abovementioned assets has been partially offset by an increase in trade receivables balance due to higher billings made to the customers in FY 2018 and increase in investment in joint ventures due to additional investment in paid-up share capital in a joint venture.

As at 31 December 2018, the Group had total liabilities of RM12,165.0 million, a decrease of 9% compared to 31 December 2017, mainly due to repayment of bank borrowings.

(D) Review of consolidated statement of cash flows

Financial Indicators	FY 31.12.2018 RM'000	FY 31.12.2017 RM'000	Change RM'000
Net cash flows generated from operating activities	1,067,366	564,856	502,510
Net cash flows used in investing activities	(389,349)	(1,609,376)	1,220,027
Net cash flows used in financing activities	(1,333,532)	(400,836)	(932,696)
Net decrease in cash and cash equivalents	(655,515)	(1,445,356)	789,841

The Group had higher net cash flows generated from operating activities in FY 2018 compared to FY 2017, mainly due to higher collection from charterers subsequent to commencement of operations for the Armada Olombendo FPSO in February 2017 and Armada Kraken FPSO in June 2017 and lower payment of trade and other payables in FY 2018 as compared to FY 2017.

The Group had lower net cash flows used in investing activities in FY 2018 compared to FY 2017 due to completion of certain FPSO vessels in 2017.

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

2. MANAGEMENT COMMENTARY (CONTINUED)

(E) Critical accounting estimates and judgements

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

VIU is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount received in the event the vessel is sold on a willing buyer and willing seller basis.

Based on the assessment, an impairment charge of RM2,199.7 million for property, plant and equipment has been recognised during the year, of which RM1,613.2 million and RM586.5 million was charged for the Armada Kraken FPSO and certain OSV vessels respectively. The impairment assessment on Armada Kraken FPSO was carried out based on the amendment agreement to the charter agreement signed between AKPL, EnQuest Heather Limited, EnQuest ENS Limited and Nautical Petroleum Limited on 27 August 2018, and lower availability since final acceptance in September 2018.

The recoverable amount of OSV vessels was determined based on estimates and judgement with respect to key assumptions such utilisation rates, daily charter rates and the discount rate and the residual value; or estimated selling price net of costs of disposal in the event the vessel is expected to be sold on a willing buyer and willing seller basis.

In addition to the above, an impairment charge of RM43.2 million for non-current assets held for sale has been recognised during the year based on the FV of the assets, in accordance with MFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

Over the course of 2019 the Group will focus on the following areas:

- Conclude the refinancing of the corporate debt,
- Monetise assets,
- Operate at the highest levels of safety across the organisation,
- Improve the performance of Armada Kraken FPSO.

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 year ended 31 December 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 financial year ended 31 December 2018.

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 year ended 31 December 2018.

10. SEGMENTAL INFORMATION

The Group organised into 2 core business segments based on the type of activities carried out by its vessels and barges. The information of each of the Group's business segments for the individual and cumulative quarters ended 31 December 2018 and 31 December 2017 are as follows:

Individual Quarter Ended 31.12.2018	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	381,373	194,935	-	-	576,308
Inter-segment revenue	-	-	15,118	(15,118)	-
Results					
Segment results	153,374	58,499	712	-	212,585
Depreciation of property, plant and equipment	(45,321)	(51,872)	(350)	-	(97,543)
Bad debts written off	(8,218)	(5)	-	-	(8,223)
Net allowance for impairment losses	(17,998)	(78,669)	-	-	(96,667)
Impairment	(1,136,009)	(64,477)	-	-	(1,200,486)
Share of results of joint ventures and associate	54,008	233	-	-	54,241
Subtotal	(1,000,164)	(136,291)	362	-	(1,136,093)
Other operating income					9,759
Finance costs					(137,111)
Taxation					1,157
Loss for the financial period					(1,262,288)

Individual Quarter Ended 31.12.2017	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	452,846	209,301	-	-	662,147
Inter-segment revenue	-	-	41,796	(41,796)	-
Results					
Segment results	202,367	85,802	23,468	-	311,637
Depreciation of property, plant and equipment	(97,838)	(57,172)	(1,687)	-	(156,697)
Net allowance for doubtful debts	-	(3,586)	-	-	(3,586)
Impairment	-	-	(664)	-	(664)
Share of results of joint ventures	24,037	565	-	-	24,602
Subtotal	128,566	25,609	21,117	-	175,292
Other operating income					30,783
Finance costs					(125,772)
Taxation					(2,403)
Profit for the financial period					77,900

10. SEGMENTAL INFORMATION (CONTINUED)

Cumulative Quarters Year Ended 31.12.2018	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	1,693,896	724,843	-	-	2,418,739
Inter-segment revenue	-	-	101,986	(101,986)	-
Results					
Segment results	810,431	197,983	11,970	-	1,020,384
Depreciation of property, plant and equipment	(282,094)	(215,466)	(1,790)	-	(499,350)
Bad debts written off	(8,218)	(5)	-	-	(8,223)
Net (allowance for impairment losses)/ writeback of allowance for impairment losses	(68,690)	(207,690)	22	-	(276,358)
Impairment	(1,656,374)	(586,534)	-	-	(2,242,908)
Share of results of joint ventures and associate	166,566	(317)	-	-	166,249
Subtotal	(1,038,379)	(812,029)	10,202	-	(1,840,206)
Other operating income					65,483
Finance costs					(522,149)
Taxation					(22,276)
Loss for the financial year					(2,319,148)

Cumulative Quarters Year Ended 31.12.2017	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	1,432,886	969,244	-	-	2,402,130
Inter-segment revenue	-	-	145,021	(145,021)	-
Results					
Segment results	748,619	403,193	14,545	-	1,166,357
Depreciation of property, plant and equipment	(319,940)	(249,435)	(5,975)	-	(575,350)
Net writeback of allowance for doubtful debts/ (allowance for doubtful debts)	2,687	(4,428)	-	-	(1,741)
Impairment	-	-	(8,328)	-	(8,328)
Share of results of joint ventures	163,048	1,299	-	-	164,347
Subtotal	594,414	150,629	242	-	745,285
Other operating income					177,903
Finance costs					(430,958)
Taxation					(115,823)
Profit for the financial year					376,407

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

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 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 YEAR

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

13. CHANGES IN THE COMPOSITION OF THE GROUP

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

- a) On 4 October 2018, Shapoorji Pallonji Bumi Armada Godavari Private Limited (“SPBAG”) allotted additional shares to one of its corporate shareholders, Shapoorji Pallonji Oil and Gas Private Limited and diluted the effective interest of the Group in SPBAG from 49% to 30%. Accordingly, we have reclassified the investment as investment in an associate.
- b) On 20 December 2018, BAOHL and Shapoorji Pallonji Oil & Gas Pte Ltd (“SPOG”) entered into a shareholders’ agreement to jointly control Karapan Armada Madura Pte Ltd (“KAMPL”). KAMPL, a private company limited by shares, was formed in Singapore with an issued and paid-up capital of SGD20,000. BAOHL holds 49% less 1 share of equity interest in KAMPL. The remaining equity stake is owned by SPOG.

The principal activity of KAMPL is the provision of support to the Husky-CNOOC Madura Limited charter contract and facilitating credit enhancement for the financing of the project.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group’s contingent liabilities comprising bank guarantees extended to third parties amounted to RM149.2 million as at 31 December 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 December 2018 and 31 December 2017 are as follows:

	As at 31.12.2018 RM’000	As at 31.12.2017 RM’000
- authorised and contracted	25,160	162,142
- authorised but not contracted	22,625	278,385
	47,785	440,527

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Cumulative Quarters Year Ended 31.12.2018 RM'000	Cumulative Quarters Year Ended 31.12.2017 RM'000
(a) Transactions with UTSB Management Sdn Bhd ⁽¹⁾ - management fees	6,905	6,241
(b) Telecommunication expenses to Maxis Berhad ⁽²⁾	693	1,220
(c) Rental to Malaysian Landed Property Sdn Bhd ⁽³⁾	7,690	7,890
(d) Management fees and engineering assistance services charged to joint ventures		
- revenue	11,351	3,207
- other operating income	-	16,641
(e) Key management personnel compensation:		
- Non-Executive Directors' fees	2,102	2,124
- salaries, bonus and allowances and other staff related costs	15,606	17,079
- defined contribution plan	280	822
- share-based payment	1,526	4,249
(f) Payment on behalf:		
- joint ventures	3,197	11,076

Usaha Tegas Sdn Bhd ("UTSB") is a party related to the Company by virtue of its substantial equity interest in Objektif Bersatu Sdn Bhd ("OBSB"), a substantial shareholder of the Company. The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean and TAK are deemed to have interest in the shares of the Company through UTSB's deemed interest in OBSB, they do not have any economic or beneficial interest in the shares as such interest is held subject to the terms of the discretionary trust.

Notes:

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

17. PROFIT FORECAST OR PROFIT GUARANTEE

This is not applicable as the Group did not publish any profit forecast or issue any profit guarantee.

18. TAXATION

Taxation comprises the following:

	Individual Quarter Ended		Cumulative Quarters Year Ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Income tax:				
- Current year	6,007	(12,139)	35,334	95,622
- Prior year	(5,577)	(983)	(23,234)	5,594
Deferred tax	(1,587)	15,525	10,176	14,607
Total	(1,157)	2,403	22,276	115,823

The Group's effective tax rates for the individual and cumulative quarters year ended 31 December 2018 were 0.1% and negative 1.0% respectively. 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 and recognition of deferred tax assets on potential tax refund receivable from dividend to be declared by foreign subsidiaries.

19. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed as at the date of this report other than the announcement on 13 August 2013 that a documentation has been entered into 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") on 6 August 2013 by a wholly-owned subsidiary, Bumi Armada Capital Offshore Ltd. To date, no medium term notes have been issued 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 December 2018 and 31 December 2017 is as follows:

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Current	433,699	382,047
Less than 30 days past due	23,133	69,252
Between 31 and 60 days past due	90,886	41,835
Between 61 and 90 days past due	77,662	23,742
Between 91 days and 1 year past due	101,077	55,984
More than 1 year past due	23,277	154,293
	<u>749,734</u>	<u>727,153</u>

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 31.12.2018			As at 31.12.2017		
	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
SHORT-TERM DEBTS						
Secured:						
Term loans – others ⁽¹⁾	925,573	-	925,573	832,209	21,306	853,515
Term loans – Armada Kraken Pte Ltd ⁽²⁾	1,782,895	-	1,782,895	2,145,196	-	2,145,196
Unsecured:						
Sukuk Murabahah – current	-	30,655	30,655	-	30,654	30,654
Sukuk Murabahah – non-current ⁽³⁾	-	1,499,352	1,499,352	-	-	-
Revolving credit	1,246,912	-	1,246,912	1,020,389	-	1,020,389
Term loans ⁽⁴⁾	1,577,959	-	1,577,959	1,355,642	92,527	1,448,169
Total short-term debts	5,533,339	1,530,007	7,063,346	5,353,436	144,487	5,497,923
LONG TERM DEBTS						
Secured:						
Term loans	3,317,184	-	3,317,184	3,485,818	-	3,485,818
Unsecured:						
Sukuk Murabahah	-	-	-	-	1,499,213	1,499,213
Term loans	-	-	-	675,766	-	675,766
Revolving credit	-	-	-	364,185	-	364,185
Total long-term debts	3,317,184	-	3,317,184	4,525,769	1,499,213	6,024,982
Total borrowings	8,850,523	1,530,007	10,380,530	9,879,205	1,643,700	11,522,905

21. BORROWINGS (CONTINUED)

- (1) Included in the current secured term loan is a RM186.5 million (USD 45.0 million) AFGSML bridge loan, which is intended to be refinanced via long term financing.

The lender has extended the repayment date of the bridge loan from 28 February 2019 to 12 April 2019, on the basis of certain obligations. The Company is currently in discussions with the lender with respect to such obligations. The lender has previously reserved the right to issue, but has to-date not issued, a cancellation notice for full repayment of the bridge loan.

The Group is continuing to explore alternatives to refinance the secured bridge loan via long term financing.

- (2) Non-current borrowings for AKPL of RM1,782.9 million remains classified in current liabilities due to existing non-compliances by AKPL under this loan, in particular Armada Kraken FPSO project not achieving final acceptance by the scheduled date, where project lenders currently have the right to issue, but have to-date not issued, a 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.

In view that the Armada Kraken FPSO has achieved final acceptance in September 2018, the Group is currently in discussion with project lenders to remove the risk of having to prepay the loan as a result of existing non-compliances by AKPL.

- (3) The Group has not met the financial covenant of net debt over earnings before interest, depreciation and amortisation (“EBITDA”) for the Sukuk Murabahah for the financial year ended 31 December 2018. This is mainly because the computation includes non-cash impairment expenses recognised during the year. Accordingly, the non-current borrowing of RM1,499.4 million has been reclassified to current liabilities as at the financial year end.

The Group is seeking indulgence from Sukuk holders for the covenant breach.

- (4) As reported previously, the Group has not met the financial covenant of net debt over EBITDA of the unsecured term loans with a carrying amount of RM1,578.0 million.

The Group is in discussion with lenders to refinance the unsecured term loans via a long-term loan.

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

- Seek fresh funding to repay existing credit facilities and for working capital purposes;
- Monetise assets;
- Pursue collections from customers; and
- Optimise cost structure.

As at 31 December 2018, the proportion of borrowings between floating interest rate and fixed interest rate is 85%:15%. 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 year are as follows:

	31.12.2018	31.12.2017
	%	%
Revolving credits	4.83	3.58
Term loans	4.94	3.91
Sukuk Murabahah	6.35	6.35

Borrowings as at 31 December 2018 reduced by 9.9% as compared to 31 December 2017 mainly due to repayment of borrowings in FY 2018.

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

Types of Derivative	As at 31.12.2018		As at 31.12.2017	
	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	1,747,785	63,161	600,805	39,729
- 1 to 3 years	489,220	27,090	1,032,694	23,870
- More than 3 years	1,865,918	30,926	2,740,368	39,335
	<u>4,102,923</u>	<u>121,177</u>	<u>4,373,867</u>	<u>102,934</u>
Cross currency interest rate swaps				
- Less than 1 year	1,500,000	(423,656)	21,304	(10,146)
- 1 to 3 years	-	-	-	(17,001)
- More than 3 years	-	-	1,500,000	(431,287)
	<u>1,500,000</u>	<u>(423,656)</u>	<u>1,521,304</u>	<u>(458,434)</u>

There have been no changes since the end of the previous financial year ended 31 December 2017 in respect of the following:

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

As at 31 December 2018, the net derivative financial liabilities of the Group amounted to RM302.5 million (31 December 2017: RM355.5 million) on re-measuring the fair values of the derivative financial instruments. Of the decrease of RM53.0 million from the previous financial year ended 31 December 2017, a net amount of RM40.9 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests and RM11.3 million was recycled to the profit or loss which was included in finance cost.

RM39.1 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 RM18.5 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 December 2018 by RM98.5 million.

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

	As at 31.12.2018		As at 31.12.2017	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Finance lease receivables	5,168,459	5,903,289	5,334,189	6,036,757
Amounts due from joint ventures	56,124	51,976	284,027	240,673
Sukuk Murabahah	1,530,007	1,500,230	1,529,867	1,505,313

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 31 December 2018 and 31 December 2017, by valuation method.

As at 31.12.2018	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	15,158	-	-	15,158
Derivatives used for hedging				
- Interest rate swaps	-	128,820	-	128,820
- Cross currency interest rate swaps	-	2,044	-	2,044
Amounts due from joint ventures	-	-	56,124	56,124
Finance lease receivables	-	-	5,168,459	5,168,459
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(7,643)	-	(7,643)
- Cross currency interest rate swaps	-	(425,700)	-	(425,700)

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:				
Available-for-sale financial asset	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
	<u>-</u>	<u>-</u>	<u>5,334,189</u>	<u>5,334,189</u>
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(1,040)	-	(1,040)
- Cross currency interest rate swaps	-	(460,649)	-	(460,649)
	<u>-</u>	<u>(460,649)</u>	<u>-</u>	<u>(460,649)</u>

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

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

No transfers between any levels of the fair value estimation took place during the current year and the comparative year. There were also no changes in the purpose of any financial instruments that subsequently caused a change in classification of those instruments.

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Individual Quarter Ended 31.12.2018 RM'000	Individual Quarter Ended 31.12.2017 RM'000	Cumulative Quarters Year Ended 31.12.2018 RM'000	Cumulative Quarters Year Ended 31.12.2017 RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):				
(a) Other operating income				
- Interest income	(6,991)	(9,517)	(33,679)	(39,575)
- Insurance claims	-	(227)	(229)	(2,946)
- Management services charged to joint ventures	-	-	-	(16,641)
- Gain on disposal of property, plant and equipment	(175)	(16,841)	(14,823)	(94,866)
- Others	(2,593)	(4,198)	(16,752)	(23,875)
(b) Interest expense	125,733	137,026	515,885	434,519
(c) Accretion of receivables	2,569	2,760	8,133	10,485
(d) Depreciation of property, plant and equipment	97,543	156,697	499,350	575,350
(e) Bad debts written off				
- Amount due from a joint venture	8,223	-	8,223	-
(f) Net allowance for impairment losses (2017: Net allowance for doubtful debts)				
- Trade receivables	78,594	3,586	101,494	1,741
- Other receivables and deposits	-	-	141,234	-
- Amount due from a joint venture	18,073	-	33,630	-
(g) Impairment of:				
- Property, plant and equipment	1,200,486	-	2,199,735	-
- Non-current assets held for sale	-	-	43,173	-
- Available-for-sale financial asset	-	664	-	8,328
(h) Net foreign exchange loss/(gain)				
- realised	40,317	1,316	81,670	(1,214)
- unrealised	(3,176)	(2,261)	17,436	48,598
(i) Fair value through profit and loss on derivative financial instruments	8,809	(4,099)	(1,869)	(14,046)
(j) Retrenchment expenses	7,692	2,676	13,089	5,055

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 and other exceptional items for the current quarter ended 31 December 2018.

25. MATERIAL LITIGATION

Save for the following, as at 31 December 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 trial for this matter has commenced at the Supreme Court on 18 February 2019 and is currently still in progress.

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.

26. DIVIDENDS

No dividend was declared or recommended for the current financial year ended 31 December 2018.

27. EARNINGS PER SHARE

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

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 were not dilutive for the year ended 31 December 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 Year Ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
(Loss)/Profit attributable to Owners of the Company (RM’000)	(1,262,879)	63,816	(2,302,769)	352,247
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)	(21.51)	1.09	(39.22)	6.00
Diluted EPS (sen)	(21.51)	1.09	(39.22)	6.00

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 individual and cumulative quarters ended 31 December 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.

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

(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
<u>Consolidated Statements of Income for the Year Ended 31.12.2018</u>			
Revenue	2,431,859	(13,120)	2,418,739
Selling and distribution costs	(21,990)	(7,965)	(29,955)
Share of results of joint ventures	174,722	(8,473)	166,249
Loss for the financial year	(2,289,590)	(29,558)	(2,319,148)
<u>Consolidated Statements of Comprehensive Income</u>			
Foreign currency translation differences	144,169	(1,836)	142,333
<u>Consolidated Statement of Financial Position as at 31.12.2018</u>			
<u>Non-current assets</u>			
Investments in joint ventures	1,044,686	(21,816)	1,022,870
Contract assets	-	44,090	44,090
Amounts due from customers on contract	44,090	(44,090)	-
<u>Current assets</u>			
Other receivables, deposits and prepayments	78,398	(19,588)	58,810
Contract assets	-	5,574	5,574
Amounts due from customers on contract	1,715	(1,715)	-
<u>Current liabilities</u>			
Contract liabilities	-	(42,251)	(42,251)
<u>Capital and reserves attributable to owners of the company</u>			
Reserves	<u>(1,031,374)</u>	<u>79,796</u>	<u>(951,578)</u>

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		<u>48,402</u>

(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 Year Ended 31.12.2018	FPO RM'000	OMS RM'000	Total RM'000
Revenue stream:			
Finance lease income	220,863	-	220,863
Vessel charter fees and support services rendered	160,510	67,754	228,264
Construction and conversion work	-	127,181	127,181
	<u>381,373</u>	<u>194,935</u>	<u>576,308</u>
Revenue recognised under MFRS 15:			
Timing of revenue recognition:			
At a point in time	160,510	67,754	228,264
Over time	-	127,181	127,181
	<u>160,510</u>	<u>194,935</u>	<u>355,445</u>
Revenue recognised under MFRS 117 "Leases"	220,863	-	220,863
	<u>381,373</u>	<u>194,935</u>	<u>576,308</u>

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 Year Ended 31.12.2018	FPO RM'000	OMS RM'000	Total RM'000
Revenue stream:			
Finance lease income	780,347	-	780,347
Vessel charter fees and support services rendered	913,549	334,831	1,248,380
Construction and conversion work	-	390,012	390,012
	1,693,896	724,843	2,418,739
Revenue recognised under MFRS 15:			
Timing of revenue recognition:			
At a point in time	913,549	334,831	1,248,380
Over time	-	390,012	390,012
	913,549	724,843	1,638,392
Revenue recognised under MFRS 117 "Leases"	780,347	-	780,347
	1,693,896	724,843	2,418,739

BY ORDER OF THE BOARD

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

Kuala Lumpur
 28 February 2019