BUMI ARMADA BERHAD

(370398-X)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2019

BUMI ARMADA BERHAD (Company No. 370398-X)
Level 21, Menara Perak, 24, Jalan Perak, 50450 Kuala Lumpur, Malaysia.
Tel: +603 2171 5799 Fax: +603 2163 5799 www.bumiarmada.com

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

The Board of Directors of Bumi Armada Berhad ("Bumi Armada" or "the Company" or "the Group") would like to announce the following unaudited condensed consolidated financial statements for the first quarter ended 31 March 2019 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Note	Individual Quarter Ended			Cumulative Quarter Period Ended		
		31.03.2019 RM'000	**31.03.2018 RM'000**	**+/(-) %**	**31.03.2019 RM'000**	**31.03.2018 RM'000**	**+/(-) %**
Revenue		**491,608**	600,342	(18)	**491,608**	600,342	(18)
Cost of sales		**(301,639)**	(400,053)		**(301,639)**	(400,053)	
Gross profit		**189,969**	200,289		**189,969**	200,289	
Other operating income		**12,337**	28,227		**12,337**	28,227	
Selling and distribution costs		**(1,629)**	(13,422)		**(1,629)**	(13,422)	
Administrative expenses		**(33,724)**	(45,681)		**(33,724)**	(45,681)	
Operating profit		**166,953**	169,413	(1)	**166,953**	169,413	(1)
Finance costs		**(135,580)**	(122,763)		**(135,580)**	(122,763)	
Share of results of joint ventures and associate		**38,405**	18,890		**38,405**	18,890	
Profit before taxation		**69,778**	65,540	6	**69,778**	65,540	6
Taxation	18	**(8,423)**	(16,826)		**(8,423)**	(16,826)	
Profit for the financial period		**61,355**	48,714	26	**61,355**	48,714	26
Attributable to:							
- Owners of the Company		**62,213**	48,417	28	**62,213**	48,417	28
- Non-controlling interests		**(858)**	297		**(858)**	297	
		61,355	48,714		**61,355**	48,714	
Earnings per share (sen)	27						
- Basic		**1.06**	0.83		**1.06**	0.83	
- Diluted		**1.06**	0.83		**1.06**	0.83	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarter Period Ended	
		31.03.2019 RM'000	**31.03.2018 RM'000**	**31.03.2019 RM'000**	**31.03.2018 RM'000**
Profit for the financial period		**61,355**	48,714	**61,355**	48,714
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss					
- Fair value (loss)/gain on cash flow hedges		**(55,453)**	89,194	**(55,453)**	89,194
- Costs of hedging		**(1,637)**	39,675	**(1,637)**	39,675
- Foreign currency translation differences		**(39,690)**	(215,657)	**(39,690)**	(215,657)
- Share of other comprehensive expense of joint ventures		**(1,658)**	(979)	**(1,658)**	(979)
Items that will not be reclassified to profit or loss:					
- Financial assets at fair value through other comprehensive income:					
- (Loss)/Gain on fair value change		**(4,684)**	611	**(4,684)**	611
Other comprehensive expense for the financial period, net of tax		**(103,122)**	(87,156)	**(103,122)**	(87,156)
Total comprehensive expense for the financial period		**(41,767)**	(38,442)	**(41,767)**	(38,442)
Total comprehensive expense attributable to:					
- Owners of the Company		**(40,630)**	(37,471)	**(40,630)**	(37,471)
- Non-controlling interests		**(1,137)**	(971)	**(1,137)**	(971)
		(41,767)	(38,442)	**(41,767)**	(38,442)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**6,494,513**	6,692,694
Investments in joint ventures		**1,045,311**	1,022,870
Investment in an associate		**4**	5
Financial assets at fair value through other comprehensive income		**10,706**	15,158
Finance lease receivables		**4,887,596**	5,011,820
Contract assets		**24,115**	44,090
Amounts due from joint ventures		**21,347**	26,069
Derivative financial instruments	22	**39,084**	65,060
Deferred tax assets		**23,594**	21,660
		12,546,270	12,899,426
CURRENT ASSETS			
Inventories		**5,351**	7,298
Finance lease receivables		**173,727**	156,639
Trade receivables	20	**591,982**	755,283
Accrued lease rentals		**311,624**	315,555
Other receivables, deposits and prepayments		**99,626**	58,810
Contract assets		**20,476**	5,574
Amounts due from joint ventures		**26,514**	30,055
Derivative financial instruments	22	**48,380**	65,804
Tax recoverable		**18,336**	19,734
Deposits, cash and bank balances		**1,147,563**	1,226,424
		2,443,579	2,641,176
Non-current assets classified as held-for-sale		**1,308**	114
TOTAL ASSETS		**14,991,157**	15,540,716

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31.03.2019 RM'000	As at 31.12.2018 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		**510,060**	**563,527**
Other payables and accruals		**307,207**	**492,897**
Contract liabilities		**27,616**	**26,635**
Amounts due to joint ventures		**45,162**	**34,667**
Provisions		**84,520**	**85,587**
Lease liabilities		**14,607**	**5,549**
Borrowings – others	21	**3,631,171**	**3,781,099**
Borrowings – Armada Kraken Pte Ltd	21	**1,656,138**	**1,782,895**
Borrowings – Sukuk Murabahah	21	**1,499,387**	**1,499,352**
Derivative financial instruments	22	**414,588**	**426,299**
Taxation		**46,174**	**35,467**
		8,236,630	**8,733,974**
NET CURRENT LIABILITIES		**(5,791,743)**	**(6,092,684)**
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		**149,839**	**55,802**
Contract liabilities		**17,509**	**15,616**
Lease liabilities		**4,694**	**-**
Borrowings	21	**3,194,883**	**3,317,184**
Derivative financial instruments	22	**13,465**	**7,044**
Deferred tax liabilities		**44,504**	**40,956**
		3,424,894	**3,436,602**
NET ASSETS		**3,329,633**	**3,370,140**
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**4,314,815**	**4,314,815**
Reserves		**(990,948)**	**(951,578)**
		3,323,867	**3,363,237**
NON-CONTROLLING INTERESTS		**5,766**	**6,903**
TOTAL EQUITY		**3,329,633**	**3,370,140**
NET ASSETS PER SHARE (RM)		**0.57 ***	**0.57**

* Based on 5,870,937,544 ordinary shares in issue as at 31 March 2019.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company									
	Number of shares ’000	**Share capital RM’000**	**Foreign exchange reserve RM’000**	**Share option reserve RM’000**	**Hedging reserve RM’000**	**Other reserves RM’000**	**Accumu-lated losses RM’000**	**Total RM’000**	**Non-controlling interests RM’000**	**Total equity RM’000**
2019										
At 1 January 2019	**5,870,937**	**4,314,815**	**1,240,259**	**10,151**	**58,275**	**1,298**	**(2,261,561)**	**3,363,237**	**6,903**	**3,370,140**
Profit/(loss) for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**62,213**	**62,213**	**(858)**	**61,355**
Other comprehensive expense for the financial year, net of tax	**-**	**-**	**(39,411)**	**-**	**(58,748)**	**(4,684)**	**-**	**(102,843)**	**(279)**	**(103,122)**
Total comprehensive expense for the financial year, net of tax	**-**	**-**	**(39,411)**	**-**	**(58,748)**	**(4,684)**	**62,213**	**(40,630)**	**(1,137)**	**(41,767)**
Transactions with owners:										
- Management incentive plan granted	**-**	**-**	**-**	**1,260**	**-**	**-**	**-**	**1,260**	**-**	**1,260**
- Employee share options forfeited	**-**	**-**	**-**	**(6,469)**	**-**	**-**	**6,469**	**-**	**-**	**-**
At 31 March 2019	**5,870,937**	**4,314,815**	**1,200,848**	**4,942**	**(473)**	**(3,386)**	**(2,192,879)**	**3,323,867**	**5,766**	**3,329,633**

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to Owners of the Company									
	Number of shares ’000	**Share capital RM’000**	**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
Profit for the financial year	-	-	-	-	-	-	48,417	48,417	297	48,714
Other comprehensive (expense)/income for the financial year, net of tax	-	-	(214,389)	-	127,890	611	-	(85,888)	(1,268)	(87,156)
Total comprehensive (expense)/income for the financial year, net of tax	-	-	(214,389)	-	127,890	611	48,417	(37,471)	(971)	(38,442)
Transactions with owners:										
- Management incentive plan granted	-	-	-	1,385	-	-	-	1,385	-	1,385
- Employee share options forfeited	-	-	-	(5,509)	-	-	5,509	-	-	-
At 31 March 2018	5,866,269	4,311,294	865,852	15,228	87,633	17,319	100,042	5,397,368	22,731	5,420,099

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period Ended 31.03.2019 RM'000	Period Ended 31.03.2018 RM'000
OPERATING ACTIVITIES		
Profit for the financial period	**61,355**	48,714
Adjustments for non-cash items:		
Share of results of joint ventures and associate	**(38,405)**	(18,890)
Gain on disposal of property, plant and equipment and non-current assets held-for-sale	**(1,776)**	(14,721)
Depreciation of property, plant and equipment	**105,309**	132,316
Fair value through profit and loss on derivative financial instruments	**4,327**	(6,221)
Net allowance for impairment losses	**5,482**	47,782
Unrealised foreign exchange loss/(gain)	**3,096**	(747)
Share-based payment	**1,260**	1,385
Interest income	**(8,370)**	(9,570)
Interest expense	**130,909**	127,131
Accretion of interest	**344**	1,853
Taxation	**8,423**	16,826
Operating profit before changes in working capital	**271,954**	325,858
Changes in working capital:		
Inventories	**1,908**	(1,897)
Finance lease receivables	**10,470**	3,128
Trade and other receivables	**120,936**	(117,710)
Trade and other payables	**(64,086)**	(54,091)
Joint ventures	**13,366**	203,396
Cash from operations	**354,548**	358,684
Interest paid	**(159,027)**	(142,595)
Tax paid	**(1,113)**	(1,611)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**194,408**	214,478
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(33,147)**	(107,158)
Proceeds from disposal of property, plant and equipment	**21,785**	16,432
Interest received	**11,062**	10,619
Increase in paid-up share capital in a joint venture	**-**	(224,083)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(300)**	(304,190)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(259,034)**	(188,232)
Repayment of hire purchase creditors	**-**	(22)
Principal elements of operating lease payment	**(1,906)**	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(260,940)**	(188,254)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Period Ended 31.03.2019 RM'000	Period Ended 31.03.2018 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(66,832)**	(277,966)
CURRENCY TRANSLATION DIFFERENCES	**(12,029)**	(76,955)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	**1,226,424**	1,846,114
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**1,147,563**	1,491,193
Cash and cash equivalents consist of:		
Deposits with licensed banks	**970,173**	1,192,007
Cash and bank balances	**177,390**	299,186
	1,147,563	1,491,193

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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 2018 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 2018. The results of the joint ventures are based on unaudited management accounts.

As at 31 March 2019, the Group's current liabilities exceeded its current assets by RM5,791.7 million mainly due to the following reasons:

a) re-classification of non-current borrowings for Armada Kraken Pte Ltd ("AKPL") of RM1,656.1 million and Sukuk Murabahah of RM1,499.4 million; and
b) current borrowings comprising Armada Floating Gas Storage Malta Ltd ("AFGSML") secured term loan of RM184.5 million, unsecured term loans of RM1,552.4 million and revolving credit of RM1,143.4 million classified as current liabilities as the repayment is due within 12 months from the balance sheet date.

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 actions taken to address the Group's debt obligations are 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 2018, 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 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 did not have any significant impact on the financial statements of the Group, except as disclosed in Note 28.

(b) New amendments to MFRS, annual improvements and interpretation which are applicable to the Group effective on or after 1 January 2020:

- Amendments to References to the Conceptual Framework in MFRS Standards
  - 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"

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019 (CONTINUED)

1. BASIS OF PREPARATION (CONTINUED)

(b) New amendments to MFRS, annual improvements and interpretation which are applicable to the Group effective on or after 1 January 2020: (continued)

- Amendments to References to the Conceptual Framework in MFRS Standards (continued)
  - Amendment to MFRS 138 "Intangible Assets"
  - Amendment to IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Amendments to MFRS 3 "Business Combinations" – Definition of a business
- Amendments to MFRS 101 "Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material

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

2. MANAGEMENT COMMENTARY

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

Financial Indicators	YTD 31.03.2019 RM'000	YTD 31.03.2018 RM'000	Change RM'000
Segment revenue			
FPO [1]	**425,565**	460,347	(34,782)
OMS [1]	**66,043**	139,995	(73,952)
Total revenue	**491,608**	600,342	(108,734)
Profit for the financial period	**61,355**	48,714	12,641
Finance costs	**(135,580)**	(122,763)	(12,817)
Depreciation of property, plant and equipment	**(105,309)**	(132,316)	27,007

The Group posted revenue of RM491.6 million for the financial period ended 31 March 2019 ("YTD 2019"), a decrease of RM108.7 million compared to the financial period ended 31 March 2018 ("YTD 2018"). The decrease in revenue was mainly due to the completion of the LukOil project in the Caspian Sea in December 2018. Revenue from the FPO segment decreased due to lower revenue from Armada TGT FPSO subsequent to the signing of the extension agreement in August 2018.

The Group posted a profit of RM61.4 million for YTD 2019 and a profit attributable to Owners of the Company of RM62.2 million, an increase of 26% and 28% respectively compared to YTD 2018. The increase is mainly due to higher allowance for impairment losses of receivables in YTD 2018 and lower depreciation as a result of impairment losses recognised on the Armada Kraken FPSO and certain OSV vessels during the financial year ended 31 December 2018. The increase is also contributed by higher share of results from Karapan Armada Sterling III in YTD 2019 arising from lower tax expense due to recognition of deferred tax assets and lower management fees recognised in YTD 2019. The increase is partially negated by the lower revenue in YTD 2019.

With reference to Note 10 Segmental Information, the FPO segment result decreased to RM253.7 million for YTD 2019 as compared to RM285.2 million for YTD 2018 mainly due to lower contribution from the Armada TGT FPSO and Armada LNG Mediterrana FSU. The OMS segment result decreased to RM9.0 million for YTD 2019 as compared to RM30.2 million for YTD 2018 due to the completion of the LukOil project in the Caspian Sea in December 2018.

Notes:

[1] FPO – Floating Production and Operations, and OMS – Offshore Marine Services. These acronyms are also used hereinafter.
[2] OSV – Offshore Support Vessel

2. MANAGEMENT COMMENTARY (CONTINUED)

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

Financial Indicators	1st Quarter 2019 RM'000	4th Quarter 2018 RM'000	Change RM'000
Segment revenue			
FPO	**425,565**	381,373	44,192
OMS	**66,043**	194,935	(128,892)
Total revenue	**491,608**	576,308	(84,700)
Profit/(Loss) for the financial period	**61,355**	(1,262,288)	1,323,643
Finance costs	**(135,580)**	(137,111)	1,531
Depreciation of property, plant and equipment	**(105,309)**	(97,543)	(7,766)
Impairment	**-**	(1,200,486)	1,200,486

The Group posted revenue of RM491.6 million for the quarter ended 31 March 2019 ("Q1 2019"), a decrease of RM84.7 million compared to the quarter ended 31 December 2018 ("Q4 2018"). This decrease was attributed mainly to the following:

(a) OMS revenue decreased due to the completion of LukOil project in the Caspian Sea in December 2018. The OSV vessel utilisation continued to be adversely affected by the challenging oil and gas market environment with a marginal improvement to 39% for the Group's vessels; and

OSV vessel average utilisation rates for the quarter ended	1st Quarter 2019 %	4th Quarter 2018 %	Change in %
Group's vessels	**39**	38	1
- Class A[3]	**36**	32	4
- Class B[4]	**45**	50	(5)
Group's vessels including those held by joint ventures	**38**	38	-

(b) FPO revenue increased mainly due to higher contribution from Armada Kraken FPSO.

The Group posted a profit of RM61.4 million and a profit attributable to Owners of the Company of RM62.2 million for Q1 2019, an improvement by more than 100% as compared Q4 2018. The losses in Q4 2018 were mainly due to impairment of Armada Kraken FPSO and certain OSV vessels, and net allowance for impairment losses of receivables.

With reference to Note 10 Segmental Information, the FPO segment result increased to RM253.7 million for Q1 2019 as compared to RM153.4 million for Q4 2018 mainly due to higher contribution from Armada Kraken FPSO in Q1 2019 compared to Q4 2018. The OMS segment result decreased to RM9.0 million for Q1 2019 as compared to RM58.5 million for Q4 2018 mainly due to the completion of the LukOil project in the Caspian Sea in December 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 31.03.2019 RM'000**	**As at 31.12.2018 RM'000**	**Change RM'000**
Total assets	**14,991,157**	15,540,716	(549,559)
Total liabilities	**(11,661,524)**	(12,170,576)	509,052
Total equity	**(3,329,633)**	(3,370,140)	40,507

As at 31 March 2019, the Group had total assets of RM14,991.2 million, a decrease of 4% compared to 31 December 2018, mainly due to a decrease in property, plant and equipment ("PPE"), finance lease receivables and trade receivables. PPE decreased due to the depreciation in Q1 2019 and lower translation of PPE for subsidiaries with functional currency denominated in USD as RM strengthened against USD in March 2019. The decrease in finance lease receivables and trade receivables are mainly due to receipts from customers during Q1 2019.

As at 31 March 2019, the Group had total liabilities of RM11,661.5 million, a decrease of 4% compared to 31 December 2018, mainly due to repayment of bank borrowings.

(D) Review of consolidated statement of cash flows

Financial Indicators	**YTD 31.03.2019 RM'000**	**YTD 31.03.2018 RM'000**	**Change RM'000**
Net cash flows generated from operating activities	**194,408**	214,478	(20,070)
Net cash flows used in investing activities	**(300)**	(304,190)	303,890
Net cash flows used in financing activities	**(260,940)**	(188,254)	(72,686)
Net decrease in cash and cash equivalents	**(66,832)**	(277,966)	211,134

The Group had lower net cash flows generated from operating activities in YTD 2019 compared to YTD 2018, mainly due to higher interest paid in YTD 2019.

The Group had lower net cash flows used in investing activities in YTD 2019 compared to YTD 2018 due to the subscription of shares of a joint venture in YTD 2018 as well as lower purchase of PPE during YTD 2018 due to completion of certain FPSO vessels in 2018.

The Group had higher net cash flows used in financing activities in YTD 2019 compared to YTD 2018 due to higher repayment of bank borrowings during the period.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

The Group intends to focus on the following areas to improve the prospects for the organisation:

- Maintain focus on HSSEQ;
- Reduce costs and debt;
- Improve Armada Kraken performance;
- Monetise unutilised assets;
- Secure charters for the OMS vessels; and
- Selective growth in FPO sector.

4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the audited financial statements for the preceding financial year ended 31 December 2018.

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 31 March 2019.

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 during the current quarter.

7. CHANGES IN ESTIMATES

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

8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuances or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

9. DIVIDENDS PAID

There were no dividends paid in the current financial period ended 31 March 2019.

10. SEGMENTAL INFORMATION

The Group is organised into 2 core business segments based on the type of activities carried out by its vessels and barges. The information of each of the Group's business segments for the individual quarter ended 31 March 2019 and 31 March 2018 are as follows:

Individual Quarter Ended 31.03.2019	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	**425,565**	**66,043**	**-**	**-**	**491,608**
Inter-segment revenue	**-**	**-**	**33,492**	**(33,492)**	**-**
Results					
Segment results	**253,727**	**9,040**	**2,640**	**-**	**265,407**
Depreciation of property, plant and equipment	**(68,765)**	**(34,645)**	**(1,899)**	**-**	**(105,309)**
Net allowance for impairment losses	**(5,482)**	**-**	**-**	**-**	**(5,482)**
Share of results of joint ventures and associate	**38,150**	**255**	**-**	**-**	**38,405**
Subtotal	**217,630**	**(25,350)**	**741**	**-**	**193,021**
Other operating income					**12,337**
Finance costs					**(135,580)**
Taxation					**(8,423)**
Profit for the financial period					**61,355**

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

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

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2019, 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) Subsequent to the balance sheet date, the Group obtained a waiver on the breach of financial covenants of Sukuk Murabahah, and has also signed and drawn down a facility agreement for refinancing of certain unsecured term loans and revolving credit facilities, the details of which are disclosed in Note 21.

b) On 2 May 2019, Shapoorji Pallonji Bumi Armada Godavari Private Limited ("SPBAG"), an associate in which the Company has equity interest of 30%, had received a Notification of Award ("NOA") from Oil and Natural Gas Corporation Limited ("ONGC") of India, for the charter hire and operations of one (1) Floating Production, Storage and Offloading Vessel ("FPSO") (the "Contract"). The Contract is for a fixed period of nine (9) years, valued at approximately USD2.1 billion (equivalent to approximately RM8.8 billion). ONGC has an option to extend the Contract for an additional seven (7) years on a yearly basis at an aggregate contract value of approximately USD655.0 million (equivalent to approximately RM2.7 billion), if all the extension options are exercised.

   The Contract will be operated by SPBAG for the ONGC NELP Block KG – DWN 98/2 Development Project Cluster-II field located on the east coast of Kakinada, offshore India.

   The Contract is not expected to have any material effect on the share capital, substantial shareholding, or net assets of the Group.

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 as follows:

a) On 8 January 2019, Bumi Armada Offshore Holdings Limited ("BAOHL"), a wholly-owned subsidiary of the Company entered into a shareholders agreement with Cosmarq International Limited ("CIL"), and Corib Holdings Inc ("CHI") to form a joint venture company known as Abaco Offshore Limited ("AOL") for the provision of offshore procurement services to Armada Cabaca Ltd. ("ACL") in connection with the FPSO services contract between (a) Eni Angola S.p.A. ("Eni") as charterer, and (b) a consortium comprising ACL as contractor and Angoil Bumi JV, Lda. ("ABJV") as operator in Angola.

   AOL was incorporated on 16 August 2017 in the Republic of the Marshall Islands with an authorised capital of USD50,000 and paid-up capital of USD1,000. BAOHL holds 49.0% equity interest in AOL and the remaining shareholders are CHI and CIL holding 20.4% and 30.6% equity interest respectively. AOL is deemed as a subsidiary of BAOHL and an indirect subsidiary of Bumi Armada upon the execution of the shareholders agreement on 8 January 2019, which terms provides the Group control over AOL's operations.

b) Bumi Armada Americas Corporation ("BAAC"), an indirect wholly-owned subsidiary of the Company has been dissolved on 18 February 2019 as stated in the Certificate of Fact from the Secretary of State of Texas dated 13 March 2019.

   The dissolution of BAAC is in line with BAB Group's recent cost optimisation exercise and is not expected to have any material impact on the earnings or net assets of BAB group for the financial year ending 31 December 2019.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group's contingent liabilities comprising bank guarantees extended to third parties amounted to RM149.5 million as at 31 March 2019 as compared to RM149.2 million as at 31 December 2018. There are no material contingent assets to be disclosed.

15. CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment approved by the Directors and not provided for in the unaudited condensed consolidated financial statements as at 31 March 2019 and 31 December 2018 are as follows:

	As at 31.03.2019 RM'000	**As at 31.12.2018 RM'000**
- authorised and contracted	**17,831**	25,160
- authorised but not contracted	**71,531**	22,625
	89,362	47,785

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

		Quarter Ended 31.03.2019 RM'000	**Quarter Ended 31.03.2018 RM'000**
(a)	Management fees and engineering assistance services receivable	**5,213**	-
(b)	Payment on behalf of:		
	- joint ventures	**161**	1,354
(c)	Transactions with UTSB Management Sdn Bhd [(1)]		
	- management fees	**(1,765)**	(1,674)
(d)	Telecommunication expenses to Maxis Berhad [(2)]	**(123)**	(234)
(e)	Rental to Malaysian Landed Property Sdn Bhd [(3)]	**(1,648)**	(1,983)
(f)	Key management personnel compensation:		
	- Non-Executive Directors' fees	**(557)**	(485)
	- salaries, bonus and allowances and other staff related costs	**(5,115)**	(4,897)
	- defined contribution plan	**(98)**	(185)
	- share-based payment	**(425)**	(5,476)

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

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

17. PROFIT FORECAST OR PROFIT GUARANTEE

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

18. TAXATION

Taxation comprises the following:

	Individual Quarter Ended		Cumulative Quarter Period Ended	
	31.03.2019 RM'000	**31.03.2018 RM'000**	**31.03.2019 RM'000**	**31.03.2018 RM'000**
Income tax:				
- Current year	**6,425**	14,118	**6,425**	14,118
- Prior year	**74**	(101)	**74**	(101)
Deferred tax	**1,924**	2,809	**1,924**	2,809
Total	**8,423**	16,826	**8,423**	16,826

The Group's effective tax rates for the individual and cumulative quarter ended 31 March 2019 were 12.1%. The difference in the effective tax rate and the Malaysian statutory tax rate of 24% is mainly due to income not subject to tax 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 USD1.5 billion Multi Currency Euro Medium Term Note Programme ("EMTN Programme") has been established 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 March 2019 and 31 December 2018 is as follows:

	As at 31.03.2019 RM'000	**As at 31.12.2018 RM'000**
Current	**434,850**	439,248
Less than 30 days past due	**111,069**	23,133
Between 31 and 60 days past due	**3,094**	90,886
Between 61 and 90 days past due	**5,168**	77,662
Between 91 days and 1 year past due	**13,834**	101,077
More than 1 year past due	**23,967**	23,277
	591,982	755,283

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 31.03.2019			As at 31.12.2018			As at 31.03.2018		
	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 [(1)]	**928,414**	**-**	**928,414**	925,573	-	925,573	812,129	21,306	833,435
Term loans – Armada Kraken Pte Ltd [(2)]	**1,656,138**	**-**	**1,656,138**	1,782,895	-	1,782,895	1,955,083	-	1,955,083
Unsecured:									
Sukuk Murabahah – current	**-**	**6,907**	**6,907**	-	30,655	30,655	-	6,646	6,646
Sukuk Murabahah – non-current [(3)]	**-**	**1,499,387**	**1,499,387**	-	1,499,352	1,499,352	-	-	-
Revolving credit [(4)]	**1,143,419**	**-**	**1,143,419**	1,246,912	-	1,246,912	1,281,532	-	1,281,532
Term loans [(5)]	**1,552,431**	**-**	**1,552,431**	1,577,959	-	1,577,959	1,295,004	93,747	1,388,751
Total short-term debts	**5,280,402**	**1,506,294**	**6,786,696**	5,533,339	1,530,007	7,063,346	5,343,748	121,699	5,465,447
LONG TERM DEBTS									
Secured:									
Term loans	**3,194,883**	**-**	**3,194,883**	3,317,184	-	3,317,184	3,258,483	-	3,258,483
Unsecured:									
Sukuk Murabahah	**-**	**-**	**-**	-	-	-	-	1,499,248	1,499,248
Term loans	**-**	**-**	**-**	-	-	-	645,205	-	645,205
Revolving credit	**-**	**-**	**-**	-	-	-	-	-	-
Total long-term debts	**3,194,883**	**-**	**3,194,883**	3,317,184	-	3,317,184	3,903,688	1,499,248	5,402,936
Total borrowings	**8,475,285**	**1,506,294**	**9,981,579**	8,850,523	1,530,007	10,380,530	9,247,436	1,620,947	10,868,383

21. BORROWINGS (CONTINUED)

[(1)] Included in the current secured term loan is a RM184.5 million AFGSML bridge loan, which is intended to be refinanced via long term financing. The lender had previously reserved the right to issue a cancellation notice for full repayment of the loan, and extended the repayment date from 28 February 2019 to 12 April 2019.

In April 2019, the lender waived its right to issue a cancellation notice for full repayment of the loan and also further extended the repayment date of the loan from 12 April 2019 to 11 October 2019.

The Group has identified alternatives to refinance the secured bridge loan via long term financing. As the asset involved is in a long term secured charter with strong operational performance, the Group believes that there is a high likelihood of securing alternative financing.

[(2)] Non-current borrowings for AKPL of RM1,656.1 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. The Group expects to alleviate such risk in 2019.

[(3)] Non-current Sukuk Murabahah of RM1,499.4 million remains classified in current liabilities as the Group did not meet 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 financial year ended 31 December 2018.

In April 2019, the Group received a waiver on the covenant breach from the Sukuk holders. Thereafter, the current liabilities will be reclassified to non-current liabilities.

[(4)] The revolving credit facilities of RM1,143.4 million are due within 12 months from the balance sheet date and are classified as current liabilities.

[(5)] The unsecured term loans with a carrying amount of RM1,552.4 million are due within 12 months from the balance sheet date and are classified as current liabilities. The Group has not met the financial covenant of net debt over EBITDA for the financial year ended 31 December 2018.

In April 2019, the Group signed a facility agreement to refinance the unsecured term loans and revolving credit facilities referred to in (4) and (5) above (the “Facility Agreement”). The salient terms of the new unsecured term loans (the “Loans”) are as follows:

(i) The Loans comprise a Tranche 1 facility of USD260.0 million and a Tranche 2 facility of USD400.0 million repayable over 24 months and 60 months respectively, from the closing date of the Facility Agreement;
(ii) The OMS business together with certain FPO vessels which are idle will be disposed of assuming commercially acceptable sale terms can be obtained; and
(iii) Surplus funds from operations and part of the proceeds, from certain strategic initiatives including monetisation of assets and new project financing will be used to repay the Loans; and

On 23 May 2019, the Group drew down the Loans and repaid the unsecured term loans and revolving credit facilities referred to in (4) and (5) above.

Based on the cash flow forecast for the next 12 months from the reporting date, the Group’s obligations are expected to be funded by available cash balances and cash flows from the Group’s existing vessel charter contracts and proceeds from asset monetisation of non-core assets. The Group also expects distribution from joint ventures.

In order to further manage and strengthen the cash flow position, the Group is taking the following measures:
- Pursue collections from customers; and
- Optimise cost structure.

21. BORROWINGS (CONTINUED)

As at 31 March 2019, 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, while Sukuk Murabahah has been hedged using Cross Currency Interest Rate Swap, as disclosed in Note 22.

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

	31.03.2019 %	**31.12.2018 %**	**31.03.2018 %**
Revolving credits	**4.82**	4.83	4.12
Term loans	**5.31**	4.94	4.43
Sukuk Murabahah	**6.35**	6.35	6.35

Borrowings as at 31 March 2019 reduced by 4% as compared to 31 December 2018 mainly due to repayment of borrowings.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments outstanding as at 31 March 2019 and 31 December 2018 are as set out below:

	As at 31.03.2019		**As at 31.12.2018**	
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	**1,662,009**	**44,900**	1,747,785	63,161
- 1 to 3 years	**490,407**	**13,364**	489,220	27,090
- More than 3 years	**1,777,685**	**12,255**	1,865,918	30,926
	3,930,101	**70,519**	4,102,923	121,177
Cross currency interest rate swaps				
- Less than 1 year	**1,500,000**	**(411,108)**	1,500,000	(423,656)
	1,500,000	**(411,108)**	1,500,000	(423,656)

There have been no changes since the end of the previous financial year ended 31 December 2018 in respect of the following:

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

As at 31 March 2019, the net derivative financial liabilities of the Group amounted to RM340.6 million (31 December 2018: RM302.5 million) on re-measuring the fair values of the derivative financial instruments. Of the increase of RM38.1 million from the previous financial year ended 31 December 2018, a net amount of RM38.1 million was included in the cost of hedging reserve and cash flow hedge reserve attributable to the Group and non-controlling interests. Share of hedging reserve in the joint ventures of RM1.6 million was included in the cost of hedging reserve and cash flow hedge reserve.

RM23.2 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 RM4.2 million was recycled to profit or loss which was included in finance cost. This has resulted in a decrease in the credit balance of the cost of hedging reserve and cash flow hedge reserve to a debit balance as at 31 December 2018 by RM58.7 million.

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group's cash flow hedge reserve as at 31 March 2019 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 costs over the period of the underlying borrowings.

23. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value and amortised cost, the different levels have been identified as follows:

Level 1 - Quoted prices (unadjusted in active markets for identical assets or liabilities)
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices)
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

(a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 31 March 2019 and 31 December 2018 except as set out below, measured using Level 3 valuation technique:

	As at 31.03.2019		**As at 31.12.2018**	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Finance lease receivables	**5,061,323**	**5,775,153**	5,168,459	5,903,289
Amounts due from joint ventures	**21,347**	**51,328**	26,069	51,976
Sukuk Murabahah	**1,506,294**	**1,481,264**	1,530,007	1,500,230

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 31 March 2019 and 31 December 2018, by valuation method.

As at 31.03.2019	**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	**10,706**	**-**	**-**	**10,706**
Derivatives used for hedging				
- Interest rate swaps	**-**	**85,024**	**-**	**85,024**
- Cross currency interest rate swaps	**-**	**2,440**	**-**	**2,440**
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	**-**	**(14,505)**	**-**	**(14,505)**
- Cross currency interest rate swaps	**-**	**(413,548)**	**-**	**(413,548)**

23. FAIR VALUE HIERARCHY (CONTINUED)

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

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
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(7,643)	-	(7,643)
- Cross currency interest rate swaps	-	(425,700)	-	(425,700)

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

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

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

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME

		Individual Quarter Ended 31.03.2019 RM'000	Individual Quarter Ended 31.03.2018 RM'000
Profit before taxation is arrived at after charging/(crediting):			
(a)	Other operating income		
	- Interest income	**(8,370)**	(9,570)
	- Gain on disposal of property, plant and equipment	**(1,776)**	(14,721)
	- Others	**(2,191)**	(3,936)
(b)	Interest expense	**130,909**	127,131
(c)	Accretion of receivables	**344**	1,853
(d)	Depreciation of property, plant and equipment	**105,309**	132,316
(e)	Net allowance for impairment losses		
	- Trade receivables	**-**	10,021
	- Other receivables and deposits	**-**	37,761
	- Amount due from a joint venture	**5,482**	-
(f)	Net foreign exchange (gain)/loss		
	- realised	**(13,066)**	13,784
	- unrealised	**3,096**	(747)
(g)	Fair value through profit and loss on derivative financial instruments	**4,327**	(6,221)
(h)	Retrenchment expenses	**34**	2,927

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 March 2019.

25. MATERIAL LITIGATION

Save for the following, as at 31 March 2019, 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 the parties served written closing submissions and made closing oral submissions on 26 and 27 March 2019. Judgment is expected around October to December 2019.

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 period ended 31 March 2019.

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.

27. EARNINGS PER SHARE (CONTINUED)

The MIP shares awarded were not dilutive for the period ended 31 March 2019 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 Quarter Period Ended**	
	31.03.2019	**31.03.2018**	**31.03.2019**	**31.03.2018**
Profit attributable to Owners of the Company (RM'000)	**62,213**	48,417	**62,213**	48,417
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)	**1.06**	0.83	**1.06**	0.83
Diluted EPS (sen)	**1.06**	0.83	**1.06**	0.83

28. ADOPTION OF MFRS 16

The Group has adopted MFRS 16 in the current financial period, where MFRS 16 supersedes MFRS 117 "Leases" and the related interpretations. Under MFRS 16, a lease contract (or part of contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases.

MFRS 16 requires the lessee to recognise in the statement of financial position, a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payment for most leases. The right-of use is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the statement of profit or loss.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption. Right-of-use assets were measured on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The adoption of MFRS 16 impacts the Group's financial performance in the current financial period as below:

(a) On the statement of profit or loss, expenses which previously included as operating lease rentals were replaced by accretion of interest on lease liabilities (included within "finance costs") and amortisation of the right-of-use assets (included within depreciation of property, plant and equipment).
(b) On the statement of cash flows, operating lease rental outflows previously recorded within "net cash flows from operating activities" were reclassified as "net cash flows used in financing activities" for repayment of the principal portion of lease liabilities.

BY ORDER OF THE BOARD

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

Kuala Lumpur
27 May 2019