BUMIARMADA

BUMI ARMADA BERHAD

199501041194 (370398-X)

(Incorporated in Malaysia)

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 fourth quarter and year ended 31 December 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 Quarters Year Ended		
		31.12.2019 RM'000	**31.12.2018 RM'000**	**+/(-) %**	**31.12.2019 RM'000**	**31.12.2018 RM'000**	**+/(-) %**
Revenue		**515,643**	576,308	(11)	**2,070,705**	2,418,739	(14)
Cost of sales		**(579,491)**	(495,656)		**(1,517,264)**	(1,917,530)	
Gross (loss)/profit		**(63,848)**	80,652		**553,441**	501,209	
Other operating income		**31,796**	9,759		**141,607**	65,483	
Selling and distribution costs		**(5,668)**	522		**(10,858)**	(29,955)	
Administrative expenses		**(45,359)**	(71,022)		**(150,417)**	(234,801)	
Operating (loss)/profit before impairment		**(83,079)**	19,911	(517)	**533,773**	301,936	77
Impairment		**(43,656)**	(1,200,486)		**(43,656)**	(2,242,908)	
Operating (loss)/profit		**(126,735)**	(1,180,575)	(89)	**490,117**	(1,940,972)	(125)
Finance costs		**(147,312)**	(137,111)		**(555,502)**	(522,149)	
Share of results of joint ventures and associates		**23,901**	54,241		**147,576**	166,249	
(Loss)/Profit before taxation		**(250,146)**	(1,263,445)	(80)	**82,191**	(2,296,872)	(104)
Taxation	18	**(6,659)**	1,157		**(44,033)**	(22,276)	
(Loss)/Profit for the financial period/year		**(256,805)**	(1,262,288)	(80)	**38,158**	(2,319,148)	(102)
Attributable to:							
- Owners of the Company		**(235,176)**	(1,262,879)	(81)	**58,618**	(2,302,769)	(103)
- Non-controlling interests		**(21,629)**	591		**(20,460)**	(16,379)	
		(256,805)	(1,262,288)		**38,158**	(2,319,148)	
Earnings per share (sen)	27						
- Basic		**(4.00)**	(21.51)		**1.00**	(39.22)	
- Diluted		**(4.00)**	(21.51)		**1.00**	(39.22)	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Year Ended	
		31.12.2019 RM'000	**31.12.2018 RM'000**	**31.12.2019 RM'000**	**31.12.2018 RM'000**
(Loss)/Profit for the financial period/year		**(256,805)**	(1,262,288)	**38,158**	(2,319,148)
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss					
- Fair value gain/(loss) on cash flow hedges		**42,009**	(105,978)	**(179,080)**	61,091
- Costs of hedging		**18,942**	(13,558)	**11,479**	32,814
- Foreign currency translation differences		**(68,056)**	6,788	**(36,636)**	142,333
- Share of other comprehensive income/(expense) of joint ventures		**697**	(843)	**(4,308)**	4,613
Items that will not be reclassified to profit or loss:					
- Financial assets at fair value through other comprehensive income:					
- Gain/(Loss) on fair value change		**9,830**	(507)	**7,566**	(9,171)
Other comprehensive income/(expense) for the financial period/year, net of tax		**3,422**	(114,098)	**(200,979)**	231,680
Total comprehensive (expense)/income for the financial period/year		**(253,383)**	(1,376,386)	**(162,821)**	(2,087,468)
Total comprehensive (expense)/income attributable to:					
- Owners of the Company		**(231,638)**	(1,377,005)	**(142,050)**	(2,066,205)
- Non-controlling interests		**(21,745)**	619	**(20,771)**	(21,263)
		(253,383)	(1,376,386)	**(162,821)**	(2,087,468)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**5,940,608**	6,692,694
Investments in joint ventures		**1,056,059**	1,022,870
Investment in associates		**11,501**	5
Financial assets at fair value through other comprehensive income		**22,986**	15,158
Finance lease receivables		**4,789,815**	5,011,820
Accrued lease rental		**81,821**	-
Contract assets		**24,168**	44,090
Amount due from a joint venture		**22,857**	26,069
Amount due from an associate		**122,730**	-
Derivative financial instruments	22	**6,498**	65,060
Deferred tax assets		**21,958**	21,660
		12,101,001	12,899,426
CURRENT ASSETS			
Inventories		**5,635**	7,298
Finance lease receivables		**171,783**	156,639
Trade receivables	20	**416,786**	755,283
Accrued lease rental		**-**	315,555
Other receivables, deposits and prepayments		**81,496**	58,810
Contract assets		**28,780**	5,574
Amounts due from joint ventures		**40,411**	30,055
Amount due from an associate		**8,739**	-
Derivative financial instruments	22	**8,888**	65,804
Tax recoverable		**11,041**	19,734
Deposits, cash and bank balances		**1,094,376**	1,226,424
		1,867,935	2,641,176
Non-current assets classified as held-for-sale		**10,227**	114
TOTAL CURRENT ASSETS		**1,878,162**	2,641,290
TOTAL ASSETS		**13,979,163**	15,540,716

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**As at 31.12.2019 RM'000**	**As at 31.12.2018 RM'000**
LESS: CURRENT LIABILITIES			
Trade payables and accruals		**265,982**	563,527
Other payables and accruals		**282,072**	492,897
Contract liabilities		**26,395**	26,635
Amounts due to joint ventures		**1,550**	34,667
Amount due to an associate		**725**	-
Provisions		**-**	85,587
Lease liabilities		**35,934**	5,549
Borrowings – others	21	**1,145,446**	3,781,099
Borrowings – Armada Kraken Pte Ltd	21	**1,332,047**	1,782,895
Borrowings – Sukuk Murabahah	21	**-**	1,499,352
Derivative financial instruments	22	**10,442**	426,299
Taxation		**37,654**	35,467
		3,138,247	8,733,974
NET CURRENT LIABILITIES		**(1,260,085)**	(6,092,684)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		**92,436**	55,802
Contract liabilities		**20,640**	15,616
Lease liabilities		**3,953**	-
Borrowings	21	**7,013,168**	3,317,184
Derivative financial instruments	22	**449,558**	7,044
Deferred tax liabilities		**48,021**	40,956
		7,627,776	3,436,602
NET ASSETS		**3,213,140**	3,370,140
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		**4,319,029**	4,314,815
Reserves		**(1,092,021)**	(951,578)
		3,227,008	3,363,237
NON-CONTROLLING INTERESTS		**(13,868)**	6,903
TOTAL EQUITY		**3,213,140**	3,370,140
NET ASSETS PER SHARE (RM)		**0.55***	0.57

* Based on 5,876,524,744 ordinary shares in issue as at 31 December 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	-	-	-	-	-	-	58,618	58,618	(20,460)	38,158
Other comprehensive (expense)/income for the financial year, net of tax	-	-	(36,325)	-	(171,909)	7,566	-	(200,668)	(311)	(200,979)
Total comprehensive (expense)/income for the financial year, net of tax	-	-	(36,325)	-	(171,909)	7,566	58,618	(142,050)	(20,771)	(162,821)
Transactions with owners:										
- Shares issued pursuant to the management incentive plan	5,588	4,214	-	(4,214)	-	-	-	-	-	-
- Management incentive plan granted	-	-	-	5,821	-	-	-	5,821	-	5,821
- Employee share options forfeited	-	-	-	(6,469)	-	-	6,469	-	-	-
At 31 December 2019	**5,876,525**	**4,319,029**	**1,203,934**	**5,289**	**(113,634)**	**8,864**	**(2,196,474)**	**3,227,008**	**(13,868)**	**3,213,140**

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**
<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	-
- Call options forfeited	-	-	-	-	-	(6,239)	6,239	-	-	-
- 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	1,298	(2,261,561)	3,363,237	6,903	3,370,140

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended 31.12.2019 RM'000	**Year Ended 31.12.2018 RM'000**
OPERATING ACTIVITIES		
Profit/(Loss) for the financial year	**38,158**	(2,319,148)
Adjustments for non-cash items:		
Share of results of joint ventures and associates	**(147,576)**	(166,249)
Gain on disposal of property, plant and equipment and non-current assets held-for-sale	**(33,624)**	(14,823)
Gain on disposal of joint ventures	**(36,111)**	-
Depreciation of property, plant and equipment	**440,528**	499,350
Fair value through profit or loss on derivative financial instruments	**(6,385)**	(1,869)
Bad debts (written back)/written off	**(3,209)**	8,223
Net allowance for impairment losses	**239,787**	276,358
Unrealised foreign exchange loss	**19,056**	17,436
Share-based payment	**5,821**	452
Impairment of:		
- Property, plant and equipment	**43,656**	2,199,735
- Non-current assets held-for-sale	-	43,173
Interest income	**(26,552)**	(33,679)
Interest expense	**559,986**	515,885
Accretion of interest	**1,901**	8,133
Taxation	**44,033**	22,276
Operating profit before changes in working capital	**1,139,469**	1,055,253
Changes in working capital:		
Inventories	**1,625**	(3,041)
Finance lease receivables	**153,031**	385,887
Trade and other receivables	**288,192**	(54,457)
Trade and other payables	**(264,435)**	214,745
Joint ventures and associates	**(25,622)**	9,637
Cash from operations	**1,292,260**	1,608,024
Interest paid	**(543,719)**	(505,930)
Tax paid	**(14,216)**	(34,728)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**734,325**	1,067,366
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(104,590)**	(534,254)
Proceeds from disposal of property, plant and equipment	**73,103**	85,779
Advances to an associate	**(122,730)**	-
Interest received	**27,691**	35,048
Proceeds from disposal of investments in joint ventures	**4,293**	-
Additional investment in joint ventures	**-**	(224,083)
Investment in associate	**(9)**	-
Proceeds from redemption of redeemable preference shares	**78,779**	33,467
Dividend received from a joint venture	**-**	64,650
Repayments from joint ventures	**-**	183,511
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(43,463)**	(355,882)
FINANCING ACTIVITIES		
Repayment of borrowings	**(3,685,077)**	(1,366,713)
Repayment of hire purchase creditors	**-**	(286)
Proceeds from borrowings	**2,877,505**	-
Principal elements of operating lease payment	**(5,950)**	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(813,522)**	(1,366,999)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended 31.12.2019 RM'000	Year Ended 31.12.2018 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(122,660)**	(655,515)
CURRENCY TRANSLATION DIFFERENCES	**(9,388)**	35,825
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**1,226,424**	1,846,114
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**1,094,376**	1,226,424
Cash and cash equivalents consist of:		
Deposits with licensed banks	**772,189**	1,029,016
Cash and bank balances	**322,187**	197,408
	1,094,376	1,226,424

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 December 2019, the Group's current liabilities exceeded its current assets by RM1,260.1 million mainly due to classification of non-current borrowings of Armada Kraken Pte Ltd ("AKPL") of RM1,332.0 million as current liabilities.

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 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"
    - Amendment to MFRS 138 "Intangible Assets"

1. BASIS OF PREPARATION (CONTINUED)

(b) New amendments to MFRS 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 IC Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments”
  - 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
- Amendments to MFRS 9, MFRS 139 and MFRS 7 “Interest Rate Benchmark Reform”

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 31.12.2019 RM’000**	**FY 31.12.2018 RM’000**	**Change RM’000**
Segment revenue			
FPO [(1)]	**1,742,575**	1,693,896	48,679
OMS [(1)]	**328,130**	724,843	(396,713)
Total revenue	**2,070,705**	2,418,739	(348,034)
Profit/(Loss) for the financial year	**38,158**	(2,319,148)	2,357,306
Finance costs	**555,502**	522,149	33,353
Depreciation of property, plant and equipment	**440,528**	499,350	(58,822)
Impairment losses on vessels	**43,656**	2,242,908	(2,199,252)

The Group generated revenue of RM2,070.7 million for the financial year ended 31 December 2019 (“FY 2019”), a decrease of RM348.0 million compared to the financial year ended 31 December 2018 (“FY 2018”). The decrease in revenue was mainly arising from the OMS segment due to the completion of the LukOil project in the Caspian Sea in December 2018. Revenue from the FPO segment increased year on year due to higher revenue from Armada Kraken FPSO arising from improved vessel availability which was offset by decreased revenue from Armada TGT 1 FPSO in FY 2019 subsequent to the signing of the extension agreement in August 2018. In addition, the revenue was lower in FY2018 due to recognition of compensation payable to the charterers of Armada Kraken FPSO in accordance with Amendment Agreement No. 2.

The Group generated a profit of RM38.2 million for FY 2019 compared to a loss of RM2,319.1 million for FY 2018 mainly due to higher impairment losses recognised in FY 2018.

With reference to Note 10 Segmental Information, the FPO segment results increased to RM952.8 million for FY 2019 as compared to RM810.4 million for FY 2018 mainly due to a higher contribution from Armada Kraken FPSO. The OMS segment results decreased to RM113.0 million for FY 2019 as compared to RM198.0 million for FY 2018 mainly 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. MANAGEMENT COMMENTARY (CONTINUED)

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

Financial Indicators	4th Quarter 2019 RM'000	3rd Quarter 2019 RM'000	Change RM'000
Segment revenue			
FPO	**419,539**	453,863	(34,324)
OMS	**96,104**	73,950	22,154
Total revenue	**515,643**	527,813	(12,170)
(Loss)/Profit for the financial period	**(256,805)**	151,486	408,291)
Finance costs	**147,312**	143,386	3,926
Depreciation of property, plant and equipment	**119,184**	109,409	9,775
Impairment losses on vessels	**43,656**	-	43,656

The Group generated revenue of RM515.6 million for the quarter ended 31 December 2019 ("Q4 2019"), a decrease of RM12.2 million compared to the quarter ended 30 September 2019 ("Q3 2019"). The decrease was driven by an adjustment of charter hire revenue in Q4 2019 for Armada Kraken FPSO due to the vessel's lower availability in the preceding quarters. The increase in OMS revenue in Q4 2019 was due to the reporting of revenue net of costs for charters in Q3 2019 where third party vessels were used.

Vessel average utilisation rates decreased from 58% in Q3 2019 to 54% in Q4 2019 for the Group's vessels and for the Group's vessels including those held by joint ventures.

OSV[2] vessel average utilisation rates for the quarter ended	4th Quarter 2019 %	3rd Quarter 2019 %	Change in %
Group's vessels	**54**	58	(4)
- Class A [3]	**51**	54	(3)
- Class B [4]	**69**	73	(4)
Group's vessels including those held by joint ventures	**54**	56	(2)

The Group made a loss of RM256.8 million and a loss attributable to Owners of the Company of RM235.2 million for Q4 2019, which decreased by more than 100% as compared to Q3 2019. This was mainly due to impairment losses on vessels and accrued lease rental in Q4 2019 and gain on disposal of joint ventures and property, plant and equipment in Q3 2019.

With reference to Note 10 Segmental Information, the FPO segment results decreased to RM194.5 million for Q4 2019 as compared to RM226.1 million for Q3 2019 mainly due to lower revenue from Armada Kraken FPSO. There were lower residual operating costs on Armada Perdana FPSO in Q4 2019 since its disposal in Q3 2019. The OMS segment result decreased to RM35.7 million for Q4 2019 as compared to RM45.8 million for Q3 2019 mainly due to lower foreign exchange gain arising from translation of intercompany balances denominated in foreign currencies compared to Q3 2019.

Notes:

(2) OSV – Offshore Support Vessel

(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 31.12.2019 RM'000	As at 31.12.2018 RM'000	Change RM'000
Total assets	**13,979,163**	15,540,716	(1,561,553)
Total liabilities	**(10,766,023)**	(12,170,576)	1,404,553
Total equity	**(3,213,140)**	(3,370,140)	157,000

As at 31 December 2019, the Group had total assets of RM13,979.2 million, a decrease of 10% compared to 31 December 2018, mainly due to a decrease in property, plant and equipment ("PPE"), trade receivables, accrued lease rental and finance lease receivables. PPE decreased due to depreciation and impairment charged, as well as disposal of vessels in FY 2019. Finance lease receivables decreased due to higher billings made to customers as compared to finance lease revenue recognised during the year. The decrease in trade receivables was mainly due to receipts from customers in FY 2019 while the decrease in accrued lease rental was due to allowance for impairment losses recognised in FY2019. The details of the accrued lease rental is elaborated in Note 25.

As at 31 December 2019, the Group had total liabilities of RM10,766.0 million, a decrease of 12% compared to 31 December 2018, mainly due to repayment of bank borrowings and settlement of trade and other payables balances.

(D) Review of consolidated statement of cash flows

Financial Indicators	FY 31.12.2019 RM'000	FY 31.12.2018 RM'000	Change RM'000
Net cash flows generated from operating activities	**734,325**	1,067,366	(333,041)
Net cash flows used in investing activities	**(43,463)**	(355,882)	312,419
Net cash flows used in financing activities	**(813,522)**	(1,366,999)	553,477
Net decrease in cash and cash equivalents	**(122,660)**	(655,515)	532,855

The Group had lower net cash flows generated from operating activities in FY 2019 compared to FY 2018, mainly due to higher payments to vendors in FY 2019, which was offset by higher receipts from customers during the period.

The Group had lower net cash flows used in investing activities in FY 2019 compared to FY 2018 due to the subscription of shares of a joint venture in FY 2018 and lower purchases of PPE in FY 2019. The reduction was partially offset by advances to an associate in FY 2019 and the proceeds from redemption of redeemable preference shares.

The Group had lower net cash flows used in financing activities in FY 2019 compared to FY 2018 due to lower net repayment of 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 of disposal ("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") except for subsea construction assets which are determined to be one 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 RM43.7 million for property, plant and equipment has been recognised during the year for certain OMS vessels. The recoverable amount of OMS vessels was determined based on estimates and judgement with respect to key assumptions such as contracted value, discount rate and 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.

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

For 2020, the Group continues to focus on the following areas to improve the prospects for the organisation:

- Corporate and operational HSSEQ;
- Optimise performance across the FPO fleet;
- Reduce costs and debt;
- Secure charters for the OMS vessels; and
- Monetise selective assets.

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 year ended 31 December 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 financial year ended 31 December 2019.

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 year.

9. DIVIDENDS PAID

There were no dividends paid in the current financial year ended 31 December 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 and cumulative quarters ended 31 December 2019 and 31 December 2018 are as follows:

Individual Quarter Ended 31.12.2019	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	**419,539**	**96,104**	**-**	**-**	**515,643**
Inter-segment revenue	**-**	**-**	**18,012**	**(18,012)**	**-**
Results					
Segment results	**194,506**	**35,655**	**3,754**	**-**	**233,915**
Depreciation of property, plant and equipment	**(67,269)**	**(50,639)**	**(1,276)**	**-**	**(119,184)**
Net (allowance for impairment losses)/ writeback of allowance for impairment losses	**(236,019)**	**6,413**	**-**	**-**	**(229,606)**
Impairment	**-**	**(43,656)**	**-**	**-**	**(43,656)**
Share of results of joint ventures and associates	**23,901**	**-**	**-**	**-**	**23,901**
Subtotal	**(84,881)**	**(52,227)**	**2,478**	**-**	**(134,630)**
Other operating income					**31,796**
Finance costs					**(147,312)**
Taxation					**(6,659)**
Loss for the financial period					**(256,805)**

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)

10. SEGMENTAL INFORMATION (CONTINUED)

Cumulative Quarters Year Ended 31.12.2019	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	**1,742,575**	**328,130**	**-**	**-**	**2,070,705**
Inter-segment revenue	**-**	**-**	**90,584**	**(90,584)**	**-**
Results					
Segment results	**952,808**	**113,044**	**3,420**	**-**	**1,069,272**
Depreciation of property, plant and equipment	**(278,381)**	**(156,018)**	**(6,129)**	**-**	**(440,528)**
Bad debts written back	**3,209**	**-**	**-**	**-**	**3,209**
Net (allowance for impairment losses)/ writeback of allowance for impairment losses	**(245,733)**	**5,946**	**-**	**-**	**(239,787)**
Impairment	**-**	**(43,656)**	**-**	**-**	**(43,656)**
Share of results of joint ventures and associates	**159,209**	**(11,633)**	**-**	**-**	**147,576**
Subtotal	**591,112**	**(92,317)**	**(2,709)**	**-**	**496,086**
Other operating income					**141,607**
Finance costs					**(555,502)**
Taxation					**(44,033)**
Profit for the financial year					**38,158**

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)

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

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 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 YEAR

No material events have arisen in the interval between the end of this reporting year end and the date of this report, except as follows:

(a) On 24 January 2020, the Supreme Court of Western Australia ("Supreme Court") has ruled in favour of Woodside Energy Julimar Pty Ltd ("WEJ") on Armada Balnaves Pte. Ltd.'s ("ABPL") main claim of the repudiation of the contract for the provision of floating production storage and offloading services dated 30 September 2011 ("Contract").

The judgment is disclosed in Note 25.

(b) In February 2020, the project lenders of AKPL agreed to remove the risk of having to prepay the loan, the details of which are disclosed in the Note 21.

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:

On 12 December 2019, Bumi Armada Offshore Holdings Limited ("BAOHL"), Shapoorji Pallonji Oil and Gas Private Limited ("SPOG") and Armada Madura EPC Limited ("AMEL") entered into a new shareholders' agreement ("SHA") to repurpose AMEL for the undertaking of certain engineering and construction obligations in relation to the KG-DWN-98/2 Project Cluster-2 FPSO project ("98/2 Project") and to reflect SPOG's and BAOHL's economic interest in AMEL at 70% and 30% respectively. As a result of the new SHA, BAOHL's economic interest in AMEL has been reduced from 50% to 30%.

The principal activity of AMEL continues to be the provision of FPSO engineering, procurement, conversion, construction, completion, installation and commissioning services.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group's contingent liabilities comprising bank guarantees extended to third parties amounted to RM80.1 million as at 31 December 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 December 2019 and 31 December 2018 are as follows:

	As at 31.12.2019 RM'000	**As at 31.12.2018 RM'000**
- authorised and contracted	**41,210**	25,160
- authorised but not contracted	**44,873**	22,625
	86,083	47,785

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

		Cumulative Quarters Year Ended 31.12.2019 RM'000	Cumulative Quarters Year Ended 31.12.2018 RM'000
(a)	Management fees and engineering assistance services receivable from joint ventures		
	- revenue	**9,923**	11,351
	- other operating income	**24,879**	-
(b)	Payment on behalf of joint ventures	**482**	3,197
(c)	Telecommunication expenses to Maxis Berhad [(1)]	**(430)**	(693)
(d)	Rental to Malaysian Landed Property Sdn Bhd [(2)]	**(5,196)**	(7,690)
(e)	Transactions with UTSB Management Sdn Bhd [(3)]		
	- management fees	**(7,825)**	(6,905)
(f)	Transactions with Mezzanine Equities N.V. [(3)]		
	- term loan facility	**(309,726)**	-
(g)	Transactions with an associate		
	- advances to an associate	**125,631**	-
(h)	Key management personnel compensation		
	- Non-Executive Directors' fees	**(1,907)**	(2,102)
	- salaries, bonus and allowances and other staff related costs	**(14,076)**	(15,606)
	- defined contribution plan	**(382)**	(280)
	- share-based payment	**(4,245)**	(1,526)

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

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	
	31.12.2019 RM'000	**31.12.2018 RM'000**	**31.12.2019 RM'000**	**31.12.2018 RM'000**
Income tax:				
- Current year	**20,100**	6,007	**38,464**	35,334
- Prior year	**(6,545)**	(5,577)	**(1,502)**	(23,234)
Deferred tax	**(6,896)**	(1,587)	**7,071**	10,176
Total	**6,659**	(1,157)	**44,033**	22,276

The Group's effective tax rates for the individual and cumulative quarters year ended 31 December 2019 were negative 3% and positive 54% respectively. The difference in the effective tax rate and the Malaysian statutory tax rate of 24% is mainly due to income not subject to tax, non-deductible expenses and recognition of deferred tax assets on potential tax refunds receivable from dividends 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 60 days. Ageing analysis of trade receivables as at 31 December 2019 and 31 December 2018 is as follows:

	As at 31.12.2019 RM'000	**As at 31.12.2018 RM'000**
Current	**331,128**	439,248
Less than 30 days past due	**62,908**	23,133
Between 31 and 60 days past due	**15,083**	90,886
Between 61 and 90 days past due	**2,175**	77,662
Between 91 days and 1 year past due	**3,376**	101,077
More than 1 year past due	**2,116**	23,277
	416,786	755,283

Trade receivables which are past due as listed above, are not impaired as the Group has assessed these balances and believes that they are recoverable.

21. BORROWINGS

	As at 31.12.2019			As at 31.12.2018		
	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**
SHORT-TERM DEBTS						
Secured:						
Term loans – others [(1)]	**813,240**	**-**	**813,240**	925,573	-	925,573
Term loans – Armada Kraken Pte Ltd [(2)]	**1,332,047**	**-**	**1,332,047**	1,782,895	-	1,782,895
Unsecured:						
Sukuk Murabahah – current	**-**	**30,655**	**30,655**	-	30,655	30,655
Sukuk Murabahah – non-current [(3)]	**-**	**-**	**-**	-	1,499,352	1,499,352
Revolving credits [(4)]	**-**	**-**	**-**	1,246,912	-	1,246,912
Term loans [(4)]	**301,551**	**-**	**301,551**	1,577,959	-	1,577,959
Total short-term debts	**2,446,838**	**30,655**	**2,477,493**	5,533,339	1,530,007	7,063,346
LONG TERM DEBTS						
Secured:						
Term loans [(1), (5)]	**3,222,717**	**-**	**3,222,717**	3,317,184	-	3,317,184
Unsecured:						
Sukuk Murabahah	**-**	**1,499,491**	**1,499,491**	-	-	-
Term loans [(4)]	**2,290,960**	**-**	**2,290,960**	-	-	-
Total long-term debts	**5,513,677**	**1,499,491**	**7,013,168**	3,317,184	-	3,317,184
Total borrowings	**7,960,515**	**1,530,146**	**9,490,661**	8,850,523	1,530,007	10,380,530

21. BORROWINGS (CONTINUED)

(1) As previously reported, on 11 October 2019, the Armada Floating Gas Storage Malta Ltd ("AFGSML") bridge loan was successfully refinanced via a 6-year term loan facility from Mezzanine Equities N.V. ("MENV"), a wholly-owned subsidiary of Usaha Tegas Sdn Bhd. Upon repayment by MENV on behalf of AFGSML, the loan due after 12 months from the end of the reporting period was reclassified as non-current liabilities.

(2) Non-current borrowings for AKPL of RM1,332.0 million remains classified as current liabilities due to existing non-compliances by AKPL under this loan, in particular the 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 February 2020, the project lenders agreed to remove the risk of having to prepay the loan.

(3) 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, non-current Sukuk Murabahah of RM1,499.4 million was reclassified to non-current liabilities.

(4) In April 2019, the Group signed a facility agreement to refinance the unsecured term loans and revolving credit facilities (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 RM1,074.3 million and a Tranche 2 facility of RM1,652.8 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.

On 23 May 2019, the Group drewdown the Loans and repaid the unsecured term loans and revolving credit facilities with the total carrying amount of RM2,727.1 million. Thereafter, the Loans which are due after 12 months from the end of the reporting period were reclassified as non-current liabilities.

(5) Included in the non-current secured term loan is a RM122.7 million Bumi Armada 98/2 Holdings Pte. Ltd. ("BA98/2") term loan obtained from MENV. The term loan is secured based on the Group's equity interest in BA98/2 and AMEL, assignment over bank account and assignment of the right to payments due to the Group.

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 distributions 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 December 2019, the proportion of borrowings between floating interest rates and fixed interest rates is 84%:16%. 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 year are as follows:

	31.12.2019 **%**	**31.12.2018** **%**
Revolving credits	**-**	4.83
Term loans	**5.37**	4.94
Sukuk Murabahah	**6.35**	6.35

Borrowings as at 31 December 2019 reduced by 9% 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 December 2019 and 31 December 2018 are as set out below:

	As at 31.12.2019		**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	**1,469,601**	**3,940**	1,747,785	63,161
- 1 to 3 years	**513,800**	**(8,412)**	489,220	27,090
- More than 3 years	**1,582,561**	**(11,536)**	1,865,918	30,926
	3,565,962	**(16,008)**	4,102,923	121,177
Cross currency interest rate swaps				
- Less than 1 year	**-**	**(5,494)**	1,500,000	(423,656)
- 1 to 3 years	**-**	**(18,374)**	-	-
- More than 3 years	**1,500,000**	**(404,738)**	-	-
	1,500,000	**(428,606)**	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 credit risk associated with the derivatives as these are used for hedging purposes;
(b) the cash requirements of the derivatives;
(c) the policies in place for mitigating or controlling the risks associated with the derivatives; and
(d) the related accounting policies.

As at 31 December 2019, the net derivative financial liabilities of the Group amounted to RM444.6 million (31 December 2018: RM302.5 million) on re-measuring the fair values of the derivative financial instruments. Of the increase of RM142.1 million from the previous financial year ended 31 December 2018, a net amount of RM142.1 million was included in the cost of hedging reserve and cash flow hedge reserve (collectively "hedging reserve") attributable to the Group and non-controlling interests. Share of hedging reserve in the joint ventures of RM4.3 million was included in the hedging reserve.

22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

RM19.1 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 RM6.4 million was recycled to profit or loss which was included in finance cost. This has resulted in a decrease in the credit balance of hedging reserve to a debit balance as at 31 December 2019 by RM171.9 million.

The Group's hedging reserve as at 31 December 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 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 December 2019 and 31 December 2018 except as set out below, measured using Level 3 valuation technique:

	As at 31.12.2019		As at 31.12.2018	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Finance lease receivables	**4,961,598**	**5,622,626**	5,168,459	5,903,289
Amounts due from joint ventures	**22,857**	**58,423**	26,069	51,976
Sukuk Murabahah	**1,530,146**	**1,548,652**	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 December 2019 and 31 December 2018, by valuation method.

As at 31.12.2019	**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	**22,986**	**-**	**-**	**22,986**
Derivatives used for hedging				
- Interest rate swaps	**-**	**13,300**	**-**	**13,300**
- Cross currency interest rate swaps	**-**	**2,086**	**-**	**2,086**
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	**-**	**(29,308)**	**-**	**(29,308)**
- Cross currency interest rate swaps	**-**	**(430,692)**	**-**	**(430,692)**

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 31.12.2019 RM'000	Individual Quarter Ended 31.12.2018 RM'000	Cumulative Quarters Year Ended 31.12.2019 RM'000	Cumulative Quarters Year Ended 31.12.2018 RM'000
(Loss)/Profit before taxation is arrived at after (crediting)/charging:					
(a)	Other operating income				
	- Interest income	**(4,870)**	(6,991)	**(26,552)**	(33,679)
	- Gain on disposal of joint ventures	**-**	-	**(36,111)**	-
	- Gain on disposal of property, plant and equipment and non-current assets held-for-sale [(1)]	**(1,656)**	(175)	**(33,624)**	(14,823)
	- Management fees charged to a joint venture	**(24,879)**	-	**(24,879)**	-
	- Others	**(391)**	(2,593)	**(20,441)**	(16,981)
(b)	Interest expense	**147,221**	125,733	**559,986**	515,885
(c)	Accretion of interest	**675**	2,569	**1,901**	8,133
(d)	Depreciation of property, plant and equipment	**119,184**	97,543	**440,528**	499,350
(e)	Bad debts written off/ (written back)	**-**	8,223	**(3,209)**	8,223
(f)	Net (writeback of allowance for impairment losses)/ allowance for impairment losses				
	- Trade receivables	**(6,413)**	78,594	**(1,714)**	101,494
	- Accrued lease rental	**233,615**	-	**233,615**	-
	- Other receivables and deposits	**2,404**	-	**2,404**	141,234
	- Amount due from a joint venture	**-**	18,073	**5,482**	33,630
(g)	Impairment of				
	- Property, plant and equipment	**43,656**	1,200,486	**43,656**	2,199,735
	- Non-current assets held-for-sale	-	-	**-**	43,173
(h)	Net foreign exchange (gain)/loss				
	- realised	**(9,110)**	40,317	**(19,786)**	81,670
	- unrealised	**16,620**	(3,176)	**19,056**	17,436
(i)	Fair value through profit or loss on derivative financial instruments	**(584)**	8,809	**(6,385)**	(1,869)
(j)	Retrenchment expenses	**-**	7,692	**35**	13,089

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 / year ended 31 December 2019.

(1) The gain on disposal of property, plant and equipment mainly relates to Armada Perdana FPSO which was sold to Century Energy Services Limited ("CESL") for a purchase price of USD40.0 million.

25. MATERIAL LITIGATION

Save for the following, as at 31 December 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 commenced a writ action 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. The trial for this matter commenced at the Supreme Court on 18 February 2019 and concluded on 27 March 2019. Judgment was delivered by the Supreme Court on 24 January 2020 as summarised below:

1. The Supreme Court ruled in favour of WEJ on ABPL's main claim of repudiation of the Contract.
2. ABPL was found to be entitled to a payment of USD2,000,050 for unpaid milestone claims and AUD341,165.29 for unpaid invoices. ABPL was found to be required to pay WEJ AUD1,567,302.20 for reimbursement of miscellaneous charges.

The Supreme Court issued the final orders on the judgment on 20 February 2020. ABPL will be filing an appeal against the decision of the Supreme Court. The damages claimed by ABPL are significantly higher than the residual accrued lease rental of USD20 million in the financial statements.

26. DIVIDENDS

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

27. EARNINGS PER SHARE (CONTINUED)

The MIP shares awarded were not dilutive for the year ended 31 December 2019 as there is one vesting condition to be satisfied before Quarter 2, 2020. 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**	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
(Loss)/Profit attributable to Owners of the Company (RM'000)	**(235,176)**	(1,262,879)	**58,618**	(2,302,769)
Weighted average/adjusted weighted average number of ordinary shares in issue for basic EPS ('000)	**5,874,713**	5,870,937	**5,874,713**	5,870,937
Basic EPS (sen)	**(4.00)**	(21.51)	**1.00**	(39.22)
Diluted EPS (sen)	**(4.00)**	(21.51)	**1.00**	(39.22)

28. ADOPTION OF MFRS 16

The Group has adopted MFRS 16 in the current financial year, where MFRS 16 supersedes MFRS 117 "Leases" and the related interpretations. Under MFRS 16, a contract is, or contains a lease, if it 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 year as below:

(a) On the statement of profit or loss, expenses which were previously included as operating lease rental 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 February 2020