



BUMIARMADA

BUMI ARMADA BERHAD

199501041194 (370398-X)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2021

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021

The Board of Directors of Bumi Armada Berhad (“Bumi Armada” or “the Company” or “the Group”) would like to announce the following unaudited condensed consolidated financial statements for the second quarter ended 30 June 2021 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Note	Individual Quarter Ended			Cumulative Quarters Period Ended		
		30.06.2021 RM'000	30.06.2020 RM'000	+ / (-) %	30.06.2021 RM'000	30.06.2020 RM'000	+ / (-) %
Revenue		615,556	606,796	1	1,178,259	1,159,414	2
Cost of sales		(378,460)	(348,562)		(690,777)	(638,339)	
Gross profit		237,096	258,234	(8)	487,482	521,075	(6)
Other operating income		65,488	15,208		112,443	41,516	
Selling and distribution costs		(789)	(1,454)		(1,461)	(2,158)	
Administrative expenses		(22,636)	(25,382)		(41,075)	(71,927)	
Operating profit before impairment		279,159	246,606	13	557,389	488,506	14
Impairment		(103,734)	-		(103,734)	(314,350)	
Operating profit		175,425	246,606	(29)	453,655	174,156	160
Finance costs		(103,074)	(127,869)		(204,706)	(265,115)	
Share of results of joint ventures and associates		41,301	(3,983)		48,667	(8,502)	
Profit/(Loss) before taxation		113,652	114,754	(1)	297,616	(99,461)	399
Taxation	18	10,244	(5,390)		(14,121)	(10,722)	
Profit/(Loss) for the financial period		123,896	109,364	13	283,495	(110,183)	357
Attributable to:							
- Owners of the Company		139,857	119,774	17	302,651	(104,193)	390
- Non-controlling interests		(15,961)	(10,410)		(19,156)	(5,990)	
		123,896	109,364		283,495	(110,183)	
Earnings per share (sen)	27						
- Basic		2.38	2.04		5.14	(1.77)	
- Diluted		2.38	2.04		5.14	(1.77)	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Profit/(Loss) for the financial period		123,896	109,364	283,495	(110,183)
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss					
- Fair value gain/(loss) on cash flow hedges		9,659	(9,175)	49,657	(223,775)
- Costs of hedging		8,238	(22,989)	8,843	26,006
- Foreign currency translation differences		3,096	(21,666)	95,932	136,160
- Share of other comprehensive income/(expense) of joint ventures		505	100	1,316	(3,850)
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		142	4,358	(797)	(9,315)
Other comprehensive income/(expense) for the financial period, net of tax		21,640	(49,372)	154,951	(74,774)
Total comprehensive income/(expense) for the financial period		145,536	59,992	438,446	(184,957)
Total comprehensive income/(expense) attributable to:					
- Owners of the Company		161,520	70,305	458,344	(178,596)
- Non-controlling interests		(15,984)	(10,313)	(19,898)	(6,361)
		145,536	59,992	438,446	(184,957)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	4,665,824	4,945,095
Investments in joint ventures		1,052,277	1,011,085
Investment in associates		28,894	20,093
Financial assets at fair value through other comprehensive income		13,611	13,964
Finance lease receivables		4,502,344	4,489,502
Accrued lease rental		82,980	80,406
Amount due from a joint venture		31,530	32,243
Amount due from an associate		280,917	186,301
Derivative financial instruments	22	1,195	1,735
Deferred tax assets		25,958	22,865
TOTAL NON-CURRENT ASSETS		10,685,530	10,803,289
CURRENT ASSETS			
Inventories		729	4,060
Finance lease receivables		209,207	189,101
Trade receivables	20	621,867	511,784
Other receivables, deposits and prepayments		73,641	98,517
Contract assets		48,117	54,299
Amounts due from joint ventures		15,159	10,574
Amount due from an associate		41,797	12,904
Derivative financial instruments	22	511	702
Tax recoverable		19,469	16,136
Deposits, cash and bank balances		876,043	894,781
		1,906,540	1,792,858
Non-current assets classified as held-for-sale		61,524	51,421
TOTAL CURRENT ASSETS		1,968,064	1,844,279
TOTAL ASSETS		12,653,594	12,647,568

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
LESS: CURRENT LIABILITIES			
Trade payables and accruals		202,876	164,101
Other payables and accruals		264,857	200,797
Contract liabilities		42,548	40,578
Amounts due to joint ventures		1,320	1,308
Amount due to an associate		1,527	962
Lease liabilities		55,552	45,835
Borrowings	21	1,199,525	1,539,516
Derivative financial instruments	22	45,681	45,530
Taxation		20,203	20,043
TOTAL CURRENT LIABILITIES		1,834,089	2,058,670
NET CURRENT ASSETS/(LIABILITIES)		133,975	(214,391)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals		105,180	118,045
Contract liabilities		17,805	11,056
Lease liabilities		4,926	6,556
Borrowings	21	6,579,438	6,766,919
Derivative financial instruments	22	504,216	506,184
Deferred tax liabilities		42,127	54,648
TOTAL NON-CURRENT LIABILITIES		7,253,692	7,463,408
NET ASSETS		3,565,813	3,125,490
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		4,328,432	4,321,351
Reserves		(719,073)	(1,172,213)
		3,609,359	3,149,138
NON-CONTROLLING INTERESTS		(43,546)	(23,648)
TOTAL EQUITY		3,565,813	3,125,490
NET ASSETS PER SHARE (RM)		0.60*	0.53

* Based on 5,907,044,744 ordinary shares in issue as at 30 June 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Company								Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Share capital RM'000	Foreign exchange reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Other reserves RM'000	Accumulated losses RM'000	Total RM'000		
<u>2021</u>										
At 1 January 2021	5,885,896	4,321,351	1,146,299	6,127	(251,943)	75	(2,072,771)	3,149,138	(23,648)	3,125,490
Profit/(Loss) for the financial period	-	-	-	-	-	-	302,651	302,651	(19,156)	283,495
Other comprehensive income/(expense) for the financial period, net of tax	-	-	96,674	-	59,816	(797)	-	155,693	(742)	154,951
Total comprehensive income/(expense) for the financial period, net of tax	-	-	96,674	-	59,816	(797)	302,651	458,344	(19,898)	438,446
Transactions with owners:										
- Shares issued pursuant to the management incentive plan	21,149	7,081	-	(7,081)	-	-	-	-	-	-
- Management incentive plan granted	-	-	-	1,877	-	-	-	1,877	-	1,877
At 30 June 2021	5,907,045	4,328,432	1,242,973	923	(192,127)	(722)	(1,770,120)	3,609,359	(43,546)	3,565,813

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to Owners of the Company								Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Share capital RM'000	Foreign exchange reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Other reserves RM'000	Accumulated losses RM'000	Total RM'000		
<u>2020</u>										
At 1 January 2020	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
Loss for the financial period	-	-	-	-	-	-	(104,193)	(104,193)	(5,990)	(110,183)
Other comprehensive income/(expense) for the financial period, net of tax	-	-	136,531	-	(201,619)	(9,315)	-	(74,403)	(371)	(74,774)
Total comprehensive income/(expense) for the financial period, net of tax	-	-	136,531	-	(201,619)	(9,315)	(104,193)	(178,596)	(6,361)	(184,957)
Transactions with owners:										
- Shares issued pursuant to the management incentive plan	9,371	2,322	-	(2,322)	-	-	-	-	-	-
- Management incentive plan granted	-	-	-	1,705	-	-	-	1,705	-	1,705
At 30 June 2020	5,885,896	4,321,351	1,340,465	4,672	(315,253)	(451)	(2,300,667)	3,050,117	(20,229)	3,029,888

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period Ended 30.06.2021 RM'000	Period Ended 30.06.2020 RM'000
OPERATING ACTIVITIES		
Profit/(Loss) for the financial period	283,495	(110,183)
Adjustments for non-cash items:		
Share of results of joint ventures and associates	(48,667)	8,502
Net gain on disposal of property, plant and equipment and non-current assets held-for-sale	(18,996)	(10,621)
Depreciation of property, plant and equipment	253,078	278,817
Fair value through profit or loss on derivative financial instruments	(386)	1,239
Net (writeback of allowance for impairment losses)/allowance for impairment losses	(9,718)	373
Bad debts written off	-	1
Unrealised foreign exchange (gain)/loss	(2,502)	18,847
Share-based payment	1,877	1,705
Impairment of:		
- Property, plant and equipment	103,734	314,350
Interest income	(7,655)	(11,365)
Interest expense	203,246	262,496
Accretion of interest	1,846	1,380
Taxation	14,121	10,722
Operating profit before changes in working capital	773,473	766,263
Changes in working capital:		
Inventories	3,336	2,818
Finance lease receivables	91,968	49,495
Trade and other receivables	(79,715)	(156,584)
Trade and other payables	67,115	(125,816)
Joint ventures and associates	(33,323)	(58,288)
Cash from operations	822,854	477,888
Interest paid	(191,335)	(254,660)
Tax paid	(5,048)	(5,025)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	626,471	218,203
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,550)	(47,500)
Proceeds from disposal of property, plant and equipment	108,184	21,127
Advances to an associate	(82,901)	-
Interest received	8,101	12,055
Dividend received from joint ventures	42,255	-
Proceeds from redemption of redeemable preference shares in a joint venture	8,245	21,432
NET CASH FLOWS GENERATED FROM INVESTING ACTIVITIES	74,334	7,114
FINANCING ACTIVITIES		
Repayment of borrowings	(748,200)	(796,633)
Proceeds from bank borrowings	-	273,724
Repayments of lease liabilities	(631)	(2,645)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(748,831)	(525,554)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Period Ended 30.06.2021 RM'000	Period Ended 30.06.2020 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(48,026)	(300,237)
CURRENCY TRANSLATION DIFFERENCES	29,288	55,395
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	894,781	1,094,376
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	876,043	849,534
Cash and cash equivalents consist of:		
Deposits with licensed banks	725,882	566,170
Cash and bank balances	150,161	283,364
	876,043	849,534

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021

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 2020 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 2020. The results of the joint ventures are based on unaudited management accounts.

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 financial statements for the financial year ended 31 December 2020, other than those disclosed below:

(a) Amendments to published standards and interpretations that are effective:

(i) Amendments to MFRS which are applicable to the Group beginning on or after 1 January 2021:

- Amendments to MFRS 9 “Financial Instruments”, MFRS 139 “Financial Instruments: Recognition and Measurement”, MFRS 7 “Financial Instruments: Disclosures” and MFRS 16 “Leases” – Interest Rate Benchmark Reform – Phase 2
- Amendments to MFRS 16 “Leases” – Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the above amendments to MFRS did not have any significant impact on the financial statements of the Group.

(b) Amendments to published standards and interpretations that have been issued but are not yet effective:

(i) Amendments to MFRS and annual improvements which are applicable to the Group beginning on or after 1 January 2022:

- Amendments to MFRS 116 “Property, Plant and Equipment” – Proceeds before Intended Use
- Amendments to MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to Annual Improvements to MFRS Standards 2018–2020
- Amendments to References to the Conceptual Framework in MFRS Standards
 - Amendments to MFRS 3 “Business Combinations”

(ii) Amendments to MFRS which are applicable to the Group beginning on or after 1 January 2023:

- Amendments to MFRS 101 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101 “Presentation of Financial Statements” – Disclosure of Accounting Policies
- Amendments to MFRS 108 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates
- Amendments to MFRS 112 “Income Taxes” – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

2. MANAGEMENT COMMENTARY

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

Financial Indicators	YTD 30.06.2021 RM'000	YTD 30.06.2020 RM'000	Change RM'000
Segment revenue			
FPO ⁽¹⁾	1,028,224	983,325	44,899
OMS ⁽¹⁾	150,035	176,089	(26,054)
Total revenue	1,178,259	1,159,414	18,845
Profit/(Loss) for the financial period	283,495	(110,183)	393,678
Finance costs	204,706	265,115	(60,409)
Depreciation of property, plant and equipment	253,078	278,817	(25,739)
Impairment losses on vessels	103,734	314,350	(210,616)

The Group generated revenue of RM1,178.3 million for the financial period ended 30 June 2021 (“YTD 2021”), an increase of RM18.8 million compared to the financial period ended 30 June 2020 (“YTD 2020”). Revenue from the FPO segment increased due to improved vessel availability for Armada Kraken FPSO, while revenue from the OMS segment decreased due to lesser operating vessels as a result of disposal of OSVs and lower OSV ⁽²⁾ utilisation.

OSV vessel average utilisation rates for the financial year ended	YTD 30.06.2021 %	YTD 30.06.2020 %	Change in %
Group’s vessels	55	56	(1)
- Class A ⁽³⁾	57	54	3
- Class B ⁽⁴⁾	34	61	(27)

The Group generated a profit of RM283.5 million for YTD 2021 compared to a loss of RM110.2 million for YTD 2020 mainly due to higher impairment losses on vessels recognised in YTD 2020, higher operating income, lower finance costs and higher share of results of joint ventures and associates in YTD 2021.

With reference to Note 10 Segmental Information, the FPO segment results has marginally increased to RM700.4 million for YTD 2021 as compared to RM699.4 million for YTD 2020. The OMS segment results has marginally decreased to RM19.6 million for YTD 2021 as compared to RM20.8 million for YTD 2020.

Notes:

- ⁽¹⁾ FPO – Floating Production and Operations, and OMS – Offshore Marine Services.
- ⁽²⁾ OSV – Offshore Support Vessel.
- ⁽³⁾ Class A represents vessels which are less than 12 years old or more than 8000 brake horsepower 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 horsepower and accommodation work barges which are less than 200 pax in capacity.

2. MANAGEMENT COMMENTARY (CONTINUED)

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

Financial Indicators	2nd Quarter 2021 RM'000	1st Quarter 2021 RM'000	Change RM'000
Segment revenue			
FPO	533,073	495,151	37,922
OMS	82,483	67,552	14,931
Total revenue	615,556	562,703	52,853
Profit for the financial period	123,896	159,599	(35,703)
Finance costs	103,074	101,632	1,442
Depreciation of property, plant and equipment	126,046	127,032	(986)
Impairment losses on vessels	103,734	-	103,734

The Group generated revenue of RM615.6 million for the quarter ended 30 June 2021 (“Q2 2021”), an increase of RM52.9 million compared to the quarter ended 31 March 2021 (“Q1 2021”). The increase from the FPO segment was mainly due to higher vessel availability for Armada Kraken FPSO, while the increase in revenue from the OMS segment was mainly due to higher charter of third party vessels to fulfil obligations to customers for vessels disposed and higher OSV utilisation in Q2 2021 as compared to Q1 2021.

OSV vessel average utilisation rates for the quarters ended	2nd Quarter 2021 %	1st Quarter 2021 %	Change in %
Group’s vessels	70	44	26
- Class A	69	49	20
- Class B	92	15	77

The Group generated a profit of RM123.9 million for Q2 2021 compared to RM159.6 million in Q1 2021 mainly due to impairment losses on vessels recognised, which was offset by higher revenue from Armada Kraken FPSO and higher share of results of joint ventures and associates in Q2 2021.

With reference to Note 10 Segmental Information, the FPO segment results has marginally decreased by 3% to RM344.7 million for Q2 2021 as compared to RM355.7 million for Q1 2021 mainly due to higher fleet operating costs and lower foreign exchange gain arising from translation of intercompany balances denominated in foreign currency. The OMS segment results decreased to RM7.2 million for Q2 2021 as compared to RM12.5 million for Q1 2021 mainly due to lower contribution from OSV, which was offset by foreign exchange gain arising from translation of intercompany balances denominated in foreign currency (as compared to foreign exchange loss in Q1 2021).

2. MANAGEMENT COMMENTARY (CONTINUED)

(C) Review of consolidated statement of financial position

Financial Indicators	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000	Change RM'000
Total assets	12,653,594	12,647,568	6,026
Total liabilities	(9,087,781)	(9,522,078)	434,297
Total equity	(3,565,813)	(3,125,490)	(440,323)

As at 30 June 2021, the Group had total liabilities of RM9,087.8 million, a decrease of 5% compared to 31 December 2020, mainly due to repayment of bank borrowings.

(D) Review of consolidated statement of cash flows

Financial Indicators	YTD 30.06.2021 RM'000	YTD 30.06.2020 RM'000	Change RM'000
Net cash flows generated from operating activities	626,471	218,203	408,268
Net cash flows generated from investing activities	74,334	7,114	67,220
Net cash flows used in financing activities	(748,831)	(525,554)	(223,277)
Net decrease in cash and cash equivalents	(48,026)	(300,237)	252,211

The Group had higher net cash flows generated from operating activities in YTD 2021 compared to YTD 2020 mainly due to higher cash from operations and lower interest paid during YTD 2021 resulting from repayment of bank borrowings.

The Group had higher net cash flows generated from investing activities in YTD 2021 compared to YTD 2020 mainly due to higher proceeds from disposal of property, plant and equipment ("PPE"), lower purchases of PPE and dividend received from joint ventures, which was offset by advances to an associate during YTD 2021.

The Group had higher net cash flows used in financing activities in YTD 2021 compared to YTD 2020 due to higher net repayment of bank borrowings during YTD 2021.

2. MANAGEMENT COMMENTARY (CONTINUED)

(E) Critical accounting estimates and judgements

(i) Impairment of property, plant and equipment

An assessment was performed in Q2 2021 on the recoverable amount of certain vessels to determine whether the carrying values of these vessels are recoverable. The review was carried out in accordance with MFRS 136 “Impairment of Assets”. In such evaluation, the estimated recoverable amount is determined based on the higher of an asset’s value-in-use (“VIU”) or fair value less costs to sell (“FV”). The recoverable amount was compared to the carrying value of each asset with identified impairment triggers. If the recoverable amount is lower, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss. The Group considered each vessel within a segment as a cash-generating unit (“CGU”) 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 RM103.7 million for property, plant and equipment was recognised 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, vessel utilisation rate, discount rate and residual value; or estimated selling price net of costs to sell in the event the vessel is expected to be sold on a willing buyer and willing seller basis.

(ii) Revision of useful life of vessels

In Q1 2021, the Group revised the useful life of certain OMS vessels based on the expected period of future economic benefits for the vessel costs. The revision was accounted for as a change in accounting estimate and was made effective on 1 January 2021. As a result, the depreciation charge in YTD 2021 increased by RM4.2 million.

(iii) Assessment of impact from COVID-19 pandemic

The Group’s assessment of the impact from COVID-19 pandemic on the Group’s operations and financial performance in YTD 2021 includes a review of the likelihood of increase in expected credit losses of financial assets, the decline in the recoverable amount of vessels, the impact on earnings, and increased liquidity risks. The operational impact from COVID-19 is as follows:

Operational impact

The Group holds interests in associates involved in the construction of one (1) FPSO for the ONGC NELP Block KG – DWN 98/2 Development Project Cluster-II field located on the east coast of Kakinada, offshore India (“98/2 Project”). The construction of the FPSO continues but has been delayed due to various reasons including amongst other things, regulatory constraints imposed by the government of various countries following the COVID-19 pandemic.

The charterer has granted an extension of timeline on project completion in view of the Indian government guidelines in respect of the COVID-19 pandemic.

In July 2021, the associates secured the full financing required for the 98/2 Project and remain committed to fulfil their obligations under the charter contract .

3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021

While there are on-going concerns on the impact of the COVID-19 pandemic, the Group expects the FPO business to be relatively stable for the remainder of 2021.

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

- Safety of all employees, partners and assets;
- Build on the improved operational performance of FPO Division;
- Improve the balance sheet;
- Maintain crucial relationships with clients and partners; and
- Monetise surplus 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 2020.

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 30 June 2021.

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 period ended 30 June 2021.

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, except as disclosed in Note 2(E).

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 financial period ended 30 June 2021.

10. SEGMENTAL INFORMATION

The Group is organised into 2 core business segments based on the type of activities carried out by its vessels. The information of each of the Group's business segments for the individual and cumulative quarters ended 30 June 2021 and 30 June 2020 are as follows:

Individual Quarter Ended 30.06.2021	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	533,073	82,483	-	-	615,556
Inter-segment revenue	-	-	-	-	-
Results					
Segment results	344,711	7,176	(16,194)	-	335,693
Depreciation of property, plant and equipment	(86,444)	(38,926)	(676)	-	(126,046)
Net writeback of allowance for impairment losses	-	4,024	-	-	4,024
Impairment	-	(103,734)	-	-	(103,734)
Share of results of joint ventures and associates	37,522	3,779	-	-	41,301
Subtotal	295,789	(127,681)	(16,870)	-	151,238
Other operating income					65,488
Finance costs					(103,074)
Taxation					10,244
Profit for the financial period					123,896

Individual Quarter Ended 30.06.2020	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	521,219	85,577	-	-	606,796
Inter-segment revenue	-	-	22,871	(22,871)	-
Results					
Segment results	345,004	13,899	9,528	-	368,431
Depreciation of property, plant and equipment	(90,884)	(44,212)	(1,012)	-	(136,108)
Net allowance for impairment losses	-	(925)	-	-	(925)
Share of results of joint ventures and associates	(3,983)	-	-	-	(3,983)
Subtotal	250,137	(31,238)	8,516	-	227,415
Other operating income					15,208
Finance costs					(127,869)
Taxation					(5,390)
Profit for the financial period					109,364

10. SEGMENTAL INFORMATION (CONTINUED)

Cumulative Quarters Period Ended 30.06.2021	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	1,028,224	150,035	-	-	1,178,259
Inter-segment revenue	-	-	-	-	-
Results					
Segment results	700,399	19,636	(31,729)	-	688,306
Depreciation of property, plant and equipment	(171,567)	(80,096)	(1,415)	-	(253,078)
Net writeback for impairment losses	-	9,718	-	-	9,718
Impairment	-	(103,734)	-	-	(103,734)
Share of results of joint ventures and associates	50,476	(1,809)	-	-	48,667
Subtotal	579,308	(156,285)	(33,144)	-	389,879
Other operating income					112,443
Finance costs					(204,706)
Taxation					(14,121)
Profit for the financial period					283,495

Cumulative Quarters Period Ended 30.06.2020	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	983,325	176,089	-	-	1,159,414
Inter-segment revenue	-	-	39,333	(39,333)	-
Results					
Segment results	699,425	20,810	5,946	-	726,181
Depreciation of property, plant and equipment	(177,257)	(99,406)	(2,154)	-	(278,817)
Bad debts written off	-	(1)	-	-	(1)
Net allowance for impairment losses	-	(373)	-	-	(373)
Impairment	-	(314,350)	-	-	(314,350)
Share of results of joint ventures	(8,502)	-	-	-	(8,502)
Subtotal	513,666	(393,320)	3,792	-	124,138
Other operating income					41,516
Finance costs					(265,115)
Taxation					(10,722)
Loss for the financial period					(110,183)

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

11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2021, 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 events have arisen in the interval between the end of this reporting period and the date of this report.

13. CHANGES IN THE COMPOSITION OF THE GROUP

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

On 2 April 2021, Bumi Armada Netherlands B.V., a wholly-owned indirect subsidiary of the Company, acquired 49% equity interest in SP Armada Clean Energy Ventures Private Limited (“SPACEVPL”). The remaining 51% equity interest is held by Shapoorji Pallonji Oil and Gas Private Limited.

SPACEVPL was incorporated for the purpose of entering into a License Agreement with the Board of Trustees for the Port of Mumbai (formerly the Bombay Port Trust) to set-up, operate and maintain a floating storage and regasification unit in Mumbai harbour for a period of 30 years.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group’s contingent liabilities comprising bank guarantees extended to third parties amounted to RM59.2 million as at 30 June 2021 as compared to RM79.2 million as at 31 December 2020. There are no material contingent assets to be disclosed.

15. CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment approved by the Directors and not provided for in the unaudited condensed consolidated financial statements as at 30 June 2021 and 31 December 2020 are as follows:

	As at 30.06.2021 RM’000	As at 31.12.2020 RM’000
- authorised and contracted	476	5,725
- authorised but not contracted	10,601	16,979
	<u>11,077</u>	<u>22,704</u>

16. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Cumulative Quarters Period Ended 30.06.2021 RM'000	Cumulative Quarters Period Ended 30.06.2020 RM'000
(a) Management fees and engineering assistance services receivable from joint ventures and an associate		
- revenue	12,311	1,444
- other operating income	82,088	17,196
(b) Payment on behalf of joint ventures	161	291
(c) Telecommunication expenses to Maxis Berhad ⁽¹⁾	(247)	(132)
(d) Rental to Malaysian Landed Property Sdn Bhd ⁽²⁾	(1,870)	(2,286)
(e) Transaction with UTSB Management Sdn Bhd ⁽³⁾		
- management fees	(3,530)	(3,790)
(f) Transactions with Mezzanine Equities N.V. ⁽³⁾		
- interest expense	(7,430)	(10,581)
(g) Transactions with an associate		
- advances to an associate	82,901	-
- interest income	5,196	3,144
(h) Key management personnel compensation		
- Non-Executive Directors' fees	(1,306)	(1,145)
- salaries, bonus and allowances and other staff related costs	(7,462)	(5,456)
- defined contribution plan	(196)	(200)
- share-based payment	(1,691)	(1,584)

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 Period Ended	
	30.06.2021 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2020 RM'000
Income tax:				
- Current year	6,212	8,951	33,089	15,442
- Prior year	228	(3,198)	(2,245)	(3,193)
Deferred tax	(16,684)	(363)	(16,723)	(1,527)
Total	(10,244)	5,390	14,121	10,722

The Group's effective tax rates for the individual and cumulative quarters ended 30 June 2021 were negative 9% and positive 5% 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, tax effect of different tax rates in other countries and deferred tax assets not recognised.

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 30 June 2021 and 31 December 2020 is as follows:

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Current	520,995	382,096
Less than 30 days past due	54,213	116,802
Between 31 and 60 days past due	45,731	7,161
Between 61 and 90 days past due	11	3,893
Between 91 days and 1 year past due	917	1,832
	<u>621,867</u>	<u>511,784</u>

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 30.06.2021			As at 31.12.2020			As at 30.06.2020		
	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	958,957	-	958,957	971,717	-	971,717	1,015,345	-	1,015,345
Unsecured:									
Sukuk Murabahah – current	-	30,915	30,915	-	30,653	30,653	-	30,655	30,655
Term loans ⁽¹⁾	209,653	-	209,653	537,146	-	537,146	679,649	-	679,649
Total short-term debts	1,168,610	30,915	1,199,525	1,508,863	30,653	1,539,516	1,694,994	30,655	1,725,649
LONG TERM DEBTS									
Secured:									
Term loans	3,342,055	-	3,342,055	3,662,385	-	3,662,385	4,413,175	-	4,413,175
Unsecured:									
Sukuk Murabahah	-	1,499,699	1,499,699	-	1,499,630	1,499,630	-	1,499,561	1,499,561
Term loans ⁽¹⁾	1,737,684	-	1,737,684	1,604,904	-	1,604,904	1,714,520	-	1,714,520
Total long-term debts	5,079,739	1,499,699	6,579,438	5,267,289	1,499,630	6,766,919	6,127,695	1,499,561	7,627,256
Total borrowings	6,248,349	1,530,614	7,778,963	6,776,152	1,530,283	8,306,435	7,822,689	1,530,216	9,352,905

21. BORROWINGS (CONTINUED)

- (1) In February 2021, the Group signed an amendment and restatement agreement (“Amendment Agreement”) to defer the repayment of Tranche 1 facility from 24 months to 42 months from the Loan disbursement date of 23 May 2019. The final maturity date of Tranche 1 facility is 23 November 2022. Accordingly, the non-current borrowings was reclassified as non-current liabilities.

As at 30 June 2021, the proportion of borrowings between floating interest rates and fixed interest rates is 80%:20%. The term loan facility that has a 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:

	30.06.2021	31.12.2020	30.06.2020
	%	%	%
Term loans	3.59	3.67	3.79
Sukuk Murabahah	6.35	6.35	6.35

Borrowings as at 30 June 2021 decreased by 6% as compared to 31 December 2020 mainly due to repayment of bank borrowings.

22. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments outstanding as at 30 June 2021 and 31 December 2020 are as set out below:

Types of Derivative	<u>As at 30.06.2021</u>		<u>As at 31.12.2020</u>	
	Contract/ Notional amount RM'000	Fair value liabilities RM'000	Contract/ Notional amount RM'000	Fair value liabilities RM'000
Derivatives used for hedging:				
Interest rate swaps				
- Less than 1 year	639,911	(38,536)	657,773	(40,372)
- 1 to 3 years	1,049,043	(41,451)	1,159,389	(61,142)
- More than 3 years	1,172,522	(15,716)	1,279,730	(39,869)
	<u>2,861,476</u>	<u>(95,703)</u>	<u>3,096,892</u>	<u>(141,383)</u>
Cross currency interest rate swaps				
- Less than 1 year	-	(6,634)	-	(4,456)
- 1 to 3 years	-	(22,611)	-	(16,101)
- More than 3 years	1,500,000	(423,243)	1,500,000	(387,337)
	<u>1,500,000</u>	<u>(452,488)</u>	<u>1,500,000</u>	<u>(407,894)</u>

There have been no changes since the end of the previous financial year ended 31 December 2020 in respect of the following:

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

The Group’s hedging reserve as at 30 June 2021 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 30 June 2021 and 31 December 2020 except as set out below:

	As at 30.06.2021		As at 31.12.2020	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Finance lease receivables	4,711,551	5,333,118	4,678,603	5,287,595
Amount due from a joint venture	31,530	54,517	32,243	54,332
Amount due from an associate	280,917	260,817	186,301	173,243
Sukuk Murabahah	1,530,614	1,542,437	1,530,283	1,603,065

The fair value of finance lease receivables, amount due from a joint venture, amount due from an associate and fixed rate Sukuk Murabahah are within Level 3 of the fair value hierarchy.

(b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 30 June 2021 and 31 December 2020, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
As at 30.06.2021				
Financial assets:				
Financial assets at fair value through other comprehensive income	13,611	-	-	13,611
Derivatives used for hedging				
- Cross currency interest rate swaps	-	1,706	-	1,706
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(95,703)	-	(95,703)
- Cross currency interest rate swaps	-	(454,194)	-	(454,194)

23. FAIR VALUE HIERARCHY (CONTINUED)

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

The table below analyses financial instruments carried at fair value as at 30 June 2021 and 31 December 2020, by valuation method.

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
As at 31.12.2020				
Financial assets:				
Financial assets at fair value through other comprehensive income	13,964	-	-	13,964
Derivatives used for hedging				
- Cross currency interest rate swaps	<u>-</u>	<u>2,437</u>	<u>-</u>	<u>2,437</u>
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(141,383)	-	(141,383)
- Cross currency interest rate swaps	<u>-</u>	<u>(410,331)</u>	<u>-</u>	<u>(410,331)</u>

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

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

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

24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Individual Quarter Ended 30.06.2021 RM'000	Individual Quarter Ended 30.06.2020 RM'000	Cumulative Quarters Period Ended 30.06.2021 RM'000	Cumulative Quarters Period Ended 30.06.2020 RM'000
Profit/(Loss) before taxation is arrived at after (crediting)/charging:				
(a) Other operating income				
- Interest income	(4,117)	(3,854)	(7,655)	(11,365)
- Gain on disposal of property, plant and equipment	(12,166)	(10,220)	(19,124)	(10,621)
- Management fees charged to an associate	(49,205)	-	(82,088)	(17,196)
- Others	-	(1,134)	(3,576)	(2,334)
(b) Interest expense	101,872	127,221	203,246	262,496
(c) Accretion of receivables	932	702	1,846	1,380
(d) Depreciation of property, plant and equipment	126,046	136,108	253,078	278,817
(e) Bad debts written off	-	-	-	1
(f) Net (writeback of allowance for impairment losses)/allowance for impairment losses				
- Trade receivables	(4,024)	925	(9,718)	373
(g) Impairment of				
- Property, plant and equipment	103,734	-	103,734	314,350
(h) Loss on disposal of property, plant and equipment and non-current assets held-for-sale	25	-	128	-
(i) Net foreign exchange (gain)/loss				
- realised	(3,507)	(22,051)	(1,074)	(6,547)
- unrealised	(772)	19,780	(2,502)	18,847
(j) Fair value through profit and loss on derivative financial instruments	270	(54)	(386)	1,239
(k) Retrenchment expenses	5,084	130	7,107	130

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 30 June 2021.

25. MATERIAL LITIGATION

Save for the following, as at 30 June 2021, the Group was not involved in any material litigation, claims or arbitration, and is not aware of any material litigation, claims or arbitration pending or threatened against the Group:

(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 filed an appeal against the Supreme Court’s decision at the Court of Appeal on 11 March 2020. The appeal was heard by the Court of Appeal on 20 - 24 July 2021. ABPL is awaiting the Court of Appeal’s decision.

26. DIVIDENDS

No dividend was declared or recommended for the current financial period ended 30 June 2021.

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 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 MIP.

The MIP shares awarded were not dilutive for the period ended 30 June 2021 as there is one vesting condition to be satisfied before Quarter 2, 2022. Hence, the calculation of diluted earnings per share does not assume the vesting of the MIP.

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Profit/(Loss) attributable to Owners of the Company (RM’000)	139,857	119,774	302,651	(104,193)
Weighted average/adjusted weighted average number of ordinary shares in issue for basic EPS (’000)	5,888,551	5,879,639	5,888,551	5,879,639
Basic EPS (sen)	2.38	2.04	5.14	(1.77)
Diluted EPS (sen)	2.38	2.04	5.14	(1.77)

BY ORDER OF THE BOARD

TAI YIT CHAN (MAICSA 7009143)
ONG SHIAU THING (MAICSA: 7070183)
Joint Company Secretaries

Kuala Lumpur
27 August 2021