Company No.

370398	X

BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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Company No.

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the Group consist of provision of marine transportation, Floating Production Storage Offloading ("FPSO") operations, vessel construction and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year attributable to:		
- Owners of the Company	(2,302,769)	114,688
- Non-controlling interests	(16,379)	-
	(2,319,148)	114,688

DIVIDENDS

No dividend has been paid or declared since 31 December 2017. The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2018.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

ISSUE OF SHARES

During the financial year, the Company issued 4,668,200 shares pursuant to Management Incentive Plan ("MIP" or "Plan") to eligible employees and the Executive Director of the Group. The salient features and other terms of the Plan are disclosed in Note 37 to the financial statements.

MANAGEMENT INCENTIVE PLAN

On 23 May 2016, the Company's shareholders approved the establishment of a MIP for eligible employees and the Executive Director of the Company and its subsidiaries by the grant of shares which will be awarded annually and/or every 3-year period. The Plan was effected on 10 October 2016 following the submission of the final copy of the by-laws governing the Plan to Bursa Malaysia Securities Berhad, the receipt of all required approvals and compliance with the requirements pertaining to the Plan by the Company.

The salient features and other terms of the Plan are disclosed in Note 37 to the financial statements.

EMPLOYEE SHARE OPTIONS SCHEME

On 18 June 2011, the Company's shareholders approved the establishment of an Employee Share Options Scheme ("ESOS" or "Scheme") to eligible employees of the Group, including Executive Directors of the Company for a period of 10 years from 28 June 2011 as part of the Company's long-term plan to retain employees.

The salient features and other terms of the ESOS are disclosed in Note 36 to the financial statements.

With the establishment of the MIP, the Company has ceased awarding further options under the Scheme.

DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are as follows:

Tunku Ali Redhauddin ibni Tuanku Muhriz	
Alexandra Elisabeth Johanna Maria Schaapveld *	
Chan Chee Beng	
Maureen Toh Siew Guat	
Leon Andre Harland **	
Uthaya Kumar K Vivekananda	
Gary Neal Christenson	(Appointed on 2 May 2018)
Shaharul Rezza bin Hassan	(Resigned on 28 Feb 2018)

* *She is also referred to as Alexandra Schaapveld in the other sections of this report and the financial statements*

** *On 28 February 2019, the Company announced that Leon Andre Harland's contract of employment as the Chief Executive Officer ("CEO") would end on 15 May 2019 and Gary Neal Christenson would be re-designated as an Executive Director effective 27 March 2019 and appointed as the CEO on 16 May 2019. Accordingly, Leon Andre Harland will cease to be an Executive Director on 15 May 2019.*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits as disclosed in Note 7 to the financial statements and the premium paid for the Directors and Officers Liability insurance for the year 2018/2019 amounting to RM0.2 million with a coverage of RM250.0 million (2017/2018: premium paid amounted to RM0.2 million with a coverage of RM250.0 million)) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than shares granted under the MIP.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of the Directors in office at the end of the financial year, in shares and options over unissued shares in the Company or its subsidiaries during the financial year are as follows:

In the Company - Direct Interests

	Number of ordinary shares			
	As at 1.1.2018	Acquired	Disposed	As at 31.12.2018
Tunku Ali Redhauddin ibni Tuanku Muhriz [(1)]	20,000	-	-	20,000
Alexandra Schaapveld [(2)]	900,000	-	-	900,000
Chan Chee Beng [(3)]	2,511,200	-	-	2,511,200
Leon Andre Harland	-	2,137,800	-	2,137,800

(1) Held through a nominee, namely Maybank Securities Nominees (Tempatan) Sdn Bhd.
(2) Held through a nominee, namely CIMSEC Nominees (Asing) Sdn Bhd.
(3) Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn Bhd.

	Number of ordinary shares under the MIP				
	As at 1.1.2018	Granted	Awarded	Vested	As at 31.12.2018
Leon Andre Harland [(1)]					
2017 MIP					
Annual grant	up to 6,413,300	-	6,413,300	(2,137,800)	4,275,500
3-year grant *	up to 8,551,000	-	-	-	up to 8,551,000
2018 MIP					
Annual grant *	-	up to 6,426,900	-	-	up to 6,426,900

* Offered and granted, but yet to be awarded

(1) The MIP Committee has approved the award of unvested MIP shares of 4,275,500 under the 2017 MIP - Annual grant to Leon Andre Harland to be vested by 15 May 2019. The MIP shares that have yet to be awarded (the 2017 MIP – 3-year Grant and 2018 MIP – Annual Grant) will be forfeited.

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

Save as disclosed above, no other Directors in office at the end of the financial year held any interest in shares or options over shares in the Company or in its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairment losses; and

(b) to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for impairment losses in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

Company No.

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group obtained a waiver on the breach of financial covenants of the Sukuk Murabahah, and has also signed a facility agreement for refinancing of certain unsecured term loans and revolving credit facilities, the details of which are disclosed in the *Preface to the Financial Statements Section E – Liquidity risk.*

SUBSIDIARIES

Details of subsidiaries and subsidiaries' holding of shares in other related corporations are set out in Note 12 to the financial statements. The auditors' reports on the financial statements of the subsidiaries were unqualified.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 5 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 25 April 2019. Signed on behalf of the Board of Directors:

Uthaya Kumar

LEON ANDRE HARLAND
DIRECTOR

UTHAYA KUMAR K VIVEKANANDA
DIRECTOR

Kuala Lumpur

PREFACE TO THE FINANCIAL STATEMENTS

Sections A to E form part of the notes to the financial statements and provide the general information, basis of preparation and underlying considerations used in preparing the financial statements of the Group and the Company.

A GENERAL INFORMATION

The principal activities of the Company are investment holding and provision of management services. The principal activities of the Group consist of provision of marine transportation, Floating Production Storage Offloading ("FPSO") operations, vessel construction and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Company is incorporated and domiciled in Malaysia and is listed and quoted on the Official List of the Main Market of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is as follows:

Level 21, Menara Perak
24, Jalan Perak
50450 Kuala Lumpur
Malaysia.

B BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies as stated in Section C.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Section D.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RM6,092.7 million mainly due to the following reasons:

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

B BASIS OF PREPARATION (CONTINUED)

In assessing the appropriateness of a going concern basis to prepare the financial statements of the Group, the Directors prepared a cash flow forecast for the next 12 months from the date of approval of the financial statements. Based on the cash flow forecast (which is elaborated further in Section E - Liquidity risk), the Directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements.

(a) Standards, amendments to published standards and interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Amendments to MFRS 2 "Share-based Payment" – Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to MFRS Standards 2014 – 2016 Cycle: Amendments to MFRS 128 "Investments in Associates and Joint Ventures"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The adoption of the above amendments and annual improvements to MFRS did not have any significant impact on the financial statements of the Group and the Company, except as disclosed in Note 45.

(b) Standards, amendments to published standards and interpretations that have been issued but are not yet effective

(i) New MFRS, amendments to MFRS, annual improvements and interpretation which are applicable to the Group effective for annual periods beginning 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

PREFACE TO THE FINANCIAL STATEMENTS (CONTINUED)

B BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations that have been issued but are not yet effective (continued)

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

The adoption of the above new MFRS and interpretation did not have any significant impact on the financial statements of the Group and the Company, except as set out below:

MFRS 16 “Leases”

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

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group has assessed the effects of applying the new standard on the Group’s financial statements and has identified that this will impact the Group’s non-cancellable operating lease commitments. The Group expects to recognise right-of-use assets and corresponding lease liabilities. The right-of-use assets will be depreciated in accordance with the principles in MFRS 116 “Property, Plant and Equipment” and lease liabilities will be amortised over time with interest expense recognised in profit or loss, which will affect the earnings before interest, taxation, depreciation and amortisation (“EBITDA”). Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property will be measured on transition as if the new rules had always been applied.

B BASIS OF PREPARATION (CONTINUED)

(b) Standards, amendments to published standards and interpretations that have been issued but are not yet effective (continued)

(ii) Amendments to MFRS and interpretation which are applicable to the Group effective for annual periods beginning on or after 1 January 2020:

- Amendments to MFRS 2 “Share-Based Payment”
- Amendment to MFRS 3 “Business Combinations”
- Amendments to MFRS 101 “Presentation of Financial Statements”
- Amendments to MFRS 108 “Accounting Policies, Changes in Accounting Estimates and Errors”
- Amendments to MFRS 134 “Interim Financial Reporting”
- Amendment to MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets”
- Amendment to IC Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments”
- Amendment to IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combination, except for the subsidiary as disclosed in Note 12, where the Group applies predecessor accounting to account for business combination under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such remeasurement are recognised in profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(iv) Joint arrangements

A joint arrangement is an arrangement in which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iv) Joint arrangements (continued)

The Group's interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in joint venture is impaired. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(v) Associates

An associate is an entity in which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions, but not control over those policies.

The Group's interests in associates are accounted for in the consolidated financial statements using the equity method, similar to accounting policy Section C(a)(iv).

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investments in subsidiaries, joint ventures and associates in separate financial statements

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses (see accounting policy Section C(h)). On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future and has no contractual terms of repayment are considered as part of the Company's capital contribution in subsidiaries (net investments).

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, assets dismantling costs, and restoration costs for the site. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see accounting policy Section C(i)).

Drydocking expenditures represent major inspection and overhaul costs and are depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent drydocking generally performed. The Group has included these drydocking costs as a component within vessel costs in accordance with MFRS 116 "Property, Plant and Equipment".

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Property, plant and equipment are depreciated on a straight-line basis to allocate the cost to their residual values over their estimated useful lives. Depreciation on assets under construction commences when the assets are ready for their intended use. Vessels are depreciated on a systematic basis to reflect the pattern in which future economic benefits are expected to be consumed over their estimated useful lives.

The estimated useful lives of the categories of property, plant and equipment are summarised as follows:

Building	50 years
Drydocking expenditure	2.5 to 5 years
Vessels	10 to 25 years
Equipment, furniture, fittings and office equipment	2 to 10 years
Spare parts	1 to 3 years
Motor vehicles	5 years

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see accounting policy Section C(h)).

(d) Financial assets

(i) Classification

Accounting policies applied until 31 December 2017

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss ("FVTPL")

The Group classifies financial assets at FVTPL if they are acquired principally for the purpose of selling in the short-term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. Derivatives are also categorised as held for trading unless they are designated as hedges (see accounting policy Section C(g)). Derivatives are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets; otherwise they are presented as non-current assets. The Group's loan and receivables are disclosed in Note 44 to the financial statements.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the end of the reporting period.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(i) Classification (continued)

Accounting policies applied from 1 January 2018

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition

Accounting policies applied until 31 December 2017

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at FVTPL. Financial assets at FVTPL are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Accounting policies applied from 1 January 2018

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iii) Measurement

Accounting policies applied until 31 December 2017

Financial assets at FVTPL and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Section C(d)(iv)) and foreign exchange gains and losses on monetary assets (see accounting policy Section C(n)(ii)).

Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group’s right to receive payments is established.

Accounting policies applied from 1 January 2018

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest (“SPPI”).

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iii) Measurement (continued)

Accounting policies applied from 1 January 2018 (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in the statement of profit or loss together with foreign exchange gains and losses. Impairment losses are presented within the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in other operating income using the effective interest rate method. Foreign exchange gains and losses are presented in administrative expenses and impairment expenses are presented within the statement of profit or loss and statement of comprehensive income as applicable.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within the statement of profit or loss in the period in which it arises.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iii) Measurement (continued)

Accounting policies applied from 1 January 2018 (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in profit or loss as applicable.

(iv) Impairment of financial assets

Accounting policies applied until 31 December 2017

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or "events") has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest and principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If "loans and receivables" has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for "assets carried at amortised cost" above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

Accounting policies applied from 1 January 2018

Impairment for debt instruments

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Impairment for debt instruments (continued)

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(a) Simplified approach for trade receivables, accrued lease rentals and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL, which uses a lifetime ECL for trade receivables, accrued lease rentals and contract assets.

(b) General 3-stage approach for all financial assets except trade receivables, accrued lease rentals and contract assets

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Section E – Credit risk sets out the measurement details of ECL.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information, incorporating indicators such as significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

A significant increase in credit risk is presumed if a debtor is more than 180 days past due in making a contractual payment, which the Group determined based on historical repayment trends before risk of default is heightened.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

(a) Quantitative criteria

The Group defines a financial instrument as default, when the counterparty fails to make contractual payments within a year of when they fall due.

(b) Qualitative criteria

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- The debtor is in breach of financial covenants;
- Concessions have been made by the lender relating to the debtor's financial difficulty;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Continuous default in the repayment plan;
- The debtor is insolvent.

Financial instruments that are credit-impaired are assessed on an individual basis.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets (continued)

<u>Accounting policies applied from 1 January 2018</u> (continued)

<u>Groupings of instruments for ECL measurement</u>

Financial assets are assessed on an individual basis for ECL measurement, as credit risk information is obtained and monitored based on each debtor, joint venture and subsidiary.

<u>Write-off</u>

Financial assets are written off when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

Impairment losses are presented as net impairment losses within cost of sales in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

(v) De-recognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

<u>Accounting policies applied until 31 December 2017</u>

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

<u>Accounting policies applied from 1 January 2018</u>

When financial assets at FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued and the liability is initially measured at fair value.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

<u>Accounting policies applied until 31 December 2017</u>

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets” and the amount initially recognised less cumulative amortisation, where appropriate.

<u>Accounting policies applied from 1 January 2018</u>

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 “Financial Instruments” and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 “Revenue from Contracts with Customers”, where appropriate.

(g) Derivative and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Section C(d). Derivatives that qualify for hedge accounting are designated as a cash flow hedge of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivative and hedging activities (continued)

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 34. Movements in the hedging reserve in shareholders' equity are shown in the statement of changes in equity. Where a portion of a derivative financial instrument is expected to be realised within 12 months after the end of the reporting period, that portion should be presented as a current asset or liability, the remainder of the derivative financial instrument should be shown as non-current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance cost.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects the profit or loss. The gain or loss relating to the ineffective portion of interest rate swaps and cross currency interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the accounting of any cumulative deferred gain or loss and deferred cost of hedging included in equity depends on the nature of the underlying hedge transaction. For cash flow hedge which resulted in the recognition of a non-financial asset, the cumulative amount in equity shall be included in the initial cost of the asset. For other cash flow hedges, the cumulative amount in equity is reclassified to profit or loss in the same period that the hedged cash flows affect profit or loss. When hedged future cash flows or forecast transactions are no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to profit or loss within finance costs.

Hedge documentation

Accounting policies applied until 31 December 2017

The Group documented at the inception of the transaction, the relationship between hedging instruments and hedged items and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Accounting policies applied from 1 January 2018

The Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivative and hedging activities (continued)

Costs of hedging requirements: Foreign currency basis spread of cross currency interest rate swap

Accounting policies applied from 1 January 2018 (continued)

When swaps are used to hedge forecast transactions, the Group generally designates only the change in fair value of the swaps related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the swaps are recognised in the cash flow hedge reserve within equity. The change in the foreign currency basis spread of the swaps that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. The deferred amounts are reclassified to profit or loss in the same period that the hedged item affects profit or loss.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life (e.g. goodwill) are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units"). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserves.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is capitalised as prepayment until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents material and attributable cost of acquisition and is determined using the first in, first out method.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

(k) Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and financial assets, which are specifically exempt from this requirement.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Non-current assets (or disposal groups) held-for-sale (continued)

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the statement of financial position.

(l) Construction contracts and conversion work

Accounting policies applied until 31 December 2017

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use. Conversion work represents activities conducted to convert a vessel for its intended use in accordance to the customers' specifications.

When the outcome of a construction contract or conversion work can be estimated reliably, contract revenue and contract costs associated with the construction contract or conversion works are recognised as revenue and expenses respectively by reference to the stage of completion of the contract or conversion activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract/conversion work, claims and incentive payments are included in contract revenue to the extent agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract/conversion costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract/conversion.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Construction contracts and conversion work (continued)

Accounting policies applied until 31 December 2017 (continued)

For conversion work in relation to vessels built to customers' specifications, these are shown as vessel under construction (under property, plant and equipment) during the conversion phase. Upon completion of the conversion activities, these amounts are recognised as finance lease receivables when the lease commences. Contractual milestone billings during the conversion phase are presented as advances from customers.

For construction contracts, the Group presents as an asset the gross amounts due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade receivables". The Group presents as a liability the gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(m) Revenue recognition

Accounting policies applied until 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, value-added tax, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement based on contractual terms.

Revenue is recognised on the following basis:

(i) Vessel charter fees and support services

Vessel charter fees from FPSO contracts are recognised over the lease term based on classification of the contracts as finance or operating lease determined at the inception of the lease (see accounting policy Section C(o)). Charter hire income from other vessels is recognised upon rendering of services to customers.

Vessel sundry income, commission and agency income are recognised when services are rendered to the customers and recognised on an accrual basis.

(ii) Vessel construction, conversion and engineering services

Revenue from construction contracts and conversion works in relation to vessels built to customers' specifications are accounted for under the percentage-of-completion method (see accounting policy Section C(l)).

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied until 31 December 2017 (continued)

(iii) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(v) Rental income

The Group earns rental income from the rental of premises to third parties. Rental income is recognised on an accrual basis.

(vi) Sale of goods

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

(vii) Central overhead fees

The Company earns central overhead fees from its subsidiaries and joint ventures. Central overhead fees are recognised on an accrual basis.

(viii) Management fees

The Group earns management fees from its subsidiaries and joint ventures. Management fees are recognised on an accrual basis.

(ix) Engineering services

Revenue represents the invoiced value for engineering services performed and cost recovery incurred less discounts and rebates, of which engineering services and cost recovery are recognised on an incurred basis.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied from 1 January 2018

Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customers. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, value added tax, returns, rebates and discounts.

Revenue from contracts with customers is measured at its transaction price, which is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct goods or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

When there is a change order, variation or amendment to the contracts, the Group will account for it as a separate contract if there is an increase in the scope of work with distinct performance obligations.

The Group recognises revenue as follows:

(i) Vessel charter fees and support services

FPO segment

The Group is contracted to provide charter of vessels and support services such as operation and maintenance of the vessels. Charter of vessels are accounted under the requirement of MFRS 117 “Leases” and disclosed in Section C(o)(ii).

The contracts may include vessel demobilisation services and major maintenance works which are treated as distinct performance obligations and will be satisfied in the period when the services are performed. The transaction price of the contracts is allocated to these performance obligations based on its standalone selling price, estimated by using the expected costs to be incurred and a rate of return which is applicable to the individual performance obligation.

The contracts of the Group are negotiated separately for charter of vessels and for support services. The Group treats vessel demobilisation services to be part of the contract for charter of vessels. The Group treats major maintenance works to be part of the contract for support services. These performance obligations are measured and recognised over time when the services are performed.

Any supplementary payments included in contracts are assessed as part of variable considerations and adjusted to the transaction price of the contracts.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

Revenue from contracts with customers (continued)

(i) Vessel charter fees and support services (continued)

OMS segment

The Group is contracted to provide time charter services using offshore support vessels ("OSV") fleets. Time charter services relates to short-term vessel charter operated by the Group.

The Group determines time charter services as a single performance obligation. Other scope of work includes meals, accommodation, ship management services, vessel sundry income, commission and agency services which are considered as separate performance obligations and are recognised over time when services are rendered to the customers. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices specific to each OSV fleet and is recognised on a straight-line basis over the tenure of the contract.

(ii) Construction and vessel conversion works

The Group generates revenue from vessel conversion works when contracted to perform conversion works whereby vessels are built to customers' specifications which comprise multiple deliverables that form a significant integration service.

The Group also enters into construction contracts with customers specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose for use.

The Group has regarded the construction contracts and vessel conversion works contracts to be single performance obligation respectively. As one of the following criteria is met, the Group recognises revenue from construction and vessel conversion works over time:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

Revenue from contracts with customers (continued)

(ii) Construction and vessel conversion works (continued)

The transaction price of the contracts will be recognised as revenue progressively based on the percentage of completion determined by reference to the cost incurred to date relative to the total expected costs.

The Group provides warranties on completed projects against potential defects and do not treat these warranties as a separate performance obligation.

(iii) Sale of goods

Sale of goods such as scraps are recognised at a point in time upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts, and after eliminating sales within the Group.

(iv) Central overhead fees

The Company earns central overhead fees from its subsidiaries and joint ventures. Central overhead fees are recognised over time when services are rendered.

(v) Management fees

The Group earns management fees from its subsidiaries and joint ventures. Management fees are recognised over time when services are rendered.

(vi) Engineering services

Revenue represents the invoiced value for engineering services performed and cost recovery incurred less discounts and rebates, of which engineering services and cost recovery are recognised over time when the services are rendered.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:

(i) Rental income

The Group earns rental income from the rental of premises to third parties. Rental income is recognised on a straight-line basis over the tenure under the lease arrangement. See accounting policy Section C(o) for the accounting by lessor.

(ii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(iii) Interest income

Interest income is recognised using the effective interest method.

Interest income from financial assets at FVTPL is recognised as part of other operating income in the statement of profit or loss.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of vessel charter contracts and construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

The impairment loss of contract asset is charged to profit or loss (see accounting policy Section C(d)(iv)).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration in advance or has billed the customer. In the case of vessel charter contracts and construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

Costs incurred in obtaining a contract

Prior to securing a contract with customers, the Group will undergo a project bidding process. Costs incurred during the project bidding process are determined as costs to obtain a contract. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer are recognised as an asset. The asset recognised will be amortised on a systematic basis consistent with the transfer of goods or services to the customer to which the asset relates.

(n) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Group and the Company are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within finance costs.

Translation difference on non-monetary financial assets, such as equities classified as financial assets at FVOCI, are included in other comprehensive income.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Foreign currencies (continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of joint control over a joint venture that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures that do not result in the Group losing joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Intercompany loans where settlement is neither planned nor likely to occur in the foreseeable future with no contractual terms of repayment, are treated as part of the parent's capital contribution in subsidiaries (net investments). Translation differences arising therefrom are recognised in other comprehensive income.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Accounting by lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to profit or loss on a straight-line basis over the lease period.

Contingent rents are recognised as an expense in profit or loss when incurred.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases (continued)

(ii) Accounting by lessor

Finance leases

Leases where the Group has transferred substantially risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised in the statement of financial position as “finance lease receivables”. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Any direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

When there is change in estimates, renewal and modification of a lease agreement that does not result in reclassification of the lease, the Group will apply the MFRS 9 derecognition guidance to decide whether the lease receivable should be derecognised and the modified agreement accounted for as a new lease.

Operating leases

Leases where the Group retains substantially the risks and rewards incidental to ownership of the leased assets are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Current and deferred income tax

Tax expense for the period comprises current, withholding and deferred taxes. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and joint ventures operate and generate taxable income.

The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of most likely outcome.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables and accruals in the statement of financial position.

(ii) Defined contribution plan

The Group's contributions to Employees Provident Fund, a defined contribution plan, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group have no further financial obligations.

(iii) Share-based payment

The Group operates two equity-settled share-based compensation plans ("Employee Share Options Scheme" or "ESOS" and "Management Incentive Plan" or "MIP") under which the Group receives services from employees as consideration for equity options ("ESOS Options") or shares granted ("MIP shares") over ordinary shares of the Company. The fair value of the ESOS options or the MIP shares granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to share option reserve within equity. The total amount to be expensed is determined by reference to the fair value of the ESOS options or MIP shares granted:

- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions and service conditions are included in assumptions about the number of ESOS options or MIP shares that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of ESOS options or MIP shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits (continued)

(iii) Share-based payment (continued)

When the ESOS options are exercised, or when the MIP shares are issued, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the ESOS options are exercised, or when the MIP shares are issued. When ESOS options are not exercised and lapsed, the share option reserve is transferred to retained earnings. For MIP shares, the share option reserve is transferred to retained earnings if the employment is terminated or ceased prior to the vesting date.

If the terms of an equity-settled amount are modified, at a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounting policies applied until 31 December 2017

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see accounting policy Section C(d)(iv)).

Accounting policies applied from 1 January 2018

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance (see accounting policy Section C(d)(iv)).

(s) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(t) Trade payables and accruals

Trade payables and accruals represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables and accruals are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

PREFACE TO THE FINANCIAL STATEMENTS (CONTINUED)

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

(i) Provision for demobilisation costs

Provision for demobilisation costs is made based on the estimated cost of demobilising the vessels at the end of the vessels' useful lives. When this provision relates to an asset with sufficient future economic benefits, a demobilising asset is recognised as property, plant and equipment and accounted for in accordance with the accounting policy set out in Section C(c).

(v) Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities, but disclose its existence in the financial statements, if any.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(w) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Share capital

(i) Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

(iii) Dividends

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(y) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the Group's profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer. The Chief Executive Officer, who is responsible for allocating resources and assessing performance of the operating segments, has been identified to make strategic decisions. Segment revenue and expenses are those directly attributable to the segments and include any expenses where a reasonable basis of allocation exists.

PREFACE TO THE FINANCIAL STATEMENTS (CONTINUED)

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Classification of lease contracts

The following are the areas of judgement applied in determining the classification of lease contracts between finance lease and operating lease under MFRS 117 “Leases” to the recognition of revenue by the Group:

(i) Determination of lease term

The Group determines the lease term based on the “non-cancellable period” for which the Group has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, when at lease inception it is reasonably certain that the lessee will exercise the option.

(ii) Determination of purchase option

The lessee's purchase option is considered in classifying the lease contract. At lease inception, if it is not reasonably certain that the option will be exercised, the option will not be a part of the basis for classification. If the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable, the exercise of the option is regarded as reasonably certain. The evaluation of the term “reasonably certain” involves judgement.

(b) Revenue

Allocation of total consideration to performance obligation

Contracts for leasing and operation of vessels are usually negotiated together. As the consideration for the leasing component and operation component of vessels are contracted together, they may not represent the fair value of the individual component separately. The total consideration paid is allocated between each component based on fair value of each component. This requires estimation based on expected costs to be incurred and a rate of return which is applicable to the performance obligation to be determined at lease inception.

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(c) Impairment of non-financial assets

Property, plant and equipment and non-current assets held-for-sale

The recoverable amount of each vessel is based on estimates and judgement with respect to key assumptions such as utilisation rates, daily charter rates, discount rate and residual value. Several of the Group's contracts are long-term in nature and there can be no certainty that the continuity of these contracts will not be materially affected by conditions such as a deterioration in the oil and gas market or a specific client's financial condition. Should the actual conditions be different to those in our assumptions, there may be an adverse effect on the recoverable amount of non-financial assets or non-current assets held-for-sale.

Investment in subsidiaries

The recoverable amounts of investment in subsidiaries have been determined based on value-in-use ("VIU") calculations, and is based on estimates and judgement with respect to key assumptions such as revenue growth, ability to secure future contracts, funding requirements, exchange rates, and discount rate. The calculations of projected future cash flows from the subsidiaries are inherently judgemental and susceptible to change from period to period due to the assumptions stated above.

(d) Impairment of financial assets

The Group measures impairment of financial assets through the ECL model which incorporates elements of probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money, and information about past events, current conditions and forecasts of future economic conditions. The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

In assessing the ECL of amounts due from subsidiaries, the Group further considers recovery strategies of repayment in the event if the amount is demanded to be repaid and expected future cash flows in the event the Group is not expected to fully recover the amount outstanding. The calculations of projected future cash flows of the subsidiaries are inherently judgemental and susceptible to change from period to period due to the assumptions made.

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Vessels' useful lives and residual values

Depreciation depends on the estimated useful lives of the vessels and residual values at the end of their useful lives. The estimated useful lives are based on previous experience, knowledge and condition of the vessels owned by the Group and is normally equal to the design life of the vessel. Assumptions about residual value are based on prevailing market conditions and expected value to be obtained for these vessels at the end of their useful lives in the future. These assumptions by their nature may differ from actual outcome in the future.

(f) Current and deferred taxation

The Group is subject to income and withholding taxes in numerous jurisdictions in which the Group operates. Significant judgement is required in determining the worldwide provision for these taxes based on interpretation of current legislation. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due.

(g) Liquidated damages ("LD") and supplementary payments

The Group is subject to LD and supplementary payments arising from delays in completion of the FPSO conversion projects. The assessment of likelihood of LD requires significant judgement relating to the time of completion and the contracted costs to be incurred upon finalisation of the projects and outcome of negotiation with customers.

(h) Demobilisation costs

Demobilisation costs are capitalised as part of property, plant and equipment based on estimate of costs that are expected to be incurred upon the end of the vessel's useful life. Provisions for demobilisation costs are measured at the present value of expected expenditures by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation.

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

This section presents information about the Group's and the Company's exposure to risks resulting from its use of financial instruments, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board of Directors identifies and evaluates the financial risks in close co-operation with the Group's management.

Foreign currency exchange risk

The Group is exposed to various currencies, primarily, United States Dollar ("USD") and Russian Ruble ("RUB") (2017: USD and RUB). The Group's foreign currency exchange risk arises from the revenue recognised and purchases of material, spares and services for maintenance of its vessels.

The objectives of the Group's foreign currency exchange risk management policies are to allow the Group to effectively manage the foreign exchange fluctuation that may arise from future commercial transactions and recognised assets and liabilities. Foreign currency exchange forward contracts are used to manage foreign currency exchange exposures arising from all known material foreign currency denominated commitments as and when they arise and to hedge the movements in exchange rates by establishing the rate at which a foreign currency monetary item will be settled. Gains and losses on foreign currency exchange forward contracts entered into as hedges of foreign currency monetary items are recognised in the financial statements when the exchange differences of the hedged monetary items are recognised in the financial statements. Cross currency interest rate swap contracts are also used to hedge the volatility in the cash flows attributable to variability in the other currency denominated borrowings once identified to maturity of the borrowings.

The Group's exposure to foreign currency at the end of the financial year is as follows:

	Denominated in currencies other than functional currencies				
At 31 December 2018	United States Dollar	Russian Ruble	Others	Denominated in functional currencies	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	7,779	-	-	747,504	755,283
Deposits, cash and bank balances	42,118	217,689	38,580	928,037	1,226,424
Trade payables and accruals	(4,549)	(2,432)	(26,867)	(529,679)	(563,527)
	45,348	215,257	11,713	1,145,862	1,418,180

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency exchange risk (continued)

The Group's exposure to foreign currency at the end of the financial year is as follows: (continued)

	Denominated in currencies other than functional currencies				
At 31 December 2017	United States Dollar	Russian Ruble	Others	Denominated in functional currencies	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	598	-	2,224	724,331	727,153
Deposits, cash and bank balances	99,364	298,811	23,602	1,424,337	1,846,114
Trade payables and accruals	-	-	(40,155)	(558,628)	(598,783)
	99,962	298,811	(14,329)	1,590,040	1,974,484

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and RUB (2017: USD and RUB) denominated balances as illustrated in the following table:

		Impact on (loss)/profit before taxation [Increase/(Decrease)]	
Currency	Strengthened by	2018	2017
		RM'000	RM'000
USD	10%	(4,535)	9,996
RUB	10%	(21,526)	29,881

PREFACE TO THE FINANCIAL STATEMENTS (CONTINUED)

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency exchange risk (continued)

The Company's exposure to foreign currency at the end of the financial year is as follows:

At 31 December 2018	Denominated in currencies other than functional currency: United States Dollar	Denominated in currencies other than functional currency: Others	Denominated in functional currency	Total
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balance	40,307	65	18,931	59,303

At 31 December 2017	Denominated in currencies other than functional currency: United States Dollar	Denominated in currencies other than functional currency: Others	Denominated in functional currency	Total
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balance	45,015	65	18,326	63,406

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD (2017: USD) denominated balances as illustrated in the following table:

Currency	Strengthened by	Impact on profit before taxation [Increase/(Decrease)] 2018	Impact on profit before taxation [Increase/(Decrease)] 2017
		RM'000	RM'000
USD	10%	4,031	4,502

A similar percentage decrease in the exchange rate would have an equal but opposite effect.

The Group and the Company are exposed to foreign currency exchange risk on intercompany balances, where the balances are not denominated in functional currencies of the entities involved.

Foreign currency exchange differences arising from net investments in foreign operations are recognised in other comprehensive income of the Group.

Foreign currency exchange differences arising from translation of financial position of Group entities that has a functional currency different from Ringgit Malaysia are also recognised as a separate component of other comprehensive income.

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's borrowings with floating interest rates. In respect of managing interest rate risks, the floating interest rates of certain long-term loans are hedged in accordance with the Group's policy by fixed rate swaps to mirror the maturity period. Short-term facilities which bear interest at floating interest rates are not hedged.

The contractual interest rates on borrowings and derivative financial instruments are disclosed in Notes 33 and 34 respectively.

As at the reporting date, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

Group	2018 RM'000	2017 RM'000
Variable rate instruments		
Financial liabilities, comprising term loans and revolving credits	8,850,523	9,993,038
Less: Interest rate swap contracts	(4,102,923)	(4,373,867)
Less: Cross currency interest rate swap contract	-	(21,304)
Total variable rate instruments not hedged	4,747,600	5,597,867

The sensitivity of the Group's (loss)/profit before taxation for the financial year and equity to a reasonable possible change in RM and USD interest rates with all other factors held constant and based on composition of liabilities with floating interest rates as at the reporting date are as follows:

	Impact on (loss)/profit before taxation		Impact on equity [1]	
Group	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
RM				
- increased by 0.5% (2017: 0.5%)	-	167	-	-
- decreased by 0.5% (2017: 0.5%)	-	(167)	-	-
USD				
- increased by 0.5% (2017: 0.5%)	(24,140)	(28,069)	20,515	21,449
- decreased by 0.5% (2017: 0.5%)	24,140	28,069	(20,515)	(21,449)

[1] Represents cash flow hedging reserve

PREFACE TO THE FINANCIAL STATEMENTS (CONTINUED)

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

The impact on (loss)/profit before taxation for the financial year is mainly as a result of interest expenses on floating interest rate borrowings not in a designated hedging relationship. For borrowings in a designated hedging relationship, as these are effectively hedged, the interest rate movements will not have any impact on profit or loss.

Credit risk

Credit risk arises from contractual cash flows of debt investment carried at FVOCI, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to external customers and related parties, including outstanding receivables.

The Group's activities limit the exposure and credit risk concentration to a few major customers. The Group employs a credit policy that ensures customers are subjected to credit checks and outstanding accounts are followed up on a timely basis.

Several of the Group's contracts are long-term. The Group's credit risk continues for the entire contractual period. There can be no guarantee that the financial position of the Group's major customers will not materially change during the contracted period. Given the limited number of major customers of the Group and the significant portion they represent to the Group's income, the inability of one or more of them to make full payment may have a significant adverse impact on the financial position of the Group.

The carrying amount of each class of financial assets mentioned in Note 44 to the financial statements represents the Group's maximum exposure to credit risk.

The Company is exposed to credit risk arising from financial guarantee contracts given to banks for subsidiaries' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the subsidiaries and the interest charged on the borrowings.

Measurement of Expected Credit Loss ("ECL") Model

The Group and the Company has the following financial assets that are subject to the ECL model:

- Finance lease receivables
- Accrued lease rentals
- Trade receivables
- Other receivables and deposits excluding prepayments
- Contract assets
- Amounts due from joint ventures
- Amounts due from subsidiaries

While deposits, cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") Model (continued)

Simplified approach for trade receivables, accrued lease rentals and contract assets

Debtors are segregated into 5 credit ratings (A to E) based on financial position, expected risk of default on payments, and receivables aging as at the reporting date. Accrued lease rentals and contract assets are similarly categorised together with the debtors based on assigned credit ratings.

The expected loss rates are based on payment profiles over a period of 5 years before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on conditions specific to the debtors which may affect their ability to settle the receivables.

The Group has considered expected oil price and geographical area which the debtor operates in and concluded that the effect on expected changes in these factors do not significantly affect the historical loss rates. No significant changes to estimation techniques or assumptions were made during the reporting period.

General 3-stage approach for all financial assets except trade receivables, accrued lease rentals and contract assets

For finance lease receivables and amounts due from joint ventures, the Group uses the following categories which reflect their credit risk and how the loss allowance is determined for each of these categories.

Category	Definition of category	Basis for recognition of ECL provision
Performing	Debtors have low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant credit risk is presumed if repayments are 180 days past due	Lifetime ECL
Non-performing	Repayments are 365 days past due and there is evidence indicating the asset is credit-impaired	Lifetime ECL
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Measurement of Expected Credit Loss (“ECL”) Model (continued)

General 3-stage approach for all financial assets except trade receivables, accrued lease rentals and contract assets (continued)

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD (“probability of default”) – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD (“loss given default”) – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD (“exposure at default”) – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group considers historical data and assessed forward-looking macroeconomic data which may be applicable to each debtor. The Group has considered expected oil price and geographical area which the debtor operates in and concluded that the effect on expected changes in these factors do not significantly affect the historical loss rates. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

For amounts due from subsidiaries which are repayable on demand, the ECL is based on the assumption that repayment of the loan is demanded at reporting date. The Company assesses the recovery strategies of repayment from the subsidiaries in the event if the amount is demanded to be repaid and if the Company is expected to fully recover the amount outstanding, the ECL will be limited to the effect of discounting the amount due from the subsidiary at an effective interest rate of 0% if the loan is interest free. Impairment would be recognised if the Company does not expect to fully recover the amount outstanding.

Reconciliation of loss allowance

The loss allowance for trade receivables and accrued lease rentals as at 31 December 2018 which was assessed using the simplified approach reconciles to the opening loss allowance as disclosed in Note 21 and Note 22 respectively.

The loss allowance for amounts due from joint ventures and other receivables and deposits, as at 31 December 2018 which was assessed using the general 3-stage approach is disclosed in Note 18 and Note 23 respectively.

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RM6,092.7 million due to the following:

(i) Non-current borrowings for AKPL of RM1,782.9 million remains classified in current liabilities due to existing non-compliances by AKPL under this loan, in particular 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 view that the Armada Kraken FPSO has achieved final acceptance in September 2018, the Group is currently in discussion with project lenders to remove the risk of having to prepay the loan as a result of existing non-compliances by AKPL. The Group expects to alleviate such risk in 2019.

(ii) Reclassification of Sukuk Murabahah of RM1,499.4 million from non-current liabilities to current liabilities, as the Group has not met the financial covenant of net debt over earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the financial year ended 31 December 2018. This is mainly because the computation includes non-cash impairment expenses recognised during the year.

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

(iii) Current secured term loan of AFGSML bridge loan amounting to RM186.5 million (USD45.0 million) is classified as current liabilities, which is intended to be refinanced via long term financing. The lender had previously reserved the right to issue a cancellation notice for full repayment of the loan, and extended the repayment date from 28 February 2019 to 12 April 2019.

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

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

(iv) The unsecured term loans with a carrying amount of RM1,578.0 million due within 12 months from the balance sheet date are classified as current liabilities. The Group has not met the financial covenant of net debt over EBITDA for the financial year ended 31 December 2018.

(v) The revolving credit facilities of RM1,246.9 million are due within 12 months from the balance sheet date and are classified as current liabilities.

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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

(i) The Loans comprise a Tranche 1 facility of USD260.0 million and a Tranche 2 facility of USD400.0 million repayable over 24 months and 60 months respectively, from the closing date of the Facility Agreement;

(ii) The OMS business together with certain FPO vessels which are idle will be disposed of assuming commercially acceptable sale terms can be obtained;

(iii) Surplus funds from operations and part of the proceeds, from certain strategic initiatives including monetisation of assets and new project financing will be used to repay the Loans; and

(iv) Closing date of the Facility Agreement is subject to the satisfaction of certain conditions precedent which are procedural in nature and include approval from the central bank, the execution of certain documents, certificates, resolutions, and legal opinions.

Based on the cash flow forecast for the next 12 months from the date of approval of the financial statements, 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 which is expected to generate positive cash flows. The Group also expects distribution from joint ventures.

In order to further manage and strengthen the cash flow position, the Group is taking the following measures:

(i) Pursue collections from customers; and
(ii) Optimise cost structure.

The Directors are of the opinion that the Group will be able to discharge its liabilities in the normal course of business over the next 12 months from the date of approval of the financial statements.

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2018					
Borrowings – others	3,504,108	481,860	1,477,985	2,056,803	7,520,756
Borrowings – Armada Kraken Pte Ltd	2,332,805	-	-	-	2,332,805
Borrowings – Sukuk Murabahah	1,595,250	-	-	-	1,595,250
Amounts due to joint ventures	34,667	-	-	-	34,667
Net settled derivative financial instruments					
- interest rate swaps	(71,141)	(16,678)	(31,349)	(15,556)	(134,724)
- cross currency interest rate swaps	513,042	-	-	-	513,042
Trade payables and accruals	563,527	-	-	-	563,527
Other payables and accruals	348,224	41,851	13,951	-	404,026
At 31 December 2017					
Borrowings – others	3,264,328	1,564,025	1,594,757	4,055,621	10,478,731
Borrowings – Armada Kraken Pte Ltd	2,671,381	-	-	-	2,671,381
Amounts due to joint ventures	32,237	-	-	-	32,237
Net settled derivative financial instruments					
- interest rate swaps	(42,712)	(12,043)	(34,225)	(22,965)	(111,945)
- cross currency interest rate swaps	10,300	8,313	33,649	523,017	575,279
Trade payables and accruals	598,783	-	-	-	598,783
Other payables and accruals	454,906	54,628	13,657	-	523,191

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

All financial liabilities of the Company are assessed as current and correspondingly, no detailed maturity analysis is deemed necessary.

Corporate guarantees are financial guarantees given to banks for credit facilities granted to subsidiaries. The maximum amount of the financial guarantees issued by the Company to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies and the interest charged on the borrowings, amounting to RM10,215.3 million as at 31 December 2018 (2017: RM11,728.5 million). The earliest period that the financial guarantees can be called upon by the banks is upon an event of default which could not be remedied. The Company believes that the liquidity risk in respect of the financial guarantees is minimal as it is unlikely that the subsidiary companies will not make payment to the banks when due.

Capital risk management

The Group's and the Company's objectives when managing capital, are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure, the Company may issue new shares or issue new debt and return capital to shareholders or adjust the amount of dividends paid to shareholders.

The capital structure of the Group and the Company consists of borrowings (excluding cash and cash equivalents) and total equity, comprising issued share capital, reserves and non-controlling interests as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Total borrowings	10,380,530	11,522,905	-	-
Less: Cash and cash equivalents	(1,226,424)	(1,846,114)	(59,303)	(63,406)
	9,154,106	9,676,791	(59,303)	(63,406)
Total equity	3,370,140	5,521,031	5,045,255	4,930,115
	12,524,246	15,197,822	4,985,952	4,866,709

The Group is required to maintain a certain ratio of total net debt to adjusted earnings before interest, taxation, depreciation, amortisation and impairment, as defined in the facilities agreement. During the financial year, the Group has complied with these requirements, except as disclosed in Section E - Liquidity risk.

Company No.

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	2	2,418,739	2,402,130	303,412	320,410
Cost of sales		(1,917,530)	(1,596,228)	(139,500)	(139,763)
Gross profit		501,209	805,902	163,912	180,647
Other operating income	3	65,483	177,903	621	1,479
Selling and distribution costs		(29,955)	(20,827)	-	-
Administrative expenses		(234,801)	(195,809)	(31,188)	(68,285)
Operating profit before impairment		301,936	767,169	133,345	113,841
Impairment	5	(2,242,908)	(8,328)	(18,332)	-
Operating (loss)/profit		(1,940,972)	758,841	115,013	113,841
Finance costs	4	(522,149)	(430,958)	-	-
Share of results of joint ventures and associate	13,14	166,249	164,347	-	-
(Loss)/Profit before taxation	5	(2,296,872)	492,230	115,013	113,841
Taxation	8	(22,276)	(115,823)	(325)	(1,494)
(Loss)/Profit for the financial year		(2,319,148)	376,407	114,688	112,347
Attributable to:					
Owners of the Company		(2,302,769)	352,247		
Non-controlling interests		(16,379)	24,160		
		(2,319,148)	376,407		
Earnings per share (sen)	9				
- basic		(39.23)	6.00		
- diluted		(39.23)	6.00		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No.

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the financial year	(2,319,148)	376,407	114,688	112,347
Other comprehensive income/ (expense):				
Items that may be reclassified subsequently to profit or loss:				
- Fair value gain on cash flow hedges	61,091	86,282	-	-
- Costs of hedging	32,814	(25,815)	-	-
- Foreign currency translation differences	142,333	(516,796)	-	-
- Share of other comprehensive income of joint ventures	4,613	789	-	-
Items that will not be reclassified to profit or loss:				
- Financial assets at fair value through other comprehensive income:				
- (Loss)/Gain on fair value change	(9,171)	3,072	-	-
Other comprehensive income/ (expense) for the financial year, net of tax	231,680	(452,468)	-	-
Total comprehensive (expense)/ Income for the financial year	(2,087,468)	(76,061)	114,688	112,347
Total comprehensive (expense)/ income attributable to:				
- Owners of the Company	(2,066,205)	(96,647)		
- Non-controlling interests	(21,263)	20,586		
	(2,087,468)	(76,061)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No.

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,692,694	9,235,066
Investment in joint ventures	13	1,022,870	668,967
Investment in an associate	14	5	-
Financial assets at fair value through other comprehensive income	15	15,158	-
Available-for-sale financial assets	16	-	16,498
Finance lease receivables	17	5,011,820	5,280,228
Other receivables	23	-	153,600
Contract assets	24	44,090	-
Amounts due from joint ventures	18	26,069	32,162
Derivative financial instruments	34	65,060	64,767
Deferred tax assets	19	21,660	7,295
TOTAL NON-CURRENT ASSETS		12,899,426	15,458,583
CURRENT ASSETS			
Inventories	20	7,298	4,199
Finance lease receivables	17	156,639	53,961
Trade receivables	21	755,283	727,153
Accrued lease rentals	22	315,555	372,945
Other receivables, deposits and prepayments	23	58,810	68,249
Contract assets	24	5,574	-
Amounts due from customers on contract	25	-	8,745
Amounts due from joint ventures	18	30,055	251,865
Derivative financial instruments	34	65,804	41,422
Tax recoverable		19,734	-
Deposits, cash and bank balances	27	1,226,424	1,846,114
		2,641,176	3,374,653
Non-current assets classified as held-for-sale	28	114	1,770
TOTAL CURRENT ASSETS		2,641,290	3,376,423
TOTAL ASSETS		15,540,716	18,835,006

BUMI ARMADA BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONTINUED)

	Note	2018 RM'000	2017 RM'000
LIABILITIES			
LESS: CURRENT LIABILITIES			
Trade payables and accruals	29	563,527	598,783
Other payables and accruals	30	492,897	454,906
Contract liabilities	24	26,635	-
Amounts due to joint ventures	18	34,667	32,237
Provisions	31	85,587	-
Lease liabilities	22	5,549	-
Hire purchase creditors	32	-	88
Borrowings – others	33	3,781,099	3,352,727
Borrowings – Armada Kraken Pte Ltd	33	1,782,895	2,145,196
Borrowings – Sukuk Murabahah	33	1,499,352	-
Derivative financial instruments	34	426,299	11,839
Taxation		35,467	52,309
TOTAL CURRENT LIABILITIES		8,733,974	6,648,085
NET CURRENT LIABILITIES		(6,092,684)	(3,271,662)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals	30	55,802	68,285
Contract liabilities	24	15,616	-
Provisions	31	-	106,921
Hire purchase creditors	32	-	198
Borrowings	33	3,317,184	6,024,982
Derivative financial instruments	34	7,044	449,850
Deferred tax liabilities	19	40,956	15,654
TOTAL NON-CURRENT LIABILITIES		3,436,602	6,665,890
NET ASSETS		3,370,140	5,521,031
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	35	4,314,815	4,311,294
Reserves	38	(951,578)	1,186,035
		3,363,237	5,497,329
NON-CONTROLLING INTERESTS		6,903	23,702
TOTAL EQUITY		3,370,140	5,521,031
NET ASSETS PER SHARE (RM) *		0.57	0.94

* Based on 5,870,937,544 (2017: 5,866,269,344) ordinary shares in issue per the Companies Act 2016.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No.

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BUMI ARMADA BERHAD
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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,475	3,715
Investment in subsidiaries	12	4,511,584	3,949,387
Investment in joint ventures	13	101,979	131,565
Investment in an associate	14	16	-
Deferred tax assets	19	3,745	4,288
TOTAL NON-CURRENT ASSETS		4,618,799	4,088,955
CURRENT ASSETS			
Other receivables, deposits and prepayments	23	6,161	6,516
Amounts due from subsidiaries	26	417,099	893,405
Amounts due from joint ventures	18	19,529	18,842
Tax recoverable		7,205	4,727
Deposits, cash and bank balances	27	59,303	63,406
TOTAL CURRENT ASSETS		509,297	986,896
TOTAL ASSETS		5,128,096	5,075,851
LIABILITIES			
LESS: CURRENT LIABILITIES			
Other payables and accruals	30	36,477	32,956
Amounts due to subsidiaries	26	45,147	112,780
Amount due to a joint venture	18	1,217	-
TOTAL CURRENT LIABILITIES		82,841	145,736
NET CURRENT ASSETS		426,456	841,160
NET ASSETS		5,045,255	4,930,115

BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONTINUED)

	Note	2018 RM'000	2017 RM'000
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	35	4,314,815	4,311,294
Reserves	38	730,440	618,821
TOTAL EQUITY		5,045,255	4,930,115
NET ASSETS PER SHARE (RM) *		0.86	0.84

* Based on 5,870,937,544 (2017: 5,866,269,344) ordinary shares in issue per the Companies Act 2016.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No.

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Number of shares	Share capital	Foreign exchange reserve	Share option reserve	Hedging reserve	Other reserves	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
		Attributable to Owners of the Company									
		35	35	38(b)	38(c)	38(d)	38(e)				
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018											
At 1 January		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	45	-	-	-	-	-	-	(15,473)	(15,473)	-	(15,473)
Effect on the adoption of MFRS 15	45	-	-	-	-	-	-	(48,402)	(48,402)	-	(48,402)
At 1 January (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	-
- Employee share options forfeited	36	-	-	-	(6,132)	-	-	6,132	-	-	-
- Call options forfeited		-	-	-	-	-	(6,239)	6,239	-	-	-
- Management incentive plan granted	37	-	-	-	452	-	-	-	452	-	452
- Shares issued pursuant to the management incentive plan	37	4,668	3,521	-	(3,521)	-	-	-	-	-	-
At 31 December		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

Company No.

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		Attributable to Owners of the Company										
	Note	Number of shares	Share capital	Share premium	Foreign exchange reserve	Share option reserve	Hedging reserve	Other reserves	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total equity
		35	35	38(a)	38(b)	38(c)	38(d)	38(e)				
		’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
2017												
At 1 January		5,866,269	1,173,253	3,137,730	1,593,424	19,928	(101,474)	13,947	(249,847)	5,586,961	3,116	5,590,077
Adjustments for effects of the Companies Act 2016 [1]		-	3,138,041	(3,137,730)	-	-	-	(311)	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	-	352,247	352,247	24,160	376,407
Other comprehensive (expense)/income for the financial year, net of tax		-	-	-	(513,183)	-	61,217	3,072	-	(448,894)	(3,574)	(452,468)
Total comprehensive (expense)/ income for the financial year, net of tax		-	-	-	(513,183)	-	61,217	3,072	352,247	(96,647)	20,586	(76,061)
Transactions with owners:												
- Employee share options granted	36	-	-	-	-	266	-	-	-	266	-	266
- Employee share options forfeited/ lapsed	36	-	-	-	-	(7,591)	-	-	7,591	-	-	-
- Management incentive plan granted	37	-	-	-	-	6,749	-	-	-	6,749	-	6,749
At 31 December		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

[1] Effective from 31 January 2017, the new Companies Act 2016 (“the Act”) abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium and preference share redemption reserve becomes part of the Company’s share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) and 618(4) of the Act. The Board of Directors has elected not to apply Section 618(3) and Section 618(4) on this amount. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No.

370398	X

BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Number of shares	Share capital	Share option reserve	Other reserves	Retained earnings	Total
		35	35	38(c)	38(e)		
		'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018							
At 1 January		5,866,269	4,311,294	19,352	6,239	593,230	4,930,115
Total comprehensive income for the financial year, net of tax		-	-	-	-	114,688	114,688
Transactions with owners:							
- Employee share options forfeited	36	-	-	(6,132)	-	6,132	-
- Call options forfeited		-	-	-	(6,239)	6,239	-
- Management incentive plan granted	37	-	-	452	-	-	452
- Shares issued pursuant to the management incentive plan	37	4,668	3,521	(3,521)	-	-	-
At 31 December		5,870,937	4,314,815	10,151	-	720,289	5,045,255

Company No.

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Number of shares	Share capital	Share premium	Share option reserve	Other reserves	Retained earnings	Total
		35	35	38(a)	38(c)	38(e)		
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
At 1 January		5,866,269	1,173,253	3,137,730	19,928	6,550	473,292	4,810,753
Transfer to share capital [1]		-	3,138,041	(3,137,730)	-	(311)	-	-
Total comprehensive income for the financial year, net of tax		-	-	-	-	-	112,347	112,347
Transactions with owners:								
- Employee share options granted	36	-	-	-	266	-	-	266
- Employee share options forfeited/ lapsed	36	-	-	-	(7,591)	-	7,591	-
- Management incentive plan granted	37	-	-	-	6,749	-	-	6,749
At 31 December		5,866,269	4,311,294	-	19,352	6,239	593,230	4,930,115

[1] Effective from 31 January 2017, the Act abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium and preference share redemption reserve becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) and Section 618(4) of the Act. The Board of Directors has elected not to apply Section 618(3) and Section 618(4) on this amount. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company No.

370398	X

BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES					
(Loss)/Profit for the financial year		(2,319,148)	376,407	114,688	112,347
Adjustments for non-cash items:					
Share of results of joint ventures and associate		(166,249)	(164,347)	-	-
Depreciation of property, plant and equipment	5	499,350	575,350	2,070	6,460
Fair value through profit and loss on derivative financial instruments	5	(1,869)	(14,046)	-	-
(Gain)/Loss on disposal of property, plant and equipment and non-current assets classified as held-for-sale	3,5	(14,823)	(94,866)	(38)	1,838
Impairment of:					
- property, plant and equipment	5	2,199,735	-	-	-
- non-current assets classified as held-for-sale	5	43,173	-	-	-
- investment in subsidiaries	5	-	-	18,332	-
- available-for-sale financial asset	5	-	8,328	-	-
Bad debts written off	5	8,223	-	938	-
Net allowance for impairment losses (2017: Net allowance for doubtful debts)	5	276,358	1,741	-	-
Unrealised foreign exchange loss	5	17,436	48,598	(1,586)	1,818
Share-based payment		452	7,015	452	7,015
Interest income	3	(33,679)	(39,575)	(517)	(849)
Interest expense	4	515,885	434,519	-	-
Accretion of interest	4	8,133	10,485	-	-
Dividend income	2	-	-	(147,197)	(174,057)
Taxation	8	22,276	115,823	325	1,494
Operating profit/(loss) before changes in working capital		1,055,253	1,265,432	(12,533)	(43,934)
Changes in working capital:					
Inventories		(3,041)	1,662	-	-
Finance lease receivables		385,887	65,386	-	-
Trade and other receivables		(54,457)	(238,663)	358	3,830
Trade and other payables		214,745	(54,984)	3,521	(15,370)
Intercompany balances		-	-	410,259	(71,435)
Joint ventures		9,637	13,792	-	-
Cash from/(used in) operations		1,608,024	1,052,625	401,605	(126,909)
Interest paid		(505,930)	(453,629)	-	-
Tax paid (net)		(34,728)	(34,140)	(2,260)	(4,149)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES		1,067,366	564,856	399,345	(131,058)

BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(534,254)	(1,815,963)	(165)	(433)
Proceeds from disposal of property, plant and equipment and non-current assets held-for-sale		85,779	139,660	373	234
Interest received		35,048	40,822	514	609
Additional investment in joint ventures		(224,083)	(30)	-	-
Proceeds from redemption of redeemable preference shares	B	33,467	40,628	29,334	20,395
Dividends received from subsidiaries		-	-	147,197	174,057
Dividend received from a joint venture		64,650	-	-	-
Repayments from/(advances to) joint ventures		183,511	26,135	(172)	26,135
Advances to subsidiaries		-	-	(580,487)	(94,657)
Investment in subsidiaries		-	-	(42)	(106)
NET CASH FLOWS (USED IN)/ GENERATED FROM INVESTING ACTIVITIES		(355,882)	(1,568,748)	(403,448)	126,234
FINANCING ACTIVITIES					
Proceeds from bank borrowings		-	307,894	-	-
Repayment of bank borrowings		(1,366,713)	(750,170)	-	-
Decrease in deposit pledged as security		-	900	-	900
Repayment of hire purchase ("HP") creditors		(286)	(88)	-	-
NET CASH FLOWS (USED IN)/ GENERATED FROM FINANCING ACTIVITIES		(1,366,999)	(441,464)	-	900
NET DECREASE IN CASH AND CASH EQUIVALENTS		(655,515)	(1,445,356)	(4,103)	(3,924)
CURRENCY TRANSLATION DIFFERENCES		35,825	276,516	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		1,846,114	3,014,954	63,406	67,330
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	C	1,226,424	1,846,114	59,303	63,406

BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Notes to the statements of cash flows:

A Additions to property, plant and equipment (Note 11) which were acquired during the financial year were as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash	534,254	1,815,963	165	433
Movement in property, plant and equipment creditors	(354,252)	(619,408)	-	-
Interest expense capitalised for construction of vessels	-	110,137	-	-
	180,002	1,306,692	165	433

B Redemption of redeemable preference shares

The Group redeemed RM33.5 million (2017: RM40.6 million) of redeemable preference shares in Armada D1 Pte Ltd and Armada C7 Pte Ltd.

The Company redeemed RM29.3 million (2017: RM20.4 million) of redeemable preference shares in Armada D1 Pte Ltd.

C Cash and cash equivalents consist of:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	1,029,016	1,670,465	49,568	61,292
Cash and bank balances	197,408	175,649	9,735	2,114
	1,226,424	1,846,114	59,303	63,406

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Notes to the statements of cash flows: (continued)

D This section sets out an analysis of liabilities from financing activities for the financial year.

	Liabilities from financing activities					
	Borrowings due within 1 year	Borrowings due after 1 year	Derivative financial instruments	HP creditors due within 1 year	HP creditors due after 1 year	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018						
Net liabilities from financing activities as at 1 January	5,497,923	6,024,982	97,600	88	198	11,620,791
Interest expense/(income)	537,394	-	(21,509)	-	-	515,885
Interest (paid)/received	(524,529)	-	18,599	-	-	(505,930)
Repayment of bank borrowings	(1,366,713)	-	-	-	-	(1,366,713)
Repayment of HP creditors	-	-	-	(88)	(198)	(286)
Fair value through profit or loss	-	-	21,149	-	-	21,149
Foreign exchange adjustments	122,999	88,474	5,338	-	-	216,811
Reclassification from non-current to current	2,796,272	(2,796,272)	-	-	-	-
Net liabilities from financing activities as at 31 December	7,063,346	3,317,184	121,177	-	-	10,501,707

Company No.

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BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Notes to the statements of cash flows: (continued)

D This section sets out an analysis of liabilities from financing activities for the financial year. (continued)

	Liabilities from financing activities					
	Borrowings due within 1 year	Borrowings due after 1 year	Derivative financial instruments	HP creditors due within 1 year	HP creditors due after 1 year	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017						
Net liabilities from financing activities as at 1 January	2,517,059	10,529,054	77,655	88	287	13,124,143
Interest expense	414,522	-	19,997	-	-	434,519
Interest paid	(432,592)	-	(21,037)	-	-	(453,629)
Repayment of bank borrowings	(750,170)	-	-	-	-	(750,170)
Proceeds from bank borrowings	182,093	125,801	-	-	-	307,894
Repayment of HP creditors	-	-	-	(88)	-	(88)
Fair value through profit or loss	-	-	27,625	-	-	27,625
Foreign exchange adjustments	(186,885)	(875,977)	(6,640)	-	-	(1,069,502)
Reclassification from non-current to current	3,753,896	(3,753,896)	-	88	(88)	-
Other non-cash movements	-	-	-	-	(1)	(1)
Net liabilities from financing activities as at 31 December	5,497,923	6,024,982	97,600	88	198	11,620,791

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1 SEGMENT INFORMATION

The Group is organised into 2 main business segments based on the type of operations carried out by its vessels and barges:

(i) Floating Production & Operations ("FPO") – consists of Floating Production Storage Offloading ("FPSO") and Floating Gas Solutions ("FGS")

- FPSO - own, operate and provide FPSO vessels that are used for receiving hydrocarbons sourced from oilfields.
- FGS - focus on innovative solutions for the offshore liquefied natural gas industry.

(ii) Offshore Marine Services ("OMS") – consists of Offshore Support Vessel ("OSV") and Subsea Construction ("SC")

- OSV - own, operate and charter vessels to provide support for exploration, development and production activities in the offshore oil and gas industry.
- SC - provision of conventional installation, floater installation and installation of umbilicals, risers and flexibles as part of FPSO completion or as standalone SC projects.

The remaining operations of the Group are in "Corporate and others". These operations comprise management and other corporate support services provided to subsidiaries which are considered incidental to the Group's operating business.

The external revenue reported to the Chief Executive Officer is measured in a manner consistent with that in the Group's statement of income. The cost of sales and allocation of expenses attributable to each segment is based on management's internal allocation basis and may not individually be consistent with the Group's statement of income. Inter-segment revenue comprises mostly of engineering services provided to the marine charter hire companies and central overhead fees allocated within the Group. These transactions are conducted based on terms and conditions negotiated with related parties.

1 SEGMENT INFORMATION (CONTINUED)

	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
2018					
Revenue	1,693,896	724,843	-	-	2,418,739
Inter-segment revenue	-	-	101,986	(101,986)	-
Total revenue	1,693,896	724,843	101,986	(101,986)	2,418,739
Results					
Segment results	810,431	197,983	11,970	-	1,020,384
Depreciation and amortisation	(282,094)	(215,466)	(1,790)	-	(499,350)
Bad debts written off	(8,218)	(5)	-	-	(8,223)
Impairment	(1,656,374)	(586,534)	-	-	(2,242,908)
Net (allowance for impairment losses)/ writeback of allowance for impairment losses	(68,690)	(207,690)	22	-	(276,358)
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)

1 SEGMENT INFORMATION (CONTINUED)

	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
2017					
Revenue	1,432,886	969,244	-	-	2,402,130
Inter-segment revenue	-	-	145,021	(145,021)	-
Total revenue	1,432,886	969,244	145,021	(145,021)	2,402,130
Results					
Segment results	748,619	403,193	14,545	-	1,166,357
Depreciation and amortisation	(319,940)	(249,435)	(5,975)	-	(575,350)
Impairment	-	-	(8,328)	-	(8,328)
Net writeback of allowance for doubtful debts/ (allowance for doubtful debts)	2,687	(4,428)	-	-	(1,741)
Share of results of joint ventures	163,048	1,299	-	-	164,347
Subtotal	594,414	150,629	242	-	745,285
Other operating income					177,903
Finance costs					(430,958)
Taxation					(115,823)
Profit for the financial year					376,407

The Group is managed in Malaysia, and operates in the following main geographical areas:

- Asia (excluding Malaysia) and Australia, Africa, Europe and Latin America - mainly charter hire of vessels and construction/conversion works.
- Malaysia - mainly charter hire of vessels, marine engineering and consultancy services.

Revenue by locations of the Group's operations are analysed as follows:

	Group 2018 RM'000	Group 2017 RM'000
Malaysia	100,084	127,467
Asia (excluding Malaysia) and Australia	823,895	1,077,084
Africa	906,774	937,234
Europe	547,991	225,461
Latin America	39,995	34,884
	2,418,739	2,402,130

1 SEGMENT INFORMATION (CONTINUED)

The Group's largest customers (by revenue contribution) are in the FPO segment (2017: FPO segment). In 2018, 3 customers, on an individual basis, contributed revenue exceeding 15% of total revenue for the financial year, amounting to RM865.4 million, RM491.6 million and RM472.9 million respectively. In 2017, 3 customers, on an individual basis, contributed revenue exceeding 10% of total revenue for the financial year, amounting to RM749.8 million, RM560.9 million and RM322.5 million respectively.

2 REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Revenue from contract with customers				
Vessel charter fees and support services rendered	714,670	900,844	-	-
Construction and conversion work	404,829	456,851	-	-
Central overhead fees	-	-	146,476	146,353
Management fee income	-	-	9,739	-
	1,119,499	1,357,695	156,215	146,353
Revenue from other sources				
Finance lease income	779,974	613,684	-	-
Operating lease income	519,266	430,751	-	-
Dividend income	-	-	147,197	174,057
	2,418,739	2,402,130	303,412	320,410

Disaggregation of the Group's revenue from contracts with customers

The Group derives revenue by satisfying the performance obligation over time in the following segment:

	FPO	OMS	Total
	RM'000	RM'000	RM'000
2018			
Vessel charter fees and support services rendered	379,839	334,831	714,670
Construction and conversion work	14,817	390,012	404,829
	394,656	724,843	1,119,499
Timing of revenue recognition:			
- Over time	394,656	724,843	1,119,499

2 REVENUE (CONTINUED)

Disaggregation of the Group's revenue from contracts with customers (continued)

During the financial year ended 31 December 2018, the Group has recognised revenue from contracts with customers amounting to RM0.2 million that was included in contract liabilities at the beginning of the reporting period (Note 24).

Revenue from other sources

The Group's revenue from finance leases and operating leases falls within the scope of MFRS 117 "Leases".

The Company recognises revenue over time.

3 OTHER OPERATING INCOME

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Gain on disposal of property, plant and equipment and non-current assets classified as held-for-sale	14,823	94,866	38	-
Interest income				
- deposits with licensed banks	33,679	39,575	517	849
Accretion of interest	1,187	4,921	-	-
Insurance claims	229	2,946	-	7
Management and engineering services charged to joint ventures	-	16,641	-	-
Others	15,565	18,954	66	623
	65,483	177,903	621	1,479

4 FINANCE COSTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest expense	515,885	434,519	-	-
Accretion of interest	8,133	10,485	-	-
Fair value gain on ineffective portion of cash flow hedges	(1,869)	(14,046)	-	-
	522,149	430,958	-	-

5 (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration:				
- fees for statutory audit:				
- PricewaterhouseCoopers Malaysia				
- current year	1,819	1,769	208	228
- under accrual in respect of prior financial year	-	180	-	-
- member firms of PricewaterhouseCoopers International Limited	906	742	-	-
- non-PwC member firms	645	374	-	-
- fees for audit related services:				
- PricewaterhouseCoopers Malaysia	365	380	365	380
- fees for non-audit services:				
- PricewaterhouseCoopers Malaysia	805	451	805	451
- member firms of PricewaterhouseCoopers International Limited	463	-	-	-
Impairment of:				
- property, plant and equipment (Note 11)	2,199,735	-	-	-
- non-current assets classified as held-for-sale (Note 28)	43,173	-	-	-
- investment in subsidiaries (Note 12)	-	-	18,332	-
- available-for-sale financial assets (Note 16)	-	8,328	-	-
Bad debts written off (Note 18)	8,223	-	938	-
Net allowance for impairment losses (2017: Net allowance for doubtful debts)				
- Trade receivables (Note 21)	101,494	1,741	-	-
- Other receivables and deposits (Note 23)	141,234	-	-	-
- Amount due from a joint venture (Note 18)	33,630	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(14,823)	(94,866)	(38)	1,838
Depreciation of property, plant and equipment (Note 11)	499,350	575,350	2,070	6,460
Travel and freight	20,148	44,220	4,683	9,143
Repairs and maintenance	166,138	119,427	13,591	13,821
Management fees	15,544	6,982	6,721	6,293
Insurance	78,033	46,094	-	-
Fuel and oil	37,712	36,795	-	-
Staff costs (Note 6)	461,443	572,257	112,293	134,241
Other crew costs	111,529	118,024	-	-
Rental of buildings	11,666	16,058	7,278	7,510
Hiring of equipment	55,142	5,991	-	-

5 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fair value through profit and loss on derivative financial instruments:				
- interest rate swaps	7,185	(1,266)	-	-
- cross currency interest rate swaps	(9,054)	(12,780)	-	-
Net foreign exchange loss/(gain):				
- realised	81,670	(1,214)	332	5,824
- unrealised	17,436	48,598	(1,586)	1,818
Maintenance and service costs	21,962	38,203	-	-
Survey fees	9,979	18,471	-	-
Consultancy fees	13,070	28,113	1,011	887
Communication expenses	16,404	13,184	114	19

6 STAFF COSTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	378,694	494,548	100,279	113,673
Defined contribution plan	12,381	15,646	5,164	5,660
Share-based payments	452	7,015	452	7,015
Termination benefits	11,288	5,025	2,789	971
Other staff related costs	60,744	55,854	3,609	6,922
Total staff costs	463,559	578,088	112,293	134,241

Executive Directors' remuneration as disclosed in Note 7 is included in staff costs. Of the total staff costs incurred, RM2.1 million (2017: RM5.8 million) has been capitalised in the Group's property, plant and equipment.

7 DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received and receivable by Directors from the Group and the Company during the financial year were as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-Executive Directors:				
- fees	2,077	2,124	2,077	2,124
- allowances	756	596	756	596
Executive Directors:				
- salaries, bonuses, allowances and other staff related costs	12,039	8,038	10,004	7,258
- defined contribution plan	23	94	-	-
- share-based payments [1]	1,364	4,249	1,324	4,249
	16,259	15,101	14,161	14,227

[1] Share-based payments for the Executive Directors are expenses recognised to the profit or loss over the vesting period for ESOS and MIP in accordance with accounting policy Section C(q)(iii).

Benefits-in-kind ("BIK") received by the Executive Directors from the Group and the Company amounted to RM35,877 (2017: RM62,300).

	Non-Executive Directors' remuneration for financial year ended 31 December 2018			
		Other emoluments		
	Fees	Meeting allowance[1]	Car allowance	Total
	RM'000	RM'000	RM'000	RM'000
Tunku Ali Redhauddin Ibni Tuanku Muhriz	488	90	144	722
Alexandra Schaapveld	330	140	-	470
Chan Chee Beng	290	61	-	351
Maureen Toh Siew Guat	364	81	-	445
Uthaya Kumar K Vivekananda	399	81	-	480
Gary Neal Christenson [2]	206	159	-	365
	2,077	612	144	2,833

[1] Meeting allowance includes the allowance for travel days to attend meetings.
[2] Appointed on 2 May 2018.

The Non-Executive Directors do not receive any BIK during the financial year ended 31 December 2018.

7 DIRECTORS' REMUNERATION (CONTINUED)

	Executive Director's remuneration for financial year ended 31 December 2018		
	Leon Andre Harland	Shaharul Rezza bin Hassan [2]	Total
	RM'000	RM'000	RM'000
Salary	3,307	2,010	5,317
Bonus	4,476	-	4,476
Expense chargeable to income tax	383	-	383
Shares benefit under MIP	1,806	-	1,806
Company's contribution to provident fund	-	23	23
BIK	31	5	36
	10,003	2,038	12,041

[1] The Executive Directors do not receive director's fee and meeting allowances.
[2] Resigned on 28 February 2018.

	Non-Executive Directors' remuneration for financial year ended 31 December 2017			
		Other emoluments		
	Fees	Meeting allowance[5]	Car allowance	Total
	RM'000	RM'000	RM'000	RM'000
Tunku Ali Redhauddin Ibni Tuanku Muhriz	488	60	144	692
Alexandra Schaapveld	330	155	-	485
Chan Chee Beng	330	30	-	360
Maureen Toh Siew Guat	384	42	-	426
Uthaya Kumar K Vivekananda [1]	282	20	-	302
Shapoorji Pallonji Mistry [2]	31	-	-	31
Saiful Aznir bin Shahabudin [3]	150	18	-	168
Steven Leon Newman [4]	129	127	-	256
	2,124	452	144	2,720

[1] Appointed on 10 April 2017.
[2] Resigned on 21 February 2017.
[3] Retired on 30 May 2017.
[4] Resigned on 6 June 2017.
[5] Meeting allowance includes the allowance for travel days to attend meetings.

The Non-Executive Directors do not receive any BIK during the financial year ended 31 December 2017.

7 DIRECTORS' REMUNERATION (CONTINUED)

	Executive Directors' remuneration for financial year ended 31 December 2017		
	Leon Andre Harland	Shaharul Rezza bin Hassan	Total
	RM'000	RM'000	RM'000
Salary	3,519	780	4,299
Bonus	3,455	-	3,455
Expense chargeable to income tax	284	-	284
Company's contribution to provident fund	-	94	94
BIK	31	31	62
	7,289	905	8,194

8 TAXATION

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Malaysian tax	180	958	(218)	177
- foreign tax	11,920	100,258	-	-
Deferred tax (Note 19)	10,176	14,607	543	1,317
	22,276	115,823	325	1,494
Income tax:				
- current financial year	36,070	95,622	-	281
- (over)/under provision in respect of prior financial years	(23,970)	5,594	(218)	(104)
	12,100	101,216	(218)	177
Deferred tax:				
- origination and reversal of temporary differences (Note 19)	10,176	14,607	543	1,317
	22,276	115,823	325	1,494

8 TAXATION (CONTINUED)

The explanation of the relationship between Malaysian tax rate and average effective tax rate is as follows:

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Malaysian tax rate	24	24	24	24
Tax effects of:				
- exempt income	5	(28)	(31)	(37)
- difference in tax rates in other countries	(11)	(4)	-	-
- share of results of joint ventures and associates	2	(8)	-	-
- withholding tax on foreign sourced income	(1)	(1)	-	-
- expenses not deductible for tax purposes	(20)	29	6	4
- deferred tax assets not recognised	(1)	14	2	10
- utilisation of previously unrecognised deferred tax assets	-	(3)	-	-
- (over)/under provision in prior years	1	1	(1)	-
	(1)	24	0	1

The Group's effective tax rate for the financial year ended 31 December 2018 was negative 1%, as compared to the Malaysian statutory tax rate of 24%. The difference in the effective tax rate and the Malaysian statutory tax rate is mainly due to a tax refund received arising from dividends declared by foreign subsidiaries and recognition of deferred tax assets on potential tax refunds receivable from dividends to be declared by foreign subsidiaries.

The Company's effective tax rate for the financial year ended 31 December 2018 was 1% compared to the statutory tax rate of 24% as the Company's income was mainly exempted from tax for the financial year.

9 EARNINGS PER SHARE

Basic

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

Diluted

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 ESOS and MIP; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares from the ESOS and MIP.

The MIP shares awarded were not dilutive for the financial year ended 31 December 2018 as there is one vesting condition is expected to be satisfied before Quarter 2, 2019. Hence, the calculation of diluted earnings per share does not assume the exercise of the MIP. The ESOS is not dilutive as the exercise price is higher than the current market price.

	Basic		Diluted	
	2018	2017	2018	2017
(Loss)/Profit attributable to the Owners of the Company for the financial year ended 31 December (RM'000)	(2,302,769)	352,247	(2,302,769)	352,247
Weighted average number/adjusted weighted average number of ordinary shares in issue for basic and diluted EPS ('000)	5,869,198	5,866,269	5,869,198	5,866,269
Basic and diluted EPS (sen)	(39.23)	6.00	(39.23)	6.00

10 DIVIDENDS

The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2018.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Asset under construction [1] RM'000	Total vessel costs [2]: Vessels and vessel equipment RM'000	Total vessel costs [2]: Dry-docking RM'000	Total vessel costs [2]: Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
2018								
Net book value								
At 1 January	-	9,126,926	66,233	9,193,159	702	33,076	8,129	9,235,066
Additions	5,244	152,443	19,377	171,820	850	1,136	952	180,002
Disposal	-	(4,352)	(55)	(4,407)	(244)	(105)	(153)	(4,909)
Reclassification	-	23,049	7,751	30,800	-	(31,023)	223	-
Depreciation charge (Note 5)	-	(447,545)	(40,560)	(488,105)	(218)	(3,043)	(7,984)	(499,350)
Impairment	-	(2,156,430)	(43,305)	(2,199,735)	-	-	-	(2,199,735)
Transfer to non-current assets classified as held-for-sale (net) (Note 28)	-	(105,978)	(67)	(106,045)	-	-	-	(106,045)
Exchange differences	-	75,923	8,371	84,294	4	2,980	387	87,665
At 31 December	5,244	6,664,036	17,745	6,681,781	1,094	3,021	1,554	6,692,694
At 31 December 2018								
Cost	5,244	14,476,990	295,512	14,772,502	2,485	94,391	52,806	14,927,428
Accumulated depreciation	-	(4,045,741)	(234,713)	(4,280,454)	(1,391)	(91,370)	(51,252)	(4,424,467)
Accumulated impairment	-	(3,767,213)	(43,054)	(3,810,267)	-	-	-	(3,810,267)
Net book value	5,244	6,664,036	17,745	6,681,781	1,094	3,021	1,554	6,692,694

Included in property, plant and equipment are assets amounting to RM360.0 million which have been fully depreciated.

(1) Addition to asset under construction is in relation to the cost of acquisition of office building by a subsidiary.
(2) The net book value of vessels at 31 December 2018 under operating lease agreements with charterers was RM3.8 billion.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Vessels under construction RM'000	Total vessel costs [1]: Vessels RM'000	Total vessel costs [1]: Dry-docking RM'000	Total vessel costs [1]: Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
2017								
Net book value								
At 1 January	11,118,807	5,068,310	118,018	5,186,328	1,038	276,774	19,690	16,602,637
Additions	1,277,674	15,652	4,013	19,665	-	2,991	6,362	1,306,692
Disposal	-	(2,835)	(694)	(3,529)	-	(3,313)	(547)	(7,389)
Reclassification	(11,490,193)	11,490,193	-	11,490,193	-	-	-	-
Reclassification to other receivables	(104,701)	-	-	-	-	-	-	(104,701)
Depreciation charge (Note 5)	-	(459,406)	(47,744)	(507,150)	(208)	(51,288)	(16,704)	(575,350)
Transfer to finance lease receivables	-	(5,885,964)	-	(5,885,964)	-	-	-	(5,885,964)
Transfer to non-current assets classified as held-for-sale (net) (Note 28)	-	(9,412)	(230)	(9,642)	-	(117)	-	(9,759)
Exchange differences	(801,587)	(1,089,612)	(7,130)	(1,096,742)	(128)	(191,971)	(672)	(2,091,100)
At 31 December	-	9,126,926	66,233	9,193,159	702	33,076	8,129	9,235,066
At 31 December 2017								
Cost	-	14,096,981	257,545	14,354,526	2,393	315,634	78,604	14,751,157
Accumulated depreciation	-	(3,416,954)	(191,312)	(3,608,266)	(1,691)	(231,974)	(70,475)	(3,912,406)
Accumulated impairment	-	(1,553,101)	-	(1,553,101)	-	(50,584)	-	(1,603,685)
Net book value	-	9,126,926	66,233	9,193,159	702	33,076	8,129	9,235,066

Included in property, plant and equipment are assets amounting to RM187.7 million which have been fully depreciated.

[1] The net book value of vessels at 31 December 2017 under operating lease agreements with charterers was RM5.4 billion

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment, furniture and fittings	Motor vehicles	Total
	RM'000	RM'000	RM'000
2018			
Net book value			
At 1 January	3,403	312	3,715
Additions	165	-	165
Disposal	(91)	(244)	(335)
Depreciation charge (Note 5)	(2,003)	(67)	(2,070)
At 31 December	1,474	1	1,475
At 31 December 2018			
Cost	73,188	19	73,207
Accumulated depreciation	(71,714)	(18)	(71,732)
Net book value	1,474	1	1,475
2017			
Net book value			
At 1 January	11,402	412	11,814
Additions	433	-	433
Disposal	(2,072)	-	(2,072)
Depreciation charge (Note 5)	(6,360)	(100)	(6,460)
At 31 December	3,403	312	3,715
At 31 December 2017			
Cost	73,120	511	73,631
Accumulated depreciation	(69,717)	(199)	(69,916)
Net book value	3,403	312	3,715

(a) Fixed charges have been created over certain vessels of the Group with net book values amounting to approximately RM3.1 billion (2017: RM11.1 billion) as security for term loans (Note 33).

(b) Included in vessels are borrowing costs amounting to RM Nil (2017: RM110.1 million) which were capitalised during the financial year. In 2017, borrowing costs were capitalised at the weighted average of general borrowings of 4.80%.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) The FPSO contracts include options for the charterers to purchase the respective FPSO vessels or to extend their charter periods beyond the initial lease period. The purchase option values are based on declining agreed prices, which are in excess of the current net book values of the FPSO vessels as at the reporting date.

(d) During the financial year ended 31 December 2018, an impairment charge of RM2,199.7 million for property, plant and equipment has been recognised, of which RM1,613.2 million and RM586.5 million were charged for Armada Kraken FPSO and certain OSV vessels respectively. The impairment assessment on Armada Kraken FPSO was carried out as a result of lower availability since final acceptance in September 2018 and is assessed using the terms stipulated in the amendment agreement to the charter agreement signed between AKPL with EnQuest Heather Limited, EnQuest ENS Limited and Nautical Petroleum Limited on 27 August 2018. The impairment assessment on OSV vessels was carried out as a result of the decline in vessel utilisation and day rates.

The Group considered each of these vessels as a cash-generating unit. However, they are grouped together for disclosure purposes. The recoverable amount for these vessels of which an impairment charge was made during the financial year was RM3,498.2 million, of which RM110.3 million was determined based on fair value less costs of disposal (“FV”) and RM3,387.9 was determined based on value-in-use (“VIU”)

In addition, an impairment charge of RM43.2 million for non-current assets held for sale has been recognised during the year. The recoverable amount for these vessels of which an impairment charge was made during the financial year was RM77.8 million, which was determined based on FV.

(i) Recoverable amount determined based on VIU

The key assumptions used in VIU is based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are key assumptions used in determining the VIU for the FPSO vessel:

- The cash flow projections are based on the expected contractual period of the vessel;
- Expected cash outflow on supplementary payments based on contractual agreements;
- Inflationary rate of 3% is applied;
- Charter rates are based on expected charter fees;
- Discount rate of 6.5% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of the FPSO vessel amounted to RM1,613.2 million.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) *(i)* *Recoverable amount determined based on VIU (continued)*

The following are key assumptions used in determining the VIU for the OSV vessels:

- The cash flows projection is based on the remaining useful lives of the vessels;
- Revenue projection is based on historical margins and expected future contracts;
- Drydocking expenditure is based on historical trends;
- Inflationary rates of 3% on costs and 5% on charter rates are applied;
- Utilisation rates and charter rates are based on historical trends, existing charter contracts and future intended use of vessel;
- Discount rate of 7.4% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of OSV vessels amounted to RM408.0 million.

The sensitivity of the key assumptions with all other variables being held constant to profit or loss is as follows:

	(Decrease)/Increase in loss before taxation 2018 RM'000
Utilisation rate increased by 1%	(18,296)
Utilisation rate decreased by 1%	5,279
Charter rate increased by 2%	(80,131)
Charter rate decreased by 2%	82,037
Discount rate increased by 1%	14,537
Discount rate decreased by 1%	(14,907)
Residual value increased by 1%	(10,448)
Residual value decreased by 1%	10,196

(ii) *Recoverable amount determined based on FV*

The FV of the vessels is estimated based on expected selling price less costs of disposal in the event the vessel is expected to be sold on a willing buyer and willing seller basis.

The FV for the vessels is assessed based on the assumption that they are charter-free, free of encumbrances, maritime liens and other debts, and is based on a willing buyer and willing seller basis in an acceptable area.

The recoverable amount which is determined based on FV is classified as level 3 under the fair value hierarchy. The impairment recognised in respect of OSV vessels is RM178.5 million, based on the recoverable amount of RM110.3 million.

An impairment charge of RM43.2 million for non-current assets classified as held for sale has been recognised during the year based on the FV of the assets, in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" based on the recoverable amount of RM77.8 million.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(e) For the current financial year, the Group revised the residual value of OSV vessels based on the prevailing market conditions and the expected value to be obtained for these vessels at the end of their useful lives. The revision was accounted for as a change in accounting estimate and was effected on 1 December 2018. As a result, the depreciation charge for current and future periods will increase by RM1.7 million and RM20.7 million respectively.

12 INVESTMENT IN SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Unquoted shares, at cost	24,208	24,166
7% Cumulative Redeemable Preference Shares, at cost	16,000	16,000
Less: Accumulated impairment losses	(18,332)	-
	21,876	40,166
Capital contribution in subsidiaries (2017: amounts due from subsidiaries) (net investments)	4,489,708	3,909,221
	4,511,584	3,949,387

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below:

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Direct subsidiaries:				
Armada Floating Solutions Limited [(3)]	Bareboat charter of a floating production storage and offloading unit	100	100	The British Virgin Islands
Armada Oyo Ltd [(3)]	Bareboat charter of a floating production storage and offloading unit	100	100	The British Virgin Islands
Armada TGT Ltd [(3)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Armada Kamelia Sdn Bhd	Dormant	100	100	Malaysia

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	2017 %	Country of incorporation
Direct subsidiaries: (continued)				
Bumi Armada (Singapore) Pte Ltd ("BASPL") (2)	Ship management and chartering operation and maintenance of FPSO	100	100	Singapore
Bumi Armada Automation International Sdn Bhd (4)	Provision of agency services to its holding company	100	100	Malaysia
Bumi Armada Engineering Sdn Bhd (5)	Provision of engineering consultancy services	100	100	Malaysia
Bumi Armada Navigation Sdn Bhd ("BAN")	Provision of marine transportation, and support services to offshore oil and gas companies	99	95	Malaysia
Bumi Armada Offshore Holdings Limited ("BAOHL") (3)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Bumi Armada Russia Holdings Limited (3)	Dormant	100	100	Republic of The Marshall Islands
Tera Sea Limited (3)	Dormant	100	100	Republic of The Marshall Islands
Bumi Armada Holdings Labuan Ltd	Provision of loans, advances and other facilities, and cash and debt management services, investment and financial risk management, and other treasury management services to Bumi Armada Group of companies	100	100	Federal Territory of Labuan, Malaysia

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	2017 %	Country of incorporation
Direct subsidiaries: (continued)				
Bumi Armada Capital Offshore Ltd	Obtaining non-ringgit financing and providing cash and debt management services, investment and financial risk management services and other treasury management services to the Bumi Armada Group of companies	100	100	Federal Territory of Labuan, Malaysia
Bumi Armada Capital Malaysia Sdn Bhd	Providing and obtaining financing and other facilities, and providing cash and financial management services, investment and financial risk management services and other treasury management services to the Bumi Armada Group of companies	100	100	Malaysia
Bumi Armada Marine Holdings Limited ("BAMHL") (3)	Investment holding	100	100	The British Virgin Islands
Bumi Armada Singapore Holdings Pte Ltd ("BASH") (1)	Investment holding	100	100	Singapore
Bumi Armada Holdings B.V. ("BAHB") (2)	Investment holding	100	100	Netherlands

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiaries of BAN:				
Armada Indah Sdn Bhd (In Members' Voluntary Liquidation) (6)	Dormant	99	95	Malaysia
Armada Tankers Sdn Bhd ("ATSB") (In Members' Voluntary Liquidation) (6)	Dormant	99	95	Malaysia
Bumi Armada Ship Management Sdn Bhd	Managers of ships and vessels, marine support and other services to offshore oil and gas companies	99	95	Malaysia
Bumi Care Offshore Production Sdn Bhd	Dormant	59	57	Malaysia
Bumi Armada Navigation Labuan Limited	Shipping on bare boat or time charter basis	99	95	Federal Territory of Labuan, Malaysia
Bumi Armada Navigation Labuan International Limited	Shipping on bare boat or time charter basis	99	95	Federal Territory of Labuan, Malaysia
Subsidiaries of BAOHL:				
Armada TLDD Limited (3)	Dormant	100	100	Republic of The Marshall Islands
Angoil Bumi JV, LDA (2) & (7)	Service provider to the oil and gas industry, especially for repair and maintenance of FPSO and OSV companies	49	49	Angola
Bumi Armada Australia Pty Ltd (2)	Ship management and chartering operation and maintenance of FPSO	100	100	Australia

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiaries of BAOHL: (continued)				
Bumi Armada Do Brasil Servicos Maritimos Ltda (3) & (8)	Dormant	100	100	Brazil
Bumi Armada Offshore Contractor Limited ("BAOCL") (3)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Armada Offshore OSV Limited (3)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Armada Offshore MPSV Limited (3)	Dormant	100	100	Republic of The Marshall Islands
Bumi Armada UK Limited (2)	Offshore oil and gas marine services	100	100	The United Kingdom
Armada Kraken Limited (3)	Dormant	100	100	Republic of The Marshall Islands
Bumi Armada Ghana Limited (1)	Provision of marine transportation, floating production storage and offload and offshore supply vessels	60	60	Ghana
Armada Kraken Pte Ltd (2)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiaries of BAOHL: (continued)				
Armada Cabaca Ltd (3)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Republic of The Marshall Islands
Armada Etan Limited (3)	Dormant	100	100	Republic of The Marshall Islands
Armada Regasification Services Malta Ltd (1)	Dormant	100	100	Malta
Armada Floating Gas Services Malta Ltd (1)	Provision of services to oil and gas companies to operate, maintain and repair floating gas solution units	100	100	Malta
Armada Floating Gas Storage Malta Ltd (1)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Malta
Armada Balnaves Pte Ltd (2)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Americas Corporation (9)	Offshore oil and gas marine services	100	100	The United States of America
Subsidiaries of BASPL:				
Bumi Armada Nigeria Limited (2)	Dormant	100	100	Federal Republic of Nigeria

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	2017 %	Country of incorporation
Subsidiary of ATSB:				
Armada Alpha Sdn Bhd (In Members' Voluntary Liquidation) [(6)]	Dormant	99	95	Malaysia
Subsidiaries of BAOCL:				
Bumi Armada Caspian LLC [(2)]	Activities related to oil and gas industry	100	100	Russia
Bumi Armada Marine LLC [(3)]	Provision of marine support and other services to oil and gas companies	100	100	Russia
Subsidiaries of BASH:				
Armada Constructor Pte Ltd [(1)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to oil and gas companies	100	100	Singapore
Armada Mahakam Limited [(3)]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	The British Virgin Islands
Armada Marine Contractors Caspian Ltd ("AMCCL") [(3)]	Investment holding	100	100	The British Virgin Islands
Bumi Armada (Labuan) Ltd	Leasing of vessel on time charter basis	100	100	Federal Territory of Labuan, Malaysia

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiaries of BASH: (continued)				
Offshore Marine Ventures Sdn Bhd	Provision of integrated service solutions for the supply, operation and maintenance of support vessels and logistics and maritime transportation services to the oil and gas industry	100	100	Malaysia
Armada Ship Management (S) Pte Ltd (2)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Marine Naryan Mar Pte Ltd (1)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Marine Pokachi Pte Ltd (1)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Marine Uray Pte Ltd (1)	Ship owners, charterers, manager of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Armada Marine Angola (SU), Lda (3)	Provision of management and consulting services including human resources, finance and other related support services to companies in the Bumi Armada Group operating in Angola	100	100	Angola

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	2017 %	Country of incorporation
Subsidiaries of BASH: (continued)				
Bumi Armada Marine Ghana Limited [(1)]	Provision of offshore support vessel services to oil and gas industry in Ghana	60	60	Ghana
Subsidiary of AMCCL:				
Armada Marine Contractors Caspian Pte Ltd [(2) & (10)]	Chartering of ships, barges and boats with crew	100	100	Singapore
Subsidiary of BAHB:				
Bumi Armada Holdings Netherlands B.V. ("BAHNB") [(2)]	Investment holding	100	100	Netherlands
Subsidiaries of BAHNB:				
Bumi Armada Netherlands B.V. ("BANB") [(2)]	Investment holding	100	100	Netherlands

(1) The financial statements of these companies are audited by firms other than member firms of PricewaterhouseCoopers International Limited.

(2) These companies are audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers PLT, Malaysia.

(3) These companies are not required by their local laws to appoint statutory auditors.

(4) Consolidated using predecessor method of merger accounting.

(5) Shares are held by the entity's directors for the benefit of and on behalf of the Company.

(6) On 26 February 2018, a Special Resolution was passed to give effect to the members' voluntary winding-up of Armada Indah Sdn Bhd, Armada Alpha Sdn Bhd and Armada Tankers Sdn Bhd pursuant to Section 439(1)(b) of the Companies Act 2016. Accordingly, a Liquidator was appointed for the purpose of the winding-up of these subsidiaries.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Group's effective interest in its subsidiaries, their respective principal activities and country of incorporation are shown below: (continued)

(7) Notwithstanding the Group is holding less than 50% equity interest, the investment in Angoil Bumi JV, LDA is classified as subsidiary (not a joint venture) due to the Group's control pursuant to the shareholders' agreement governing the operations of this Company.

(8) The effective equity interest of the Company is 99.99%.

(9) Bumi Armada Americas Corporation has been dissolved on 18 February 2019 as stated in the Certificate of Fact from the Secretary of State of Texas dated 13 March 2019.

(10) Shares are held through a nominee, namely Malaysia Nominees (Asing) Sendirian Berhad.

During the financial year ended 31 December 2018, an impairment charge of RM18.3 million for costs of investment in subsidiaries has been recognised. The impairment assessment was carried out as a result of lower than expected returns on investment from these subsidiaries.

The recoverable amount was determined based on VIU as at 31 December 2018. The key assumptions used in VIU are based on estimates and judgement with respect to key assumptions such as revenue growth, ability to secure future contracts, funding requirements, exchange rates and discount rate of 6.9%. As the Company projects that there are no foreseeable returns on investments from certain subsidiaries, the costs of investment in these subsidiaries were fully impaired during the financial year.

13 INVESTMENT IN JOINT VENTURES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	469,937	260,565	101,979	131,565
Share of net assets	583,317	439,391	-	-
Unrealised profit on transactions with joint ventures	(30,384)	(30,989)	-	-
Interests in joint ventures	1,022,870	668,967	101,979	131,565

During the financial year, the Group redeemed RM33.5 million (2017: RM40.6 million) of redeemable preference shares in Armada D1 Pte Ltd and Armada C7 Pte Ltd.

During the financial year, the Company redeemed RM29.3 million (2017: RM20.4 million) of redeemable preference shares in Armada D1 Pte Ltd.

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

The joint ventures are private companies and there are no quoted market prices available for their shares.

Details of the joint ventures are as follows:

Name of company	Principal activities	Group's effective interest 2018 %	2017 %	Country of incorporation
Armada Century Ltd	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	49	49	British Virgin Islands
Armada C7 Pte Ltd	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	50	50	Singapore
Armada D1 Pte Ltd	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	50	50	Singapore
Century Bumi Limited	Oil and gas exploration, and product and marine services	40	40	Federal Republic of Nigeria
Shapoorji Pallonji Bumi Armada Offshore Private Limited	Ship owners, charterers, managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	50	50	India
Forbes Bumi Armada Limited	Ship owners, charterers, managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	49	49	India
PT Armada Gema Nusantara	Ship owner and operator	50	50	Indonesia
SP Armada Oil Exploration Private Limited	Marine support and other services to the oil and gas industry	50	50	India

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
SP Armada Offshore Private Limited [(1)]	To provide marine support and other service to oil and gas industry and for that purpose to purchase, erect, construct, own, charter, manage vessels and rigs	-	50	India
Armada Madura EPC Limited	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	50	49	Republic of The Marshall Islands
Shapoorji Pallonji Bumi Armada Godavari Private Limited [(2)]	The contracting of the design, fabrication, installation charter, deployment, operations and maintenance of an FPSO facility.	30	49	India
Armada 98/2 Pte. Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	49	49	Singapore
Bumi Armada Shapoorji Pallonji Ghana Limited	Floating, production, storage and offloading development	45	45	Ghana
Karapan Armada Madura Pte Ltd [(3)]	To provide support and facilitate credit enhancement of an FPSO facility	49	-	Singapore

(1) SP Armada Offshore Private Limited has been struck off the registrar of companies in India and the said company is dissolved with effect from 1 June 2018.

(2) On 4 October 2018, Shapoorji Pallonji Bumi Armada Godavari Private Limited ("SPBAG") allotted additional shares to one of its corporate shareholders, Sharpoorji Pallonji Oil and Gas Private Limited and diluted the effective interest of BAB Group in SPBAG to 30%. Accordingly, the Group and the Company have reclassified the investment from a joint venture to an associate (refer Note 14).

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows: (continued)

(3) On 20 December 2018, BAOHL and Shapoorji Pallonji Oil & Gas Pte Ltd ("SPOG") entered into a shareholders' agreement to jointly control Karapan Armada Madura Pte Ltd ("KAMPL"). KAMPL, a private company limited by shares, was formed in Singapore with an issued and paid-up capital of SGD20,000. BAOHL holds 49% less 1 share of equity interest in KAMPL. The remaining equity stake is owned by SPOG.

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

In the opinion of the Directors, the joint ventures which are material to the Group are as follows:

- Armada D1 Pte Ltd ("Armada D1")
- Armada C7 Pte Ltd ("Armada C7")
- Armada Madura EPC Limited ("Armada Madura")
- PT Armada Gema Nusantara ("PT AGN")

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Set out below are the summarised financial information of the material joint ventures and other joint ventures of the Group:

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	PT AGN RM'000	Others RM'000	Total RM'000
2018						
Current assets	267,392	262,636	30,746	348,403	251,856	1,161,033
Non-current assets	826,877	1,210,513	-	1,984,376	11,437	4,033,203
Current liabilities	(203,942)	(179,172)	(10,926)	(300,470)	(147,567)	(842,077)
Non-current liabilities	(208,737)	(614,395)	-	(1,421,887)	-	(2,245,019)
Net assets	681,590	679,582	19,820	610,422	115,726	2,107,140
The above net assets include the following:						
Cash and cash equivalents	159,419	92,043	30,746	173,700	42,322	498,230
Current financial liabilities excluding trade and other payables	(184,203)	(161,357)	(4,623)	(293,811)	(98,178)	(742,172)
Non-current financial liabilities excluding trade and other payables	(208,737)	(614,395)	-	(1,421,887)	-	(2,245,019)
Revenue	227,407	111,244	-	309,606	655,325	1,303,582
Other expenses	(16,616)	(4,557)	102,820	(90,241)	(622,507)	(631,101)
Interest income	290	3	326	398	-	1,017
Depreciation	(78,652)	-	-	-	(291)	(78,943)
Finance costs	(16,032)	(46,985)	(9,943)	(120,922)	-	(193,882)
Taxation	(34,537)	(3,191)	-	(25,718)	(11,360)	(74,806)
Profit after taxation	81,860	56,514	93,203	73,123	21,167	325,867
Other comprehensive (expenses)/income	(145)	9,371	-	-	-	9,226
Total comprehensive income	81,715	65,885	93,203	73,123	21,167	335,093

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Set out below are the summarised financial information of the material joint ventures and other joint ventures of the Group: (continued)

Group	Armada D1	Armada C7	Armada Madura	PT AGN	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017						
Current assets	289,496	202,171	2,136,182	239,184	159,520	3,026,553
Non-current assets	895,540	1,307,351	-	1,927,508	97,736	4,228,135
Current liabilities	(191,463)	(141,020)	(2,078,256)	(2,123,336)	(224,362)	(4,758,437)
Non-current liabilities	(357,771)	(736,506)	-	-	(42)	(1,094,319)
Net assets	635,802	631,996	57,926	43,356	32,852	1,401,932
The above net assets include the following:						
Cash and cash equivalents	121,481	47,378	108,534	55,420	45,370	378,183
Current financial liabilities excluding trade and other payables	(175,449)	(125,990)	(2,030,251)	(2,111,040)	(184,957)	(4,627,687)
Non-current financial liabilities excluding trade and other payables	(357,771)	(736,506)	-	-	(42)	(1,094,319)
Revenue	264,979	198,896	(83,425)	148,154	727,522	1,256,126
Other expenses	10,484	(3,775)	91,131	(53,365)	(685,257)	(640,782)
Interest income	-	(2)	304	305	-	607
Depreciation	(91,203)	-	-	(1,442)	(330)	(92,975)
Finance costs	(21,007)	(51,068)	(70,379)	(3,412)	-	(145,866)
Taxation	(36,256)	(2,920)	-	-	(13,732)	(52,908)
Profit after taxation	126,997	141,131	(62,369)	90,240	28,203	324,202
Other comprehensive income/ (expenses)	1,754	(176)	-	-	-	1,578
Total comprehensive income/ (expenses)	128,751	140,955	(62,369)	90,240	28,203	325,780

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information:

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	PT AGN RM'000	Others RM'000	Total RM'000
2018						
Net assets	681,590	679,582	19,820	610,422	115,726	2,107,140
Group share in %	50%	50%	49%	50%		
Group share	340,795	339,791	9,712	305,211	57,745	1,053,254
Unrealised profit	(2,080)	(1,468)	-	(28,508)	1,672	(30,384)
Net carrying amount	338,715	338,323	9,712	276,703	59,417	1,022,870
2017						
Net assets	635,802	631,996	57,926	43,356	32,852	1,401,932
Group share in %	50%	50%	49%	50%		
Group share	317,901	315,998	28,384	21,678	15,995	699,956
Unrealised profit	(1,718)	(945)	-	(27,908)	(418)	(30,989)
Net carrying amount	316,183	315,053	28,384	(6,230)	15,577	668,967

The Group's share of profit, total comprehensive income, dividend received and net assets of the joint ventures, after adjustments for equity accounting are as follows:

	Group 2018 RM'000	Group 2017 RM'000
Profit for the financial year	166,249	164,347
Total comprehensive income for the financial year	170,862	165,136
Dividend received	64,650	-
Net assets	1,022,870	668,967

14 INVESTMENT IN AN ASSOCIATE

	Group 2018 RM'000	Company 2018 RM'000
Unquoted shares, at cost	16	16
Share of net liabilities	(11)	-
Interest in an associate	5	16

Details of the associate are as follows:

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Shapoorji Pallonji Bumi Armada Godavari Private Limited [(1)]	The contracting of the design, fabrication, installation charter, deployment, operations and maintenance of an FPSO facility.	30	49	India

(1) On 4 October 2018, Shapoorji Pallonji Bumi Armada Godavari Private Limited ("SPBAG") allotted additional shares to one of its corporate shareholder, Sharpoorji Pallonji Oil and Gas Private Limited and diluted the effective interest of BAB Group in SPBAG to 30%. Accordingly, the Group and the Company have reclassified the investment from a joint venture to an associate (refer Note 13).

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group 2018 RM'000
Quoted equity securities, outside Malaysia	
At 1 January	-
Financial assets previously classified as available-for sale financial asset (Note 16)	16,498
	16,498
Add: Fair value loss recognised in equity (Note 38(e))	(1,286)
Exchange differences	(54)
At 31 December	15,158

The fair value of quoted equity securities is determined by reference to published price quotations.

The Group has irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in other comprehensive income. The Group considers this classification to be more relevant as these instruments are strategic investments of the Group and not held for trading purpose.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2017, the investment in the quoted equity securities were classified as available-for-sale financial assets as follows:

	Group	
	2018 RM'000	2017 RM'000
Quoted equity securities, outside Malaysia		
At 1 January	16,498	22,884
Effects on adoption of MFRS 9		
Reclassification to financial assets at FVOCI (Note 15)	(16,498)	-
	-	22,884
Less: Impairment (Note 5)	-	(8,328)
Exchange differences	-	(1,130)
	-	13,426
Add: Fair value gain recognised in equity (Note 38(e))	-	3,072
At 31 December	-	16,498

17 FINANCE LEASE RECEIVABLES

The finance lease receivables are expected to be invoiced to the lessee within the following periods:

	Group	
	2018	2017
	RM'000	RM'000
Within 1 year	857,464	733,983
Between 1 and 5 years	4,247,546	4,166,001
After 5 years	7,077,561	7,391,079
Gross receivables	12,182,571	12,291,063
Less: Unearned finance income	(7,014,112)	(6,956,874)
	5,168,459	5,334,189
The unguaranteed finance lease receivables are subject to the following maturity period:		
Current	156,639	53,961
Non-current	5,011,820	5,280,228
At 31 December	5,168,459	5,334,189

As at 31 December 2018, finance lease receivables are related to the finance lease of the following vessels:

(i) Armada LNG Mediterrana, which started production in January 2017 for a charter of 18 years; and
(ii) Armada Olombendo FPSO, which started production in February 2017 for a charter of 20 years.

The unguaranteed residual values included in the finance lease receivables as at 31 December 2018 amount to RM550.0 million (2017: RM538.8 million).

As at 31 December 2018, no allowances for uncollectible minimum lease payments were provided.

There was no contingent rent recognised during the financial year.

18 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current				
Gross amounts due from joint ventures				
- interest bearing	60,059	32,162	-	-
Less: Loss allowance	(33,990)	-	-	-
Net amounts due from joint ventures	26,069	32,162	-	-
Current				
Gross amounts due from joint ventures				
- interest bearing	-	216,633	-	-
- non-interest bearing	38,278	35,232	20,467	18,842
	38,278	251,865	20,467	18,842
Less: Bad debts written off	(8,223)	-	(938)	-
Net amounts due from joint ventures	30,055	251,865	19,529	18,842
Current				
Amounts due to joint ventures	(34,667)	(32,237)	(1,217)	-
	21,457	251,790	18,312	18,842

The amounts due from joint ventures classified as current which are non-interest bearing are unsecured and have credit terms ranging from no credit terms to 30 days (2017: no credit terms to 30 days). The amounts due from joint venture classified as non-current are interest bearing and bear interest rate of 6%. As at the end of previous financial year, the amounts due from joint ventures classified as current and non-current which are interest bearing bear interest rates ranging from 5% to 6%.

18 AMOUNTS DUE FROM/(TO) JOINT VENTURES (CONTINUED)

During the financial year ended 31 December 2018, an impairment of RM33.6 million was provided for amount due from a joint venture due to change in expected amount and timing of recovery from the joint venture.

The loss allowance for amounts due from joint ventures as at 31 December 2018 which was assessed using the general 3-stage approach is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Increase in loss allowance recognised in profit or loss during the year (Note 5)	33,630	-	-	-
Exchange differences	360	-	-	-
At 31 December	33,990	-	-	-

Amounts due from joint ventures of which loss allowance was recognised in profit or loss during the year are classified within the Underperforming category.

The amounts due to joint ventures classified as current are repayable on demand.

19 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	21,660	7,295	3,745	4,288
Deferred tax liabilities	(40,956)	(15,654)	-	-
Subject to income tax:				
Deferred tax assets				
- property, plant and equipment	932	-	932	-
- payables	3,119	5,156	2,813	4,327
- unutilised tax losses	2,505	1,210	-	-
- unutilised capital allowance	12,716	17,476	-	-
- dividend receivable	15,167	-	-	-
	34,439	23,842	3,745	4,327
Offsetting	(12,779)	(16,547)	-	(39)
Deferred tax assets (after offsetting)	21,660	7,295	3,745	4,288
Deferred tax liabilities				
- property, plant and equipment	(53,735)	(32,201)	-	(39)
	(53,735)	(32,201)	-	(39)
Offsetting	12,779	16,547	-	39
Deferred tax liabilities (after offsetting)	(40,956)	(15,654)	-	-

19 DEFERRED TAXATION (CONTINUED)

The movements during the financial year relating to deferred taxation are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At 1 January	(8,359)	5,758	4,288	5,605
(Credited)/Charged to profit or loss (Note 8):				
- property, plant and equipment	(19,908)	(15,539)	972	(698)
- receivables	15,241	1,552	-	-
- payables	(2,045)	(1,830)	(1,515)	(619)
- unutilised tax losses	(3,464)	1,210	-	-
	(10,176)	(14,607)	(543)	(1,317)
Exchange differences	(761)	490	-	-
At 31 December	(19,296)	(8,359)	3,745	4,288

The amount of unabsorbed capital allowances and unutilised tax losses (which have no expiry date other than as disclosed below) for which no deferred tax asset is recognised in the statement of financial position as it is not probable that taxable profit will be available against which these temporary differences can be utilised are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	1,167,070	1,039,161	53,315	44,117
Unabsorbed capital allowances	31,679	29,452	16,979	15,026

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the unutilised tax losses amounting to RM291.1 million for the Group and RM53.3 million for the Company as at 31 December 2018, which is disclosed as part of the table above, will be imposed with a time limit for utilisation. Any unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

20 INVENTORIES

	Group	
	2018	2017
	RM'000	RM'000
Fuel	7,298	4,199

21 TRADE RECEIVABLES

	Group	
	2018	2017
	RM'000	RM'000
Trade receivables	1,160,163	1,021,907
Less: Loss allowance (2017: Impairment)	(404,880)	(294,754)
	755,283	727,153

The trade receivables have credit terms ranging from 0 to 60 days (2017: 0 days to 60 days).

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

During the financial year, trade receivables totaling to RM101.5 million (2017: RM1.7 million) were impaired and charged to profit or loss. As at 31 December 2018, the amount of the provision was RM404.9 million (2017: RM294.8 million). The individually impaired receivables mainly relate to a number of customers, which are in an unexpectedly difficult financial position due to the current industry conditions and change in the expected timing and quantum of recovery of the trade receivables which was not present as at 1 January 2018.

The loss allowance for trade receivables as at 31 December 2018 which was assessed using the simplified approach reconciles to the opening loss allowance as follows:

	Group	
	2018	2017*
	RM'000	RM'000
At 1 January	294,754	401,580
Amounts restated through opening retained earnings	4,091	-
Opening loss allowance as at 1 January 2018 per MFRS 9	298,845	401,580
Increase in loss allowance recognised in profit or loss during the year (Note 5)	101,494	1,741
Receivables written off	-	(83,270)
Exchange differences	4,541	(25,297)
At 31 December	404,880	294,754

** Loss allowance disclosed in comparative period is based on MFRS 139's incurred loss model.*

21 TRADE RECEIVABLES (CONTINUED)

As at 31 December 2017, amounts that are past due but not impaired relate to a number of customers for whom there is no recent history of default but remain slow paying. The ageing analysis of these receivables is as follows:

	Group
	2017
	RM'000
Less than 30 days past due	69,252
Between 31 and 60 days past due	41,835
Between 61 and 90 days past due	23,742
Between 91 days and 1 year past due	55,984
More than 1 year past due	154,293
	345,106

22 ACCRUED LEASE RENTALS/(LEASE LIABILITIES)

	Group	
	2018	2017
	RM'000	RM'000
Accrued lease rentals	327,182	372,945
Less: Loss allowance	(11,627)	-
	315,555	372,945
Lease liabilities	(5,549)	-

The Group leases out its vessels under non-cancellable operating lease agreements. The future minimum lease payments receivable on leases of vessels are as follows:

	Group	
	2018	2017
	RM'000	RM'000
No later than 1 year	903,659	197,408
Between 1 and 5 years	205,658	-

22 ACCRUED LEASE RENTALS/(LEASE LIABILITIES) (CONTINUED)

The Group leases vessels under various agreements which terminate in 2018. On 3 August 2018, the Group signed an extension of charter of FPSO Armada TGT 1 from 27 August 2018 to 14 November 2024 for a contract value of USD285.0 million.

No contingent rent is recognised during the financial year.

The loss allowance for accrued lease rentals as at 31 December 2018 which was assessed using the simplified approach reconciles to the opening loss allowance as follows:

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	-	-
Amounts restated through opening retained earnings	11,382	-
Opening loss allowance as at 1 January 2018 per MFRS 9	11,382	-
Exchange differences	245	-
At 31 December	11,627	-

The loss allowance was based on the expected timing and quantum of recovery from the customers.

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other receivables and deposits	146,944	153,600	-	-
Less: Loss allowance	(146,944)	-	-	-
	-	153,600	-	-
Current				
Other receivables	33,431	36,755	87	324
Deposits	8,432	4,386	2,299	2,157
Prepayments	16,947	27,108	3,775	4,035
	58,810	68,249	6,161	6,516

The non-current other receivables relate to an amount due from a charterer and is not expected to be recovered within the next 12 months. During the financial year, the amount was impaired and fully provided for as the charterer issued a notice advising of a purported "Force Majeure Event" and requesting immediate, orderly shutdown of operations on the Armada Perdana FPSO.

The non-current deposits arise from costs incurred on construction of vessels which are expected to be utilised in the next 3 years. During the financial year, the amount was impaired and provided for as the constructor is facing financial difficulties arising from the current industry conditions.

Included in the current other receivables is the asset recognised from pre-contract costs incurred to obtain or fulfil a contract with customers. The pre-contract costs as at 31 December 2018 is RM15.1 million (2017: RM29.2 million).

Other receivables and deposits are interest free, unsecured and have no fixed term of repayment.

The loss allowance for other receivables and deposits as at 31 December 2018 which was assessed using the general 3-stage approach is as follows:

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	-	-
Increase in loss allowance recognised in profit or loss during the year (Note 5)	141,234	-
Exchange differences	5,710	-
At 31 December	146,944	-

Other receivables and deposits of which loss allowance was recognised in profit or loss during the year are classified within the Non-performing category.

24 CONTRACT ASSETS/(LIABILITIES)

The Group has recognised the following assets and liabilities related to contracts with customers:

	Group 2018 RM'000
Non-current contract assets	
Construction and conversion work (Note (a))	44,090
Current contract assets	
Vessel charter fees and support services rendered	3,859
Construction and conversion work (Note (a))	1,715
Total contract assets	49,664
Non-current contract liabilities	
Vessel charter fees and support services rendered	(15,616)
Current contract liabilities	
Vessel charter fees and support services rendered	(26,635)
Total contract liabilities	(42,251)

(a) Construction and conversion work

The construction and conversion work represents the construction and conversion contracts with customers where there are timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect certain stages of physical completion of the contracts.

24 CONTRACT ASSETS/(LIABILITIES)

(b) Significant changes in contract assets/(liabilities)

The following table shows the movement of the contract assets/(liabilities) during the financial year:

	Contract assets RM'000	Contract liabilities RM'000
Opening balance as at 1 January 2018	-	-
Amounts restated through retained earnings	3,703	(11,854)
Contract assets previously classified as amounts due from customers on contract (Note 25)	8,745	-
Opening balance as at 1 January 2018 as per MFRS 15	12,448	(11,854)
Increase as a result of performance obligation fulfilled but not yet billed	390,168	-
Decreases due to billing made during the financial year	(359,968)	-
Revenue recognised during the financial year that was included in the contract liabilities balance at 1 January 2018	-	200
Increases due to billing made, excluding amounts recognised as revenue during the financial year	-	(30,010)
Exchange differences	7,016	(587)
	49,664	(42,251)

(c) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date, are as follows:

	Group				
	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Vessel charter fees and support services rendered	342,615	625,153	952,267	1,259,210	3,179,245

The Group applied the practical expedient in MFRS 15 and did not disclose information about unsatisfied performance obligation for certain contracts, where the transaction price corresponds directly with the Group's level of performance in the future.

25 AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACT

	Group 2017 RM'000
Aggregate costs incurred	1,426,772
Profit recognised to-date	292,304
Cumulative contract revenue recognised	1,719,076
Less: Progress billings	(1,710,331)
	8,745

The amount due from customers on contract has been reclassified to contract asset subsequent to the adoption of MFRS 15 on 1 January 2018 (Note 24).

26 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Current		
Amounts due from subsidiaries	417,099	893,405
Current		
Amounts due to subsidiaries	(45,147)	(112,780)
	371,952	780,625

The amounts due from subsidiaries are unsecured, interest free and have no fixed term of repayment. There was no impairment on amounts due from subsidiaries.

All balances are non-trade in nature except for amounts of RM266.6 million (2017: RM376.5 million) due from subsidiaries which are trade in nature.

The amounts due to subsidiaries classified as current are repayable on demand.

27 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	197,408	175,649	9,735	2,114
Deposits with licensed banks	1,029,016	1,670,465	49,568	61,292
	1,226,424	1,846,114	59,303	63,406

The weighted average interest rates per annum of deposits with licensed banks that were effective as at the reporting date were as follows:

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Deposits with licensed banks	3.06	2.06	1.63	0.90

Bank balances are deposits held at call with banks and earn interest ranging between 0% to 2.6% (2017: 0% to 2.6%).

Bank deposits are mainly deposits with banks which have high credit ratings as determined by international credit rating agencies.

28 NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

The movements during the financial year relating to non-current assets classified as held-for-sale are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Net book value		
At 1 January	1,770	33,397
Transfer from property, plant and equipment (Note 11)	106,045	9,759
Impairment (Note 5)	(43,173)	-
Disposals	(64,577)	(38,132)
Exchange differences	49	(3,254)
At 31 December	114	1,770

29 TRADE PAYABLES AND ACCRUALS

	Group	
	2018	2017
	RM'000	RM'000
Trade payables	121,004	104,007
Trade accruals	442,523	494,776
	563,527	598,783

The trade payables have credit terms ranging from 0 to 90 days (2017: 0 days to 90 days).

The following amounts were offset, and the net amount is reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

	Group		
	2018		
	Gross before offsetting	Offsetting	Net after offsetting
	RM'000	RM'000	RM'000
Current assets			
Trade receivables	1,179,336	(24,722)	1,154,614
Current liabilities			
Trade payables	123,027	(2,023)	121,004
Other payables and accruals	515,596	(22,699)	492,897

30 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current				
Advances from customers	186,536	228,486	-	-
Other payables	252,567	156,990	11,441	5,891
Accruals	53,794	69,430	25,036	27,065
	492,897	454,906	36,477	32,956
Non-current				
Advances from customers	55,802	68,285	-	-
	548,699	523,191	36,477	32,956

During the financial year, RM Nil (2017: RM643.7 million) advances from customers were reclassified upon first production to finance lease receivables.

31 PROVISIONS

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	106,921	98,149
Additions	-	8,502
Accretion of interest	8,133	10,485
Reversal during the financial year	(31,745)	-
Exchange differences	2,278	(10,215)
At 31 December	85,587	106,921

During the financial year, a reversal of provision was made due to a change in assumptions regarding demobilisation costs.

31 PROVISIONS (CONTINUED)

The provisions are subject to the following maturity period:

	Group 2018 RM'000	Group 2017 RM'000
Current		
Provision for demobilisation costs	85,587	-
Non-current		
Provision for demobilisation costs	-	106,921

Provision for demobilisation costs consists of the net present value of the estimated costs of demobilising a vessel at the end of its useful life.

32 HIRE PURCHASE CREDITORS

	Group 2017 RM'000
Analysis of hire purchase commitments:	
- payable within one year	100
- payable between one and two years	100
- payable between two and five years	125
	325
Less: Interest in suspense	(39)
	286
Representing hire purchase liabilities:	
- due within 12 months	88
- due after 12 months	198
	286

During the financial year, the Group has settled the hire purchase creditors balance.

33 BORROWINGS

	Group	
	2018	2017
	RM'000	RM'000
Current		
Term loans – secured – others	925,573	853,515
Term loans – secured – AKPL	1,782,895	2,145,196
Term loans – unsecured	1,577,959	1,448,169
	4,286,427	4,446,880
Revolving credits – unsecured	1,246,912	1,020,389
Sukuk Murabahah – unsecured – current [(1)]	30,655	30,654
Sukuk Murabahah – unsecured – non-current [(1)]	1,499,352	-
	7,063,346	5,497,923
Non-current		
Term loans – secured	3,317,184	3,485,818
Term loans – unsecured	-	675,766
Revolving credits – unsecured	-	364,185
Sukuk Murabahah – unsecured [(1)]	-	1,499,213
	3,317,184	6,024,982
Total borrowings	10,380,530	11,522,905

[(1)] The Sukuk Murabahah was issued by Bumi Armada Capital Malaysia Sdn Bhd under the Shariah principle of Murabahah (via a Tawarruq arrangement) for the full aggregate nominal value of RM1.5 billion for a tenure of 10 years, at a profit rate of 6.35% per annum.

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

	Group	
	2018	2017
	%	%
Revolving credits	4.83	3.58
Term loans	4.94	3.91
Sukuk Murabahah	6.35	6.35

33 BORROWINGS (CONTINUED)

Group	Interest/profit rate terms	Currency exposure	Total carrying amount RM'000	Maturity profile < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	>5 years RM'000
At 31 December 2018							
Unsecured:							
- term loans	Floating rates vary based on London Interbank Offer Rate ("LIBOR")	USD	1,577,959	1,577,959	-	-	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years						
	- current	RM	30,655	30,655	-	-	-
	- non-current [1]	RM	1,499,352	1,499,352	-	-	-
- revolving credits	Floating rates vary based on LIBOR	USD	915,602	915,602	-	-	-
	Floating rates vary based on cost of funds ("COF")	USD	331,310	331,310	-	-	-
Secured:							
- term loans	Floating rates vary based on LIBOR						
	- others	USD	3,833,738	516,554	332,656	1,128,514	1,856,014
	- AKPL						
	- current	USD	409,019	409,019	-	-	-
	- non-current [1]	USD	1,782,895	1,782,895	-	-	-
			10,380,530	7,063,346	332,656	1,128,514	1,856,014

[1] As elaborated in Section E – Liquidity risk, the amounts due after one year from the reporting date of RM1,499.4 million and RM1,782.9 million are reclassified as current liabilities as the Group has not met the financial covenant of net debt over EBITDA for the financial year ended 31 December 2018 and the project lenders of AKPL have the right to issue a cancellation notice for a full prepayment of the loan.

33 BORROWINGS (CONTINUED)

Group	Interest/profit rate terms	Currency exposure	Total carrying amount RM'000	Maturity profile < 1 year RM'000	1-2 years RM'000	2-5 years RM'000	>5 years RM'000
At 31 December 2017							
Unsecured:							
- term loans	Floating rates vary based on COF	RM	92,527	92,527	-	-	-
	Floating rates vary based on LIBOR	USD	2,031,408	1,355,642	675,766	-	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years	RM	1,529,867	30,654	-	-	1,499,213
- revolving credits	Floating rates vary based on LIBOR	USD	979,924	615,739	364,185	-	-
	Floating rates vary based on COF	USD	404,650	404,650	-	-	-
Secured:							
- term loans	Floating rates vary based on LIBOR						
	- others	USD	3,939,458	453,640	256,969	1,036,647	2,192,202
	- AKPL	USD					
	- current	USD	378,569	378,569	-	-	-
	- non-current [1]	USD	2,145,196	2,145,196	-	-	-
	Floating rates vary based on COF	RM	21,306	21,306	-	-	-
			11,522,905	5,497,923	1,296,920	1,036,647	3,691,415

[1] As elaborated in Section E – Liquidity risk, the amount due after one year from the reporting date of RM2,145.2 million is reclassified as current liabilities as the project lenders of AKPL have the right to issue a cancellation notice for a full prepayment of the loan.

34 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Derivatives used for hedging:				
- Interest rate swaps	128,820	(7,643)	103,974	(1,040)
- Cross currency interest rate swaps	2,044	(425,700)	2,215	(460,649)
Total	130,864	(433,343)	106,189	(461,689)
Less: Non-current portion				
Derivatives used for hedging:				
- Interest rate swaps	65,060	(7,044)	63,205	-
- Cross currency interest rate swaps	-	-	1,562	(449,850)
	65,060	(7,044)	64,767	(449,850)
Current portion	65,804	(426,299)	41,422	(11,839)

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the maturity of the hedged item is less than 12 months.

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

RM39.1 million was reclassified to the statements of profit or loss to offset the foreign exchange loss which arose from the weakening of RM against USD, and RM18.5 million was recycled to profit or loss. This has resulted in a decrease in the debit balance of the cash flow hedging reserve to a credit balance as at 31 December 2018 by RM98.5 million.

As at 31 December 2017, the Group recognised net derivative financial liabilities of RM355.5 million on remeasuring the fair values of the derivative financial instruments. Of the decrease of the RM276.4 million from the previous financial year, a net amount of RM261.7 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests, and RM14.9 million was recycled to profit or loss within finance costs for cross currency interest rate swaps and interest rate swaps.

The Group's cash flow hedging reserve as at 31 December 2018 represents the effective portion of the deferred fair value losses relating to the derivative financial instruments which qualified for hedge accounting. The gains and losses recognised in the cash flow hedging reserve will be released to profit or loss within finance costs over the period of the underlying borrowings.

34 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cross currency interest rate swaps ("CCIRS")

A subsidiary whose functional currency is in RM had entered into cross currency interest rate swaps to manage forecasted USD receipts that are highly probable.

In the previous financial year, another subsidiary whose functional currency is in USD had entered into cross currency interest rate swaps used to manage its floating interest rate term loans denominated in RM as disclosed in Note 33.

As at 31 December 2018, the fixed interest was 2.85% per annum and the main floating rate was cost of funds ("COF") plus a margin of 1.75% per annum. The swaps matured on 24 May 2018.

The notional principal amounts of the outstanding cross currency interest rate swaps at 31 December 2018 were RM1,500.0 million (2017: RM1,521.3 million).

(b) Interest rate swaps ("IRS")

The notional principal amounts of interest rate swap contracts used to manage the floating interest rate risk arising from term loans were RM4,102.9 million (2017: RM4,373.9 million). These interest rate swap contracts receive fixed interest rate ranging from 1.19% to 2.97% (2017: 0.99% to 4.69%) per annum and they derived from the underlying bank borrowings.

35 SHARE CAPITAL

	Group and Company			
	Number of shares		Share capital	
	2018	2017	2018	2017
	'000	'000	RM'000	RM'000
Issued and fully paid [(1)]:				
Ordinary shares				
At 1 January	5,866,269	5,866,269	4,311,294	1,173,253
Transferred from share premium	-	-	-	3,137,730
Transferred from preference share redemption reserve	-	-	-	311
Shares issued pursuant to the management incentive plan	4,668	-	3,521	-
At 31 December	5,870,937	5,866,269	4,314,815	4,311,294

(1) The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Accordingly, the share capital of the Company no longer has a par value. This transition has no impact on the numbers of ordinary shares in issue or the relative entitlement to the member as a result of this transition.

36 EMPLOYEE SHARE OPTIONS SCHEME

The Company implemented an Employees' Share Options Scheme ("ESOS" or "Scheme") which came into effect on 28 June 2011 for a period of 10 years to 27 June 2021. The ESOS is governed by the By-Laws which were approved by the shareholders on 18 June 2011. The main features of the Scheme are as follows:

(a) An eligible employee shall pay a sum of RM1.00 as consideration for the acceptance of the share options offer. An option shall be exercisable at a price which is the weighted average of the market price quotation of the shares for the five (5) market days immediately preceding the date on which the options are granted, rounded to the nearest sen, or the par value of the shares, whichever is higher.

(b) Unless otherwise determined by our Board (or such other committee appointed by our Board to administer the ESOS), each option shall become exercisable, to the extent of one-third of the shares covered thereby, on each of the first three (3) anniversaries of the date of grant, if the holder of such option shall have been in the continuous service of the Company or its subsidiaries that are not dormant throughout such period. No options shall be exercisable if the exercise of such options would violate any provision of applicable laws, nor shall any options be exercisable more than ten (10) years from the date on which the Scheme became effective.

(c) No option shall be granted pursuant to the ESOS on or after the 10th anniversary of the date on which the Scheme became effective.

(d) The new shares issued upon the exercise of an option will be subject to all the provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and shall rank pari passu in all respects with the then existing issued ordinary shares of the Company, save that they will not entitle the holders thereof to receive any rights or bonus issue or dividends or distributions the entitlement date of which precedes the date of the issue of such new shares.

(e) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual employee or Executive Director who, either singly or collectively through persons connected with him/her, holds 20% or more in the issued and paid-up capital of the Company. The Company is in compliance with the requirements with regards to the options granted to the Executive Directors and senior management during the financial year.

36 EMPLOYEE SHARE OPTIONS SCHEME (CONTINUED)

The fair value as at the grant date of share options granted in the previous financial year was determined using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used were as follows:

2014

Dividend yield (%)	0.78% to 1.66%
Expected volatility (%)	27.1% to 29.8%
Risk-free interest rate (%)	3.11% to 3.57%
Expected life of options (years)	1 to 4 years
Share price at date of grant (RM)	1.83 to 2.39
Exercise price of options (RM)	1.83 to 2.39
Fair value of options at date of grant (RM)	0.26 to 0.50

The expected average life of options is based on historical information, which may not necessarily be indicative of the future exercise pattern that may occur. The expected volatility reflects the assumptions based on the historical volatility on the assumptions that this is indicative of future trends which may also not necessarily be the actual outcome.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Average exercise price per share option (RM)	Options ('000)	Average exercise price per share option (RM)	Options ('000)
At 1 January	2.32	30,423	2.31	46,067
Forfeited	2.26	(15,073)	2.29	(15,644)
At 31 December	2.39	15,350	2.32	30,423

Out of the 15,350,233 outstanding options (2017: 30,423,270 outstanding options), all were exercisable as at the end of the reporting period.

There were no options exercised during the financial year ended 31 December 2018 and 31 December 2017.

36 EMPLOYEE SHARE OPTIONS SCHEME (CONTINUED)

Share options outstanding as at the end of the financial year have the following expiry dates and exercise prices:

Grant/Vest	Expiry date	Exercise price in RM per share option		Share options ('000)	
		2018	2017	2018	2017
2013/2013	2018	-	2.27/2.28	-	3,237
2013/2014	2018	-	2.27/2.28/2.43	-	3,237
2013/2015	2018	-	2.27/2.28/2.43	-	4,315
2014/2015	2019	2.39	1.83/2.39	4,605	5,890
2014/2016	2019	2.39	1.83/2.39	4,605	5,890
2014/2017	2019	2.39	1.83/2.39	6,140	7,854
				15,350	30,423

With the establishment of the Management Incentive Plan which came into effect on 10 October 2016 (Note 37), the Company has ceased awarding further options under the Scheme.

37 MANAGEMENT INCENTIVE PLAN

The Company established a Management Incentive Plan ("MIP" or "Plan") which came into effect on 10 October 2016 for a period of 10 years to 9 October 2026 and is administered by the MIP Committee. The MIP is governed by the By-Laws which were approved by the shareholders on 23 May 2016.

The main features of the Plan are as follows:

(a) The grant of shares is subject to certain vesting conditions and after fulfilment of certain performance targets and/or other conditions as determined by the MIP Committee in accordance with the By-Laws. The MIP Committee may in its absolute discretion permit the vesting of the unvested shares (or any part thereof) to the MIP participants subject to such terms and conditions as may be prescribed notwithstanding that:

  (i) The vesting date is not due or has not occurred; and/or
  (ii) Other terms and conditions set forth in the grant have not been fulfilled/satisfied.

(b) In the event of termination or cessation of employment prior to the relevant vesting date, any unvested granted shares shall forthwith cease to be capable of vesting.

(c) The new shares to be allotted and issued pursuant to the vesting of the grant under the MIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued shares. The new shares to be allotted and issued pursuant to the vesting of the grant under the MIP shall not be entitled to any voting rights, dividends, rights, allotments, distributions and/or any other entitlements, for which the entitlement date is prior to the date on which the new shares are credited into the CDS Accounts of the respective grantees.

37 MANAGEMENT INCENTIVE PLAN (CONTINUED)

The main features of the Plan are as follows: (continued)

(d) The maximum number of the Company's shares which may be made available under the Plan shall not, when aggregated with the total number of new shares allotted and issued and/or to be allotted and issued under the existing ESOS, exceed 10% of the total number of shares of the Company (excluding treasury shares) at any point of time within the duration of the MIP for a period of 10 years commencing from 10 October 2016 during the MIP period ("Maximum Shares").

(e) The maximum number of shares that are to be allocated to any one category or designation of selected employees shall be determined by the MIP Committee from time to time. The allocation to any individual selected employee who, either singly or collectively through persons connected with him/her, holds 20% or more of the total number of shares of the Company (excluding treasury shares), shall not exceed 10% of the Maximum Shares.

2017 MIP Grant ("1st Grant")

On 2 June 2017, the Company offered and granted 41,152,400 shares under the Plan, comprising of annual grant of up to 26,237,800 shares and a 3-year grant of up to 14,914,600 shares.

The fair value as at grant date of the 1st Grant shares offered and granted under the Plan was RM0.7543 per share, based on the Volume Weighted Average Price ("VWAP") of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad, on the grant date, as reported on Bloomberg.

Annual grant

During the financial year, 14,002,900 shares for annual grant were awarded to eligible employees and the Executive Director of the Group upon fulfilment of certain performance targets and/or other conditions as determined by the MIP Committee in accordance with the By-Laws. These shares will be vested annually over a period of 10 years and forfeited in the event of termination or cessation of employment prior to the next vesting date.

The movement of the number of eligible shares for annual grant under 1st Grant during the financial year is as follows:

	Group and Company					
	Number of shares awarded as at 1 January	Granted	Awarded	Vested	Forfeited	Number of shares awarded as at 31 December
	'000	'000	'000	'000	'000	'000
2018						
MIP 1st grant:						
Annual grant	-	-	14,003	(4,668)	(976)	8,359

3-year grant

As at 31 December 2018, the maximum number of eligible shares for the 3-year grant is 11,732,800 shares (2017: 13,323,700 shares). The performance targets and vesting conditions for the 3-year grant were not fulfilled. Hence, there were no shares awarded for the 3-year grant during the financial year.

37 MANAGEMENT INCENTIVE PLAN (CONTINUED)

2018 MIP Grant (“2nd Grant”)

On 4 June 2018, the Company further offered and granted an annual grant of 37,451,700 shares under the Plan. As at 31 December 2018, the maximum number of eligible shares granted is 837,100 shares.

The fair value as at grant date of the 2nd Grant shares offered and granted under the Plan was RM0.7527 per share, based on the Volume Weighted Average Price (“VWAP”) of the Company’s shares on the Main Market of Bursa Malaysia Securities Berhad, on the grant date, as reported on Bloomberg.

Annual grant

As at 31 December 2018, the vesting conditions for the 2nd Grant shares were not fulfilled. Hence, there were no award of 2nd Grant shares during the financial year.

38 RESERVES

(a) Share premium

Share premium of the Group and of the Company represents premium arising from the issuance of ordinary shares of the Company at issue price above the nominal value.

Effective from 31 January 2017, the new Companies Act 2016 (“the Act”) abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium and preference share redemption reserve (Note 38(e)) becomes part of the Company’s share capital (Refer to Note 35).

(b) Foreign exchange reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities that have functional currency different from the Group’s presentation currency.

(c) Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options by the Company. The fair value, measured at grant date of the share options granted to these employees is recognised as an employee expense in profit or loss and a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options.

38 RESERVES (CONTINUED)

(d) Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the cost of hedging reserve.

The Group defers the changes in the forward element of CCIRS in the costs of hedging reserve.

		Cash flow hedge reserve			
	Cost of hedging reserve	Spot component of CCIRS	CCIRS	IRS	Total hedging reserve
	RM'000	RM'000	RM'000	RM'000	RM'000
2017					
At 1 January	-	-	(199,440)	97,966	(101,474)
Effect on the adoption of MFRS 9	(73,301)	(126,139)	199,440	-	-
	(73,301)	(126,139)	-	97,966	(101,474)
Other Comprehensive Income ("OCI"):					
Change in fair value	-	84,407	-	2,625	87,032
Costs of hedging deferred in OCI	(25,815)	-	-	-	(25,815)
	(99,116)	(41,732)	-	100,591	(40,257)
2018					
At 1 January	(99,116)	(41,732)	-	100,591	(40,257)
Other Comprehensive Income ("OCI"):					
Change in fair value	-	35,776	-	29,943	65,719
Costs of hedging deferred in OCI	32,814	-	-	-	32,814
Changes in non-controlling interest	-	-	-	(1)	(1)
At 31 December	(66,302)	(5,956)	-	130,533	58,275

38 RESERVES (CONTINUED)

(e) Other reserves

Other reserves represent the fair value change in financial assets at FVOCI amounting to RM1.3 million (2017: RM3.1 million).

At the end of the previous financial year, other reserves include the fair value change of a call option granted to a former Executive Director of RM6.3 million, which has been forfeited during the financial year.

During the previous financial year, the preference share redemption reserve for the Company and a subsidiary amounting to RM0.3 million become part of the Company's share capital subsequent to the new Act coming into force.

39 COMMITMENTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(i) Capital expenditure for property, plant and equipment not provided for in the financial statements:				
- authorised and contracted	25,160	162,142	-	398
- authorised but not contracted	22,625	278,385	6,361	6,474
	47,785	440,527	6,361	6,872
(ii) Commitments for amounts payable under operating leases for rental of premises:				
- payable within one year	7,264	8,893	4,639	6,822
- payable later than one year and no later than five years	8,547	10,185	1,751	9,665
- payable later than five years	-	-	-	-
	15,811	19,078	6,390	16,487

The Group and the Company have entered into lease arrangements (classified as operating leases) for office premises with durations varying from 1 to 7 years and 1 to 3 years respectively (2017: 1 to 6 years and 1 to 2 years respectively).

40 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of the Group and the Company are:

(a) Subsidiaries

Details of the subsidiaries are shown in Note 12.

(b) Joint ventures

Details of the joint ventures are shown in Note 13.

(c) Associate

Details of the associate is shown in Note 14.

(d) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Directors of the Company and certain members of senior management of the Group and of the Company.

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 an interest in the shares of the Company through UTSB’s deemed interest in OBSB, they do not have any economic or beneficial interest in such shares as such interest is held subject to the terms of such discretionary trust.

40 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions agreed with related parties.

		Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
(i)	Transactions with UTSB Management Sdn. Bhd. [(1)]				
	- management fees	6,905	6,241	6,905	6,241
(ii)	Telecommunication expenses to Maxis Broadband Sdn. Bhd. [(2)]	693	1,220	-	25
(iii)	Rental to Malaysian Landed Property Sdn. Bhd. [(3)]	7,690	7,890	7,690	7,890
(iv)	Management and engineering assistance services charged to joint ventures				
	- revenue	(11,351)	(3,207)	-	-
	- other operating income	-	(16,641)	-	-
(v)	Management fees charged to subsidiaries				
	- revenue	-	-	(9,739)	-
(vi)	Transaction with key management: Key management personnel compensation:				
	- Non-executive Directors' fees	2,077	2,124	2,077	2,124
	- salaries, bonus, allowances and other staff related costs	15,606	17,079	15,606	17,079
	- defined contribution plan	280	822	280	822
	- share-based payment	1,526	4,249	1,526	4,249
(vii)	Central overhead fees charged:				
	- subsidiaries	-	-	(146,476)	(145,789)
	- joint ventures	-	(564)	-	(564)
(viii)	Payment on behalf of:				
	- subsidiaries	-	-	11,146	10,001
	- joint ventures	3,197	11,076	741	10,857
(ix)	Repayment on behalf by/(of) subsidiaries	-	-	15,634	(49,840)

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

41 FAIR VALUES

The carrying amounts of financial assets and financial liabilities of the Group as at the reporting date approximated their fair values except as set out below:

Group	Carrying amount		Fair value	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Finance lease receivables	5,168,459	5,334,189	5,903,289	6,036,757
Amounts due from joint ventures	56,124	248,795	51,976	240,673
Fixed rate Sukuk Murabahah (Note 33)	1,530,007	1,529,867	1,500,230	1,505,313

The fair value of the finance lease receivables, amounts due from joint ventures and fixed rate Sukuk Murabahah are within Level 3 of the fair value hierarchy.

The Group estimates the fair value of finance lease receivables, amounts due from joint ventures and the fixed rate Sukuk Murabahah by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The discount rates to determine fair value of finance lease receivables, amounts due from joint ventures and the fixed rate Sukuk Murabahah range between 6.35% and 11.00% respectively (2017: 6.29% and 11.00% respectively).

The Group believes that its estimate of fair value is appropriate and the use of different methodologies or assumptions could lead to different measurement of fair value.

42 CONTINGENT LIABILITIES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Bank guarantees extended to third parties	149,162	387,707	95,972	387,707

43 MATERIAL LITIGATION

Save as disclosed below, as at 31 December 2018, neither the Company nor any of its subsidiaries were involved in any material litigation, claims or arbitration, and the Company and its subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against the Company and its subsidiaries:

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"), a 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 this purported termination by WEJ tantamount to a cancellation for convenience, or a repudiation of the Contract, either of which entitles ABPL to claim damages.

On 14 March 2016, ABPL filed a Writ of Summons in the Supreme Court of Western Australia ("Supreme Court") against WEJ for, inter alia, (i) a declaration that WEJ was in repudiatory breach of the Contract and (ii) damages for WEJ's breach of the Contract. Subsequently, on 20 April 2016, ABPL filed its Statement of Claim in the Supreme Court against WEJ claiming for damages in general for WEJ's repudiation of the Contract, and the amount of such damages has been quantified by ABPL to include the sum of USD275,813,698.63 (being the amount of the termination payment to which ABPL is entitled had the Contract been terminated without breach) plus any additional damages for loss of bargain caused to ABPL as a consequence of WEJ's repudiation of the Contract. ABPL is also claiming for the additional sum of USD7,700,000.00 for work done and materials supplied pursuant to the Contract. WEJ had, on 2 June 2016, filed its defence to ABPL's Statement of Claim. The trial for this matter commenced at the Supreme Court on 18 February 2019 and the parties served written closing submissions and made closing oral submissions on 26 and 27 March 2019. Judgment is expected around October to December 2019.

The Group is of the view that there are reasonable grounds to expect a favourable outcome in respect of ABPL's claims with regards to the said repudiation by WEJ of the Contract. Notwithstanding the foregoing, the award of damages in the event of a favourable outcome is subject to final determination by the Supreme Court.

44 FINANCIAL INSTRUMENTS BY CATEGORY

Analysis of the financial instruments for the Group is as follows:

	Financial assets at amortised costs RM'000	Derivatives used for hedging RM'000	FVOCI RM'000	Total RM'000
At 31 December 2018				
Financial assets:				
Finance lease receivables	5,168,459	-	-	5,168,459
Accrued lease rentals	310,006	-	-	310,006
Derivative financial instruments	-	130,864	-	130,864
Financial assets at fair value through other comprehensive income	-	-	15,158	15,158
Trade receivables	755,283	-	-	755,283
Other receivables and deposits excluding prepayments	41,863	-	-	41,863
Amounts due from joint ventures	56,124	-	-	56,124
Deposits, cash and bank balances	1,226,424	-	-	1,226,424
	7,558,159	130,864	15,158	7,704,181

	Derivatives used for hedging RM'000	Other financial liabilities at amortised costs RM'000	Total RM'000
At 31 December 2018			
Financial liabilities:			
Trade payables and accruals	-	563,527	563,527
Other payables and accruals excluding advances from customers and statutory liabilities	-	341,421	341,421
Borrowings	-	10,380,530	10,380,530
Amounts due to joint ventures		34,667	34,667
Derivative financial instruments	433,343	-	433,343
	433,343	11,320,145	11,753,488

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Analysis of the financial instruments for the Group is as follows: (continued)

	Financial asset at amortised costs	Derivatives used for hedging	Available-for-sale	Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2017				
Financial assets:				
Finance lease receivables	5,334,189	-	-	5,334,189
Accrued lease rentals	727,153	-	-	727,153
Derivative financial instruments	-	106,189	-	106,189
Available-for-sale financial assets	-	-	16,498	16,498
Trade receivables	727,153	-	-	727,153
Other receivables and deposits excluding prepayments	194,741	-	-	194,741
Amounts due from joint ventures	284,027	-	-	284,027
Deposits, cash and bank balances	1,846,114	-	-	1,846,114
	9,113,377	106,189	16,498	9,236,064

	Derivatives used for hedging	Other financial liabilities at amortised costs	Total
	RM'000	RM'000	RM'000
At 31 December 2017			
Financial liabilities:			
Trade payables and accruals	-	598,783	598,783
Other payables and accruals excluding advances from customers and statutory liabilities	-	299,972	299,972
Hire purchase creditors	-	286	286
Borrowings	-	11,522,905	11,522,905
Amounts due to joint ventures	-	32,237	32,237
Derivative financial instruments	461,689	-	461,689
	461,689	12,454,183	12,915,872

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The table below analyses financial instruments carried at fair value, by valuation method. 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).

The fair value of financial instruments traded in active market is based on quoted market price at the reporting 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 that are used to determine fair value for the 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.

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2018:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Derivatives used for hedging				
- Interest rate swaps	-	128,820	-	128,820
- Cross currency interest rate swaps	-	2,044	-	2,044
Financial assets at fair value through other comprehensive income	15,158	-	-	15,158
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	-	(425,700)	-	(425,700)
- Interest rate swaps	-	(7,643)	-	(7,643)

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2017:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Derivatives used for hedging				
- Interest rate swaps	-	103,974	-	103,974
- Cross currency interest rate swaps	-	2,215	-	2,215
Available-for-sale financial assets	16,498	-	-	16,498
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	-	(460,649)	-	(460,649)
- Interest rate swaps	-	(1,040)	-	(1,040)

Analysis of the financial instruments for the Company is as follows:

	2018 RM'000	2017 RM'000
Financial assets measured at amortised costs (2017: loans and receivables):		
Other receivables and deposits excluding prepayments	2,386	2,481
Amounts due from subsidiaries	417,099	893,405
Amounts due from joint ventures	19,529	18,842
Deposits, cash and bank balances	59,303	63,406
	498,317	978,134
Financial liabilities measured at amortised costs:		
Other payables and accruals excluding statutory liabilities	26,524	27,709
Amounts due to subsidiaries	45,147	112,780
Amount due to a joint venture	1,217	-
	72,888	140,489

The carrying amounts of financial instruments of the Group and of the Company with a maturity of less than one year at the reporting date are assumed to approximate their fair values.

45 ADOPTION OF MFRS 9 AND MFRS 15

This note explains the impact of the adoption of MFRS 9 and MFRS 15 from 1 January 2018 on the Group's financial statements for the financial year ended 31 December 2018. The summary of the impact to the Group's retained earnings as at 1 January 2018 is as follows:

		Retained earnings RM'000
Opening as at 1 January 2018		109,991
Impact of adoption of MFRS 9		
Accounting for ECL	(a)	(15,473)
Impact of adoption of MFRS 15		
Accounting for additional performance obligation identified	(b)(i)	(21,029)
Accounting for costs incurred in obtaining a contract	(b)(ii)	(27,373)
		46,116

(a) MFRS 9 "Financial instruments"

The Group has applied MFRS 9 with the date of initial application of 1 January 2018. The standard is applied retrospectively. In accordance with the transitional provisions provided in MFRS 9, comparative information of 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139, with the exception of certain aspects of hedge accounting. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Section C of the Preface to the Financial Statements.

Classification and measurement

On 1 January 2018, the Group has assessed which business models apply to the financial assets held by the Group and reviewed the classification of its financial instruments into the appropriate MFRS 9 categories. There are no changes to the classification and measurement of the financial instruments except for reclassification of available-for-sale financial assets to financial assets at FVOCI. See Note 15 and 16 for details.

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(a) MFRS 9 “Financial instruments” (continued)

Derivatives and hedging activities

The IRS and CCIRS in place as at 1 January 2018 qualified as cash flow hedges under MFRS 9. The Group’s risk management strategies and hedge documentation are aligned with the requirements of MFRS 9 and these relationships are therefore treated as continuing hedges.

Since the adoption of MFRS 9, gains or losses relating to the effective portion of the changes in fair value of CCIRS (excluding foreign currency basis spread) are recognised in other comprehensive income and accumulated in cash flow hedge reserve within equity. The Group recognises changes in the foreign currency basis spread of CCIRS in the costs of hedging reserve within equity, resulting in a reclassification of a loss of RM73.3 million and RM126.1 million from cash flow hedge reserve to the costs of hedging reserve and spot component of CCIRS respectively as at 1 January 2017. See Note 38 for details.

Impairment of financial assets

The Group has replaced its impairment methodology of financial assets with the forward-looking expected credit loss (“ECL”) model. Under MFRS 9, loss allowances will be measured either via the simplified approach or the general approach (incorporating 12-month ECL and Lifetime ECL). See Section E – Credit risk for the measurement details of ECL.

The total impact on adoption of ECL model to the Group’s reserves as at 1 January 2018 is as follows:

	Without adoption of MFRS 9 RM’000	Effect of MFRS 9 RM’000	With adoption of MFRS 9 RM’000
Consolidated Statement of Financial Position as at 1 January 2018			
Trade receivables	727,153	(4,091)	723,062
Accrued lease rentals	372,945	(11,382)	361,563
Reserves	(1,186,035)	15,473	(1,170,562)

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(b) MFRS 15 “Revenue from Contracts with Customers”

The Group has applied MFRS 15 with the date of initial application of 1 January 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

In addition, the Group has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The main changes arising from the adoption of MFRS 15 are as follows:

(i) Accounting for additional performance obligations identified

MFRS 15 requires the identification of performance obligations within a contract and to allocate the transaction price to the performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. In assessing the impact of MFRS 15, the Group has allocated the transaction price to each performance obligation (or distinct good or service) by considering all information that is reasonably available to the Group, as further elaborated in Section C(I). The point at which revenue is recognised for each performance obligation may vary depending on when control of each good or service is transferred to the customer. The assessment has been performed for the Group and joint ventures.

(ii) Accounting for certain costs incurred in obtaining a contract

Under MFRS 15, costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is awarded to the Group.

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

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

The following table shows the adjustments recognised for each affected financial statement line item from the adoption of the new MFRSs and the effect of each financial statement line item should the new MFRSs not be adopted. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	Note	Without adoption of MFRS 15 RM'000	Effect of MFRS 15 RM'000	As presented RM'000
Consolidated Statement of Income for the financial year ended 31 December 2018				
Revenue	(i)	2,431,859	(13,120)	2,418,739
Selling and distribution costs	(ii)	(21,990)	(7,965)	(29,955)
Share of results of joint ventures	(i)	174,722	(8,473)	166,249
Loss for the financial year		(2,289,590)	(29,558)	(2,319,148)
Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2018				
Foreign currency translation differences		144,169	(1,836)	142,333

	Note	Without adoption of MFRS 15 RM'000	Effect of MFRS 15 RM'000	As presented RM'000
Consolidated Statement of Financial Position as at 31 December 2018				
Investment in joint ventures	(i)	1,044,686	(21,816)	1,022,870
Other receivables, deposits and prepayments	(ii)	78,398	(19,588)	58,810
Contract assets	(i)	-	49,664	49,664
Amounts due from customers on contract	(i)	45,805	(45,805)	-
Contract liabilities	(i)	-	(42,251)	(42,251)
Reserves		871,782	79,796	951,578

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

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

As explained above, MFRS 15 was adopted without restating the comparative information. The adjustments arising from the adoption are therefore not reflected in the restated consolidated statement of financial position as at 31 December 2017 but are recognised in the opening consolidated statement of financial position on 1 January 2018. The impact of MFRS 15 on the Group's financial position as at 1 January 2018 is as follows:

		Without adoption of MFRS 15	Effect of MFRS 15	With adoption of MFRS 15
		RM'000	RM'000	RM'000
Consolidated Statement of Financial Position as at 1 January 2018				
Investment in joint ventures	(i)	668,967	(12,878)	656,089
Other receivables, deposits and prepayments	(ii)	68,249	(27,373)	40,876
Contract assets	(i)	-	12,448	12,448
Amounts due from customers on contract	(i)	8,745	(8,745)	-
Contract liabilities	(i)	-	(11,854)	(11,854)
Reserves		(1,186,035)	48,402	(1,137,633)

46 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the balance sheet date, the Group obtained a waiver on the breach of financial covenants of Sukuk Murabahah, and has also signed a facility agreement for refinancing of certain unsecured term loans and revolving credit facilities, the details of which are disclosed in the Preface to the Financial Statements Section E – Liquidity risk.

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 April 2019.

Company No.

370398	X

BUMI ARMADA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Leon Andre Harland and Uthaya Kumar K Vivekananda, two of the Directors of Bumi Armada Berhad, state that, in our opinion, the financial statements set out on pages 6 to 148 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and financial performance of the Group and of the Company for the financial year ended 31 December 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2019.

LEON ANDRE HARLAND
DIRECTOR

UTHAYA KUMAR K VIVEKANANDA
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Luke Christopher Targett, being the officer primarily responsible for the financial management of Bumi Armada Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 148 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LUKE CHRISTOPHER TARGETT

Subscribed and solemnly declared by the abovenamed Luke Christopher Targett in Kuala Lumpur on 25 April 2019 , before me:

PESURUHJAYA SUMPAH
W530
TAN SEOK KETT
BC/T/301
1/1/2019-31/12/2021
MALAYSIA

Lot 333, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BUMI ARMADA BERHAD
(Incorporated in Malaysia)
(Company No. 370398-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Bumi Armada Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 148.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BUMI ARMADA BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 370398-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impact of the signing of Amendment Agreement 2 ("AA2") on the Armada Kraken FPSO *Refer to Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D - Critical accounting estimates and judgements, Preface to the financial statements section E – Financial and capital risk management objectives and policies and Note 11 – Property, plant and equipment.* Armada Kraken Pte Ltd ("AKPL"), a subsidiary of the Group signed an Amendment Agreement 2 ("AA2") on 27 August 2018. The execution of AA2 allows AKPL and the Charterer to progress the project towards final acceptance. Subsequent to this, Final Acceptance was achieved on 4 September 2018. The following assessments were made by management subsequent to signing of AA2 and achieving Final Acceptance:	
<u>Assessment on recoverable amount of Armada Kraken</u> AA2 contains clauses which require AKPL to provide supplementary payments to the Charterer as a result of delays in the Final Acceptance and non completion of operational targets set under the charter contract. In addition, the vessel achieved lower availability since Final Acceptance in September 2018.	<u>Assessment on recoverable amount of Armada Kraken</u> We evaluated the reasonableness of key assumptions used by management in arriving at the VIU (i.e. charter rates, lease terms and discount rate) by performing the following: • We read the terms of charter contract and the AA2 to understand AKPL's obligations to the Charterer in relation to Armada Kraken and its impact in determining the VIU;

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Key audit matters	How our audit addressed the key audit matters
Impact of the signing of Amendment Agreement 2 ("AA2") on the Armada Kraken FPSO (continued)	
Assessment on recoverable amount of Armada Kraken (continued) In accordance with the requirements under MFRS 136 "Impairment of Assets", the Group had assessed the recoverable amount of Armada Kraken based on the value-in-use ("VIU") model. The VIU supports a lower recoverable amount as at 31 December 2018 which resulted in an impairment charge of RM1,613.2 million during the financial year. We focused on this area as significant estimates and judgements were applied in determining the recoverable amount of Armada Kraken, namely on the vessel availability post Final Acceptance, lease term and the discount rate. The details of the significant estimates and judgements used have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements* and *Note 11 – Property, plant and equipment.*	Assessment on recoverable amount of Armada Kraken (continued) • As the charter fees are dependent on the actual availability rate, we compared Armada Kraken's expected availability against its historical performance and checked the reasons for the variances against the planned performance to assess the reliability of management's projections; • We held discussions with the Chief Executive Officer and Senior Vice President of Floating Production Storage and Offloading ("FPSO") Operations on the achievability of the availability targets projected in conjunction with the maintenance plan to address certain vessel requirements; • We checked management's assessment of the lease term with firm and extension lease terms in the charter contract and external reports on the expected production level of Kraken field; • We have compared the inputs used in the calculation of the discount rate used by management to observable market data of similar FPSO companies. The key inputs are the risk-free rate, market risk premium and debt/equity ratio; and • We compared the basis of discount rate used by management against other FPSO players within the market. We have checked the sensitivity of the key assumptions for recoverable amounts of vessels by varying the expected charter rates and the discount rate used in determining the VIU.

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Key audit matters	How our audit addressed the key audit matters
Impact of the signing of Amendment Agreement 2 (“AA2”) on the Armada Kraken FPSO (continued)	Assessment on recoverable amount of Armada Kraken (continued) The impact arising from our independent checks has been considered by management. We found management’s assessment to be materially in line with our expectations.
Assessment on classification of Armada Kraken under MFRS 117 “Leases” During the financial year, the Group had assessed the classification of Armada Kraken under the requirement of MFRS 117 “Leases”, resulting in its classification as an Operating Lease. Accordingly, Armada Kraken continues to be classified as Property, plant and equipment in the Group’s consolidated financial statements. We focused on this area as significant estimates and judgements were applied in determining the lease classification. Management judgement was exercised in determining the likelihood of lease extensions subsequent to the non-cancellable lease period and expected availability of Armada Kraken. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements*.	Assessment on classification of Armada Kraken under MFRS 117 “Leases” We checked the reasonableness of the basis used in determination of the lease terms and charter rates by performing the following: • We read the terms of charter contract and the AA2 to understand AKPL’s obligations to the Charterer in relation to Armada Kraken • We checked management’s assessment on the lease term with contractual lease terms in the charter contract and external reports on the expected production level of Kraken field; • We checked the availability targets against its historical performance and management’s plan in meeting the target. We have also discussed with management on the feasibility of meeting the availability targets. • We compared the present value of the minimum lease payment against the fair value of Armada Kraken at the inception of the lease. Based on our procedures above, we found management’s assessment to be materially in line with our expectations.

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Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group *Refer Preface to the financial statements section B – Basis of Preparation, Preface to the financial statements section D – Critical accounting estimates and judgements, Preface to the financial statements section E – Financial and capital risk management objectives and policies, Note 33 - Borrowings*	
As at 31 December 2018, the Group's current liabilities position exceeded its current assets by RM6.1 billion mainly due to the following reasons: • Re-classification of non-current borrowings for Armada Kraken Pte Ltd ("AKPL") of RM1.8 billion and Sukuk Murabahah of RM1.5 billion; and • Current borrowings comprising Armada Floating Gas Storage Malta Limited ("AFGSML") secured term loan of RM0.2 billion, unsecured term loans of RM1.6 billion and revolving credit of RM1.3 billion classified as current liabilities.	We read the terms of the agreements and correspondences with the Lenders for the outstanding borrowings, including the new Facility Agreement ("FA") for refinancing of RM1.6 billion term loan and RM1.3 billion revolving credit facilities dated 23 April 2019, to: • understand the obligations and undertakings of the Group, including the CPs requirement; and • understand the rights of the lenders. We reviewed the undertakings made as part of the new FA to assess the impact of subsequent events after the financial year end under the requirement of MFRS110 "Events after the Reporting Period". We held discussions with the Chief Executive Officer, Chief Financial Officer, Head of Treasury, Head of FPSO Projects and Head of Legal to corroborate: • management's action plan in obtaining waiver from AKPL's Lenders; • status of discussions with the Project Lenders on the waivers including the likelihood of obtaining a waiver from AKPL's lenders; and • likelihood of completion of the CPs under the new FA within the next 12 months from the adoption of financial statements.

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Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group (continued) In assessing the liquidity position of the Group, management has considered the funding plan to meet the repayment obligation of its borrowings and other current liabilities which are due in the next 12 months, taking into consideration: • availability of cash flows over the next 12 months; • ability of the Group to meet the Conditions Precedents ("CP") required under the Facility Agreement ("FA"); • likelihood of AKPL's lenders calling an Event of Default; and • likelihood of additional project financing. We gave audit focus on this as significant judgement and estimates were made in arriving at the cashflow forecast for the next 12 months from the date of approval of the financial statements in assessing the ability of the Group to meet its obligations as and when they arise. In addition, management exercised judgment in assessing the likelihood of meeting certain of the terms and conditions required by the Lenders as part of the refinancing arrangement. The details of the Group's Liquidity Risk has been disclosed in *Preface to the financial statements section E – Financial and capital risk management objectives and policies*.	We have tested the key assumptions underlying the Group's cash flow forecast for the next 12 months from the date of approval of the financial statements and assessed the reasonableness of management's assessment that the Group has the ability to fund its obligations, whilst taking into consideration sources of funding available to the Group as and when they arise. In assessing the source of funding, we have checked against management's plan. We have also independently performed a sensitivity analysis of the Group's key assumptions underlying its cash flow position over the next 12 months and discussed the outcome of the sensitivity analysis with management. We checked the compliance of debt covenants of the project financing and borrowings to the relevant disclosures made in the financial statements for consistency. We assessed the adequacy of disclosures made in the financial statements. We did not identify any material exceptions to the procedures performed above.

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Key audit matters	How our audit addressed the key audit matters
Impairment assessment of Offshore Marine Services ("OMS") assets *Refer to the Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D – Critical accounting estimates and judgements and Note 11 – Property, plant and equipment.*	
Offshore Support Vessels ("OSV") The continued depressed market condition resulting in the declining utilisation and day rates during the financial year continues to be an impairment indicator. Accordingly, the Group performed an impairment assessment on OSV assets in accordance with the requirement of MFRS 136 "Impairment of Assets". Each individual vessel was concluded to be its own Cash Generating Unit ("CGU"). The recoverable amounts for vessels that have been laid up are determined based on fair value less costs of disposal and for assets identified for continuing use, these are determined based on VIU. An impairment loss of RM586.5 million was recognised during the financial year.	Offshore Support Vessels ("OSV") In relation to the fair value less costs of disposal for OSV assets that have been laid up, we have performed the following: • We discussed with management on the basis of the expected selling price of the OSV assets and checked the estimated selling price with offers received from potential buyers, where available; and • We compared the selling price of recent disposal of the OSV assets against its net book value to assess the average loss rate on disposal of OSV assets. In relation to the VIU for OSV assets identified for continuing use, we have performed the following: • We evaluated the reasonableness of key assumptions used by the management in arriving at the projected cash flows (i.e. vessel utilisation rates, charter rates and discount rates) by comparing to historical and market data; • We held discussions with management on future prospects of the OSV business and industry outlook on the OSV segment. We also compared the industry outlook on the OSV segment with external industry and market player information; and

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Key audit matters	How our audit addressed the key audit matters
Impairment assessment of Offshore Marine Services ("OMS") assets (continued) Offshore Support Vessels ("OSV") (continued) We focused on this area as significant estimates and judgements were applied in determining the recoverable amount of the OSV assets, namely the expected selling price, utilisation rate and charter rate. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements* and *Note 11 – Property, plant and equipment*. Subsea Construction ("SC") assets The vessels and equipment of the SC business located in Russia have recently completed the Lukoil project. These assets are currently idle and management is currently pursuing new prospects. Nevertheless, there is a risk of recoverability of the Group's carrying amount of the SC assets. An assessment on whether there is an indication of impairment was carried out by management as at the year end in accordance with the requirement of MFRS 136 "Impairment of Assets" ("MFRS 136").	Offshore Support Vessels ("OSV") (continued) In relation to the VIU for OSV assets identified for continuing use, we have performed the following: (continued) • We have checked the sensitivity of the key assumptions for recoverable amounts of vessels by varying the expected charter rates, utilisation rate and the discount rate used in determining the VIU. Based on our procedures, the key assumptions used in determining the recoverable amounts were materially in line with our expectations. Subsea Construction ("SC") assets We held discussions with the Chief Executive Officer, Head of OMS and Vice President of SC to: • understand how the SC assets are used in generating the cash inflows for the SC business and managed on a daily basis. We have compared it with the requirements of CGU determination under MFRS 136; and • understand the likelihood of awards of future prospects and checked the information with bidding documents, correspondences with potential customers and scope of work of similar projects performed by the Group.

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Key audit matters	**How our audit addressed the key audit matters**
Impairment assessment of Offshore Marine Services ("OMS") assets (continued)	
<u>Subsea Construction ("SC") assets</u> (continued)	<u>Subsea Construction ("SC") assets</u> (continued)
Judgement was exercised by management in the determination of the SC business in Russia as a CGU as opposed to the individual asset. This is consistent with the business model that supports the continued use of the portfolio of assets as part of the SC business instead of being the CGU. Consequently, the recoverability for the SC assets is based on the cash flows expected to be generated by the future contracts of the SC business in Russia as a whole. Based on current financial performance of the SC business in Russia and the expected order book, management concluded that there is no impairment indicator as at 31 December 2018, as it does not indicate that the economic performance of the assets in supporting the SC business, are or will be, worse than expected. We focused on this area as significant estimates and judgements were applied in arriving at the VIU calculations, primarily the determination of CGU and likelihood of award of new prospects which underlies the cash flow projections.	We evaluated the reasonableness of key assumptions used by the management in arriving at the projected cash flows (i.e. vessel utilisation rates and expected contract value) by performing the following: • we compared the expected scope of work to the bidding documents (draft and submitted) and to previous scope of work previously performed for a potential customer; • we compared the expected utilisation rate to bidding documents and historical utilisation rate in a similar project; and • we compared the expected contract value to bidding documents, project budgets and historical utilisation. Based on the procedures performed above, we did not find any material exceptions.

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<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Assessment on the impact of adoption of MFRS 15 “Revenue from Contracts with Customers”
Refer to Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D – Critical accounting estimates and judgements and Note 2 – Revenue.

Effective 1 January 2018, the Group has adopted MFRS 15 “Revenue from Contracts with Customers” (“MFRS 15”). An opening balance adjustment of RM48.4 million reduction in retained earnings on adoption of MFRS 15 was recognised as at 1 January 2018.

The Group elected the modified retrospective transition approach in adoption of MFRS 15. Significant effort was spent in assessing the impact of first time adoption of MFRS 15 as:
• Most of the contracts within the Group involve multi-elements arrangement which would include combinations of construction, conversion, engineering services, charter and other support services within one contract. Where multiple contracts are signed for the same project, these contracts are negotiated together and assessed together as one contract.
• The transaction price is then allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct goods or services promised in the contract. This requires estimation of the expected costs to be incurred and a rate of return at lease inception.</td><td>We assessed management’s identification of performance obligations within a contract by performing the following:

• We read and understood the key terms and conditions of significant contracts with customers on sampling basis; and
• We tested the operating effectiveness of controls over management’s assessment of the allocation of the transaction price between various performance obligations.

We assessed management’s assumptions on the basis of determination of standalone selling price by performing the following:

• We read revenue contracts on sampling basis and held discussions with the Group to check the expected rate of return on each performance obligation identified;
• We tested the operating effectiveness of controls over the approvals of customers contracts and budgets including the estimation of cost in determining the standalone selling price;
• We evaluated the expected costs identified by management to be incurred in delivering the identified performance obligation by comparing the information to the historical and market data; and</td></tr>
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Key audit matters	How our audit addressed the key audit matters
Assessment on the impact of adoption of MFRS 15 "Revenue from Contracts with Customers" (continued) We focused on this area as significant estimates and judgements were applied in determining the performance obligations and standalone selling price. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements.*	We assessed management's assumptions on the basis of determination of standalone selling price by performing the following: (continued) • We evaluated the basis of rate of return determined for each performance obligation with similar contracts within the Group and other market data. We evaluated the appropriateness and completeness of management's disclosures in the consolidated financial statements in accordance with the requirements of MFRS 15. Based on the procedures performed above, we did not find any material exceptions.
Recoverability of trade receivables *Refer to Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D - Critical accounting estimates and judgements, Preface to the financial statements section E – Financial and capital risk management objectives and policies and Note 21 - Trade receivables* The Group adopted MFRS 9 "Financial Instruments" ("MFRS 9") on 1 January 2018. MFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of significant assumptions about future economic conditions and credit risk of the customers. An opening balance adjustment of RM15.5 million was made for additional loss allowances as at 1 January 2018.	Upon the first time adoption of MFRS 9, we assessed the appropriateness of the Group's loss allowance policy in accordance with the requirement under MFRS 9. We evaluated management's assumption on the opening balance adjustment to the Group's retained earnings to confirm that adjustments are made without the use of hindsight and ECL is recognised within the appropriate period.

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Key audit matters	**How our audit addressed the key audit matters**
Recoverability of trade receivables (continued) Management has assessed the lifetime expected credit loss of trade receivables amount using the simplified approach incorporating credit rating buckets, expected loss rates, forward looking information and probability weighted estimates. As at 31 December 2018, the Group's trade receivables prior to loss allowance was RM1.2 billion. Of this amount, RM404.9 million has been provided for as loss allowance. We gave audit focus and attention to this area considering the material amounts involved and significant management judgement required over the probability weighted estimates on receipts of trade receivables. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements*.	We checked the expected timing and quantum of receipts of trade receivables by comparing it to the historical payment trend of individual customers and sighting of correspondence between the Group and the customers. We have assessed and considered the reasonableness of the forward looking information included in management's assessment. We held discussions with management to determine the appropriateness of the ongoing negotiations on recovery of trade receivables to the assumptions included in the ECL model, namely on likelihood, quantum and timing of receipt of the balances. We found management's assessment of its loss allowance of trade receivables to be materially consistent with the supporting information provided to us.

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Key audit matters	How our audit addressed the key audit matters
Recoverability of amounts in relation to the services agreement relating to the FPSO vessel Armada Claire with Woodside Energy Julimar Pty Ltd ("Woodside") *Refer to Note 22 - Accrued lease rentals and Note 43 - Material litigation* In March 2016, Woodside, the charterer of a FPSO vessel – Armada Claire terminated the services agreement ("contract") with a subsidiary of the Group, Armada Balnaves Pte Ltd ("ABPL"). The vessel was subsequently demobilised. The termination of contract was an indication of impairment to the carrying amount of the vessel, (which was impaired to its recoverable amount in 2016) and the recoverability of the amounts in relation to the contract, by ABPL. The Group, having evaluated its contractual position through independent due diligence review(s), has taken the view that the termination of the contract was unlawful and ABPL is therefore contractually entitled to compensation claims based on the contract. ABPL filed a Statement of Claim at the Supreme Court of Western Australia on 20 April 2016 against Woodside and the trial commenced on 18 February 2019. The parties served written closing submissions and made closing oral submissions on 26 and 27 March 2019 respectively and the Judgement is expected to be presented between October to December 2019.	We held discussions with senior management personnel and experts with direct knowledge of the matter and read supporting documents provided to us by management to understand the latest status of proceedings and ABPL's position based on the contract. We also discussed with management the likely timing of the recovery of these amounts based on the progress of the case and expected resolution date based on the latest court timelines. We found the information provided and the discussions with the parties described above to be materially consistent with management's assessment of the recoverability of the amount.

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Key audit matters	**How our audit addressed the key audit matters**
Recoverability of amounts in relation to the services agreement relating to the FPSO vessel Armada Claire with Woodside Energy Julimar Pty Ltd ("Woodside") (continued) Management has assessed the lifetime ECL of the amount by taking into consideration the probability-weighted estimation of court's judgement, timing of court's judgement, quantum of compensation claims and timing of receipt of compensation claims. We gave audit focus to this area in view of financial implication and judgement involved surrounding the recoverability of the receivables on the basis that the termination of the contract was unlawful. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements.*	

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	**How our audit addressed the key audit matters**
Bumi Armada Berhad - Assessment of recoverability of amounts due from subsidiaries and cost of investments in subsidiaries *Refer to Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D – Critical accounting estimates and judgements, and Note 12 - Investments in subsidiaries and Note 26 - amounts due from subsidiaries.* As at 31 December 2018, the Company's amount due from subsidiaries and investments in subsidiaries amounted to RM0.4 billion and RM4.5 billion respectively.	
Amounts due from subsidiaries An assessment on the recoverability of the amounts due from subsidiaries were made based on the general 3-stage ECL model requirement under MFRS 9 "Financial Instruments". The ECL is made based on the contractual terms that the balances are repayable on demand as at the reporting date. No additional loss allowance were made during the financial year as management expects that the subsidiaries are able to meet their obligation to repay these balances based on the availability of cash flows as at the financial year end and/or that there are sufficient future cash flows from the subsidiaries to settle the outstanding balances.	Amounts due from subsidiaries We evaluated the reasonableness of the key assumptions that affected the amounts and timing of cash flows available to the subsidiaries for repayments of the amounts due under the ECL model. These key assumptions are contractual and estimated revenue, estimated utilisation and charter rates of vessels and expected sale of vessels. These key assumptions were checked against historical trends, contracts with customers and the expected fair value less costs of disposal of vessels. We held discussions with management to understand the underlying assumptions of the respective future cash flows used to determine the recoverable amounts of the amounts due from subsidiaries. We have also considered other contractual obligations of the subsidiaries to pay cash that have priority for repayment over the amounts due.

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Key audit matters	How our audit addressed the key audit matters
Bumi Armada Berhad - Assessment of recoverability of amounts due from subsidiaries and cost of investments in subsidiaries (continued)	
Amounts due from subsidiaries (continued) We gave audit focus and attention to this area considering the material amounts involved and significant management judgement required over the expected timing and quantum of repayments from the subsidiaries. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements*.	Amounts due from subsidiaries (continued) Based on the above, our evaluation of the recoverability of the amounts due from subsidiaries is materially consistent with management’s assessment.
Investments in subsidiaries An assessment on the recoverability of the costs of investment in subsidiaries were made based on the impairment assessment in accordance with the requirement under MFRS 136 “Impairment of Asset”. The Company recognised an impairment loss on its investment in subsidiaries amounting to RM18.3 million during the financial year as there are insufficient future cash flows expected from the Company’s investment in these subsidiaries.	Investments in subsidiaries In addition to the procedures mentioned under “Amounts due from subsidiaries” above on the future cash flows, we evaluated the reasonableness of repayment of amounts due from subsidiaries the estimated operational cash flows to assess the cash flow available for dividends by the respective subsidiaries. Based on the above, our evaluation of the recoverability of cost of investment is materially consistent with management’s assessment.

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Key audit matters	How our audit addressed the key audit matters
Bumi Armada Berhad - Assessment of recoverability of amounts due from subsidiaries and cost of investments in subsidiaries (continued) <u>Investments in subsidiaries</u> (continued) We focused on the impairment assessment of those balances with impairment indicators, given the significant estimates involved in determining the future cash flow from the subsidiaries. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements*.	

<u>Information other than the financial statements and auditors' report thereon</u>

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BUMI ARMADA BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 370398-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BUMI ARMADA BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 370398-X)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SUBATHRA A/P GANESAN
03020/08/2020 J
Chartered Accountant

Kuala Lumpur
25 April 2019