4 Our Numbers

DIRECTORS' REPORT

The Directors have pleasure in presenting 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 2017.

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 and Offloading ("FPSO") operations, vessel construction and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 13 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
Profit for the financial year attributable to:		
- Owners of the Company	**352,247**	**112,347**
- Non-controlling interests	**24,160**	**-**
	376,407	**112,347**

DIVIDENDS

The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2017.

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

There were no new ordinary shares issued during the financial year.

MANAGEMENT INCENTIVE PLAN

At the Extraordinary General Meeting held on 23 May 2016, the Company's shareholders approved the establishment of a Management Incentive Plan ("MIP" or "Plan") for the eligible employees and Executive Directors 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 34 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 33 to the financial statements.

With the establishment of 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	(Appointed on 10 April 2017)
Shapoorji Pallonji Mistry	(Resigned on 21 February 2017)
Ravi Shankar Srinivasan (alternate director to Shapoorji Pallonji Mistry)	(Resigned on 21 February 2017)
Saiful Aznir bin Shahabudin	(Retired on 30 May 2017)
Steven Leon Newman	(Resigned on 6 June 2017)
Shaharul Rezza bin Hassan	(Resigned on 28 February 2018)

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

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 8 to the financial statements, the premium paid for the Directors and Officers Liability insurance for the year 2017/2018 amounting to RM0.2 million with a coverage of RM250.0 million (2016/2017: 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 1.1.2017	Acquired	Disposed	As at 31.12.2017
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

[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 options over unissued ordinary shares				
	As at 1.1.2017	Granted	Exercised	Lapsed	As at 31.12.2017
Shaharul Rezza bin Hassan	3,324,787	-	-	(2,074,787)	1,250,000

	Number of ordinary shares under the MIP				
	As at 1.1.2017	Granted	Vested	Lapsed	As at 31.12.2017
Leon Andre Harland	-	14,964,300	-	-	14,964,300

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 doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; 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 provision for doubtful debts 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.

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.

SUBSIDIARIES

Details of subsidiaries and subsidiaries' holding of shares in other related corporations are set out in Note 13 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 6 to the financial statements.

AUDITORS

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 22 March 2018. Signed on behalf of the Board of Directors:

LEON ANDRE HARLAND
DIRECTOR

CHAN CHEE BENG
DIRECTOR

Kuala Lumpur

PREFACE TO THE FINANCIAL STATEMENTS

Sections A to D 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 and Offloading ("FPSO") operations, vessel construction and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 13 to the financial statements.

There has been no significant change in the principal activities of the Group and the Company 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 Note 43 to the financial statements.

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 revenues 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 C.

As at 31 December 2017, the Group's current liabilities exceeded its current assets by RM3,271.7 million mainly due to the reclassification of non-current borrowings for Armada Kraken Pte Ltd of RM2,145.2 million to current liabilities. In assessing the appropriateness of 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 D - 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 2017:

- Amendments to MFRS 107 "Statement of Cash Flows" – Disclosure Initiative
- Amendments to MFRS 112 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements MFRSs 2012 – 2014 Cycle: MFRS 12 "Disclosures of Interests in Other Entities"

The adoption of amendments and annual improvements to MFRS did not have any significant impact on the financial statements of the Group and the Company.

B BASIS OF PREPARATION (CONTINUED)

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

(i) New MFRS, amendments to MFRS and interpretation which are applicable to the Group and the Company effective for annual periods beginning on or after 1 January 2018:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- Amendments to MFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
- Annual Improvements to MFRS 128 "Investments in Associates and Joint Ventures"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

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

MFRS 9 "Financial Instruments"

MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 introduces changes to the classification and measurement of financial liabilities and financial assets, an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139, and a substantially-reformed approach to hedge accounting.

The Group and the Company have reviewed their financial assets and liabilities and are expecting the following impact from the adoption of the new standard on 1 January 2018:

- Changes in classification in financial assets as "amortised cost", "fair value through profit or loss", or "fair value through other comprehensive income", depending on its business model for managing those financial assets and their contractual cash flow characteristics. The previous classification at "fair value through profit or loss", "loans and receivables", and "available-for-sale financial assets" will be discontinued from 1 January 2018.

  There is no financial impact arising from the changes of these classifications to the financial statements.

- There will be no impact on the Group's and the Company's accounting for financial liabilities.

- The ECL model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under MFRS 139. The Group and the Company have assessed the impact on application of the ECL model on trade and other receivables, finance lease receivables and intercompany balances, and based on the assessments undertaken to date, the impact to the profit or loss is not expected to be significant to the Group and the Company.

- The Group has reviewed its current hedge relationships and concluded that they will qualify as continuing hedges upon the adoption of MFRS 9.

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 and interpretation which are applicable to the Group and the Company effective for annual periods beginning on or after 1 January 2018: (continued)

MFRS 15 "Revenue from contracts with customers"

MFRS 15 "Revenue from contracts with customers" (effective from 1 January 2018) will replace MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services through a single, principles based five-step model to be applied to all contracts with customers.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Accounting for vessel conversion and support services

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

  This may give rise to contract liabilities balances due to the identification of separate performance obligation which has different timing of satisfaction.

- Accounting for certain costs incurred in obtaining a contract

  MFRS 111 allows the capitalisation of costs incurred in securing a contract if they can be separately identified and measured reliably and it is probable that the contract will be obtained.

  Under MFRS 15, costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. There will be some impact to the profit of loss upon implementation of MFRS 15, depending on the level of bidding activities undertaken by the Group.

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 and interpretation which are applicable to the Group and the Company effective for annual periods beginning on or after 1 January 2018: (continued)

MFRS 15 "Revenue from contracts with customers" (continued)

- Presentation of contract assets and contract liabilities in the statement of financial position

  MFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position. This will result in some reclassification as of 1 January 2018 which are currently included in the amount due to customers on contract and other line items within the statement of financial position.

The application of MFRS 15 may further result in the identification of separate performance obligations in relation to vessel conversion and support services contracts which could affect the timing of the recognition of revenue going forward.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(ii) New MFRS 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

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

C 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) Revenue

The following are the areas of judgement applied 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 reasonably certain. The evaluation of the term "reasonably certain" involves judgement.

Allocation of total consideration

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 market rates, comparable transactions and other market related information to be determined at lease inception.

(b) 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 our non-financial assets or non-current assets held-for-sale.

Investments in subsidiaries

The recoverable amounts of investments 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 of the subsidiaries are inherently judgemental and susceptible to change from period to period due to the assumptions stated above.

C CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of receivables

Trade and other receivables

On a regular basis, the Group reviews the receivables ageing and repayment history for any objective evidence of impairment. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Amounts due from subsidiaries and joint ventures

The Group and the Company review the repayment history and expected future cash flows for any objective evidence of impairment. The calculations of projected future cash flows of the subsidiaries and joint ventures are inherently judgemental and susceptible to change from period to period due to the assumptions made.

(d) 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.

(e) 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.

(f) Construction contracts

Significant assumptions, based on the Group's assessment of the contract progress and past experience, are used to estimate the total contract costs that affect the stage of completion and the contract revenue, respectively.

(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.

D 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") (2016: USD, Singapore Dollars ("SGD") 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 2017	United States Dollar RM'000	Russian Ruble RM'000	Others RM'000	Denominated in functional currencies RM'000	Total 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

D 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):

At 31 December 2016	Denominated in currencies other than functional currencies United States Dollar RM'000	Singapore Dollar RM'000	Russian Ruble RM'000	Others RM'000	Denominated in functional currencies RM'000	Total RM'000
Trade receivables	10,824	-	-	19	622,113	632,956
Deposits, cash and bank balances	94,963	21,320	33,179	15,764	2,850,628	3,015,854
Trade payables and accruals	(2,085)	(30,698)	-	(2,549)	(1,191,740)	(1,227,072)
	103,702	(9,378)	33,179	13,234	2,281,001	2,421,738

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and RUB (2016: USD, SGD and RUB) denominated balances as illustrated in the following table:

Currency	Strengthened by	Impact on profit/(loss) before taxation [Increase/(Decrease)] 2017 RM'000	2016 RM'000
USD	10%	**9,996**	(10,370)
SGD	10%	**-**	938
RUB	10%	**29,881**	(3,318)

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 investment in foreign operations are recognised in other comprehensive income.

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.

D 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 30 and 31 respectively.

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

Group	2017 RM'000	2016 RM'000
Variable rate instruments		
Financial liabilities, comprising term loans and revolving credits	**9,993,038**	11,516,645
Less: Interest rate swap contracts	**(4,373,867)**	(5,228,403)
Less: Cross currency interest rate swap contract	**(21,304)**	(49,000)
Total variable rate instruments not hedged	**5,597,867**	6,239,242

The sensitivity of the Group's profit/(loss) 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 profit/(loss) before taxation		Impact on equity [1]	
Group	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
RM				
- increased by 0.5% (2016: 0.5%)	**167**	24	**-**	-
- decreased by 0.5% (2016: 0.5%)	**(167)**	(24)	**-**	-
USD				
- increased by 0.5% (2016: 0.5%)	**(28,069)**	31,125	**21,449**	23,818
- decreased by 0.5% (2016: 0.5%)	**28,069**	(31,125)	**(21,449)**	(23,818)

(1) Represents cash flow hedging reserve

The impact on profit/(loss) 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.

During the previous financial year, the Company was exposed to the changes in interest rates in relation to an amount due from a subsidiary on floating interest rates as disclosed in Note 23. The Company does not hedge this interest rate risk. If the interest rates increase/(decrease) by 0.5%, the impact on profit/(loss) before taxation is approximately RM2.5 million/(RM2.5 million).

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

Credit risk

Credit risk arises when sales are made on credit terms. The Group's activities limit the exposure and credit risk concentration to 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 guarantees 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 credit risk of the Group arises primarily from the Group's 5 largest customers which accounted for 63% (2016: 68%) of the outstanding trade receivables at the end of the reporting period. Customers from the Floating Production and Operation ("FPO") segment are involved in long-term contracts and the Group will continue to be exposed to credit risk over the contract period. The Group assesses the credit risk arising from these contracts at inception and at every reporting date. In respect of the Offshore Marine Services ("OMS") segment, there is no single customer that exceeds 10% of the Group's total revenue.

As such, the Group does not expect any counterparty to fail to meet their obligations except for the allowance for doubtful debts provided as disclosed in Note 19 to the financial statements. The allowance for doubtful debts provided includes 41% (2016: 54%) which arises from the Group's 5 largest customers.

The carrying amount of each class of financial assets mentioned in Note 41 to the financial statements represent the Group's maximum exposure to credit risk.

The Group continues to review the credit risk concentration with respect to finance lease receivables, other receivables, amounts due from subsidiaries and joint ventures. These relate to receivables with no history of default and the Group expects these amounts to be recoverable over the course of business.

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.

Liquidity risk

As at 31 December 2017, the Group's current liabilities exceeded its current assets by RM3,271.7 million due to the following:

(i) Reclassification of non-current borrowings for Armada Kraken Pte Ltd ("AKPL") of RM2,145.2 million to current liabilities. This was because 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 due to Armada Kraken FPSO project not being able to achieve final acceptance by the scheduled date. Thus, the project lenders have the right to issue a cancellation notice for full prepayment of the loan.

    The Group is currently in discussion with the charterer to address the matters relating to the project delivery and achieving final acceptance. The Group is also in communication with the project lenders on the acceptance milestones being discussed with the charterer.

(ii) Reclassification of borrowings of RM1,347.5 million due within 12 months from the balance sheet date from non-current liabilities to current liabilities. For one of the term loans included in current liabilities with a carrying amount of RM671.6 million, the Group, as at the financial year end, has not met the financial covenant of net debt over earnings before interest, taxation, depreciation and amortisation ("EBITDA"). Subsequent to the financial year end, the Group was informed that approvals to grant the waiver on the covenant breach have been received from the lenders.

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

Liquidity risk (continued)

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 as follows:

(i) Net cash inflow from the Group's existing vessel charter contracts and construction contracts which will continue to generate positive cash flows based on construction and services rendered to the customers. The Group also expects distribution from joint ventures. Cash receipts from customers and cash distributions from joint ventures received by the Group will be used to fund operating and capital expenditures of the Group; and

(ii) Proposed issuance of medium term notes ("Notes") by Bumi Armada Capital Offshore Ltd ("BACOL"), a wholly-owned subsidiary of Bumi Armada Berhad, under a Multi-Currency Euro Medium Term Note Programme with a programme size of USD1,500 million ("EMTN Programme"), which is an avenue for BACOL to tap into the liquidity of the international debt capital markets and provides potential flexibility to raise funds via the issuance Notes in a multitude of tenors and currencies to best match the Group's funding requirements. Notes issued under the EMTN Programme would be unconditionally and irrevocably guaranteed by the Company and an application has been made to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of any Notes that may be issued pursuant to the EMTN Programme which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The Group expects to raise up to USD500 million of Notes by Quarter 3 of 2018.

The cash flow forecast is reliant on the issuance of the Notes and the final acceptance of the Armada Olombendo and Armada Kraken FPSO projects, in 2018. In order to further manage and strengthen the cash flow position of the Group in the event of delays in the timing of the above events:

(i) the Group is actively pursuing collections from customers in Nigeria and Angola, who have difficulty to repay the amount outstanding due to financial constraints and/or foreign currency exchange controls imposed by the relevant regulators; and

(ii) the Group continues to consider proposals for the monetisation of assets to raise funds in order to enhance the Company's balance sheet and fund future FPSO projects.

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

D 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 2017					
Borrowings – others	**3,264,328**	**1,564,025**	**1,594,757**	**4,055,621**	**10,478,931**
Borrowings – Armada Kraken Pte Ltd	**2,940,605**	**-**	**-**	**-**	**2,940,605**
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**
At 31 December 2016					
Borrowings	2,930,404	2,837,548	3,949,347	5,453,908	15,171,207
Amounts due to joint ventures	36,562	-	-	-	36,562
Net settled derivative financial instruments					
- interest rate swaps	(19,216)	5,104	68,574	54,062	108,524
- cross currency interest rate swaps	(23,459)	(28,332)	(68,368)	(800,340)	(920,499)
Trade payables and accruals	1,227,072	-	-	-	1,227,072
Other payables and accruals	1,129,761	97,014	-	-	1,226,775

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

The corporate guarantees are financial guarantees given to banks for credit facilities granted to subsidiaries.

The maximum amount of the financial guarantees issued 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 RM11,728.5 million as at 31 December 2017 (2016: RM12,867.6 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.

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

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total borrowings	**11,522,905**	13,046,113	**-**	-
Less: Cash and cash equivalents	**(1,846,114)**	(3,014,954)	**(63,406)**	(67,330)
	9,676,791	10,031,159	**(63,406)**	(67,330)
Total equity	**5,521,031**	5,590,077	**4,930,115**	4,810,753
	15,197,822	15,621,236	**4,866,709**	4,743,423

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 D - Liquidity risk.

STATEMENTS OF INCOME

for the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000 Restated	Company 2017 RM'000	Company 2016 RM'000
Revenue	2	**2,402,130**	1,317,389	**320,410**	405,376
Cost of sales		**(1,596,228)**	(1,537,454)	**(139,763)**	(227,826)
Gross profit/(loss)		**805,902**	(220,065)	**180,647**	177,550
Other operating income	3	**177,903**	188,207	**1,479**	26,835
Selling and distribution costs		**(20,827)**	(29,812)	**-**	-
Administrative expenses		**(195,809)**	(116,343)	**(68,285)**	(25,052)
Operating profit/(loss) before impairment		**767,169**	(178,013)	**113,841**	179,333
Impairment	6	**(8,328)**	(1,743,160)	**-**	-
Operating profit/(loss)		**758,841**	(1,921,173)	**113,841**	179,333
Finance costs	4	**(430,958)**	(100,784)	**-**	-
Share of results of joint ventures	5	**164,347**	77,693	**-**	-
Profit/(Loss) before taxation	6	**492,230**	(1,944,264)	**113,841**	179,333
Taxation	9	**(115,823)**	(60,772)	**(1,494)**	(4,117)
Profit/(Loss) for the financial year		**376,407**	(2,005,036)	**112,347**	175,216

	Note	Group 2017 RM'000	Group 2016 RM'000 Restated
Attributable to:			
Owners of the Company		**352,247**	(1,967,651)
Non-controlling interests		**24,160**	(37,385)
		376,407	(2,005,036)
Earnings per share (sen)	10		
- basic		**6.00**	(33.54)
- diluted		**6.00**	(33.54)

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) for the financial year	**376,407**	(2,005,036)	**112,347**	175,216
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss:				
- Available-for-sale financial assets:				
- Gain on fair value change	**3,072**	7,385	**-**	-
- Fair value gain on cash flow hedges	**60,467**	125,329	**-**	-
- Foreign currency translation differences	**(516,796)**	211,996	**-**	-
- Share of other comprehensive income of joint ventures	**789**	569	**-**	-
Other comprehensive (expense)/income for the financial year, net of tax	**(452,468)**	345,279	**-**	-
Total comprehensive (expense)/income for the financial year	**(76,061)**	(1,659,757)	**112,347**	175,216

	Group 2017 RM'000	Group 2016 RM'000
Total comprehensive (expense)/income attributable to:		
- Owners of the Company	**(96,647)**	(1,624,559)
- Non-controlling interests	**20,586**	(35,198)
	(76,061)	(1,659,757)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	**9,235,066**	16,602,637
Investments in joint ventures	5	**668,967**	651,332
Available-for-sale financial assets	14	**16,498**	22,884
Finance lease receivables	15	**5,280,228**	-
Other receivables	21	**153,600**	49,075
Amounts due from joint ventures	16	**32,162**	19,470
Derivative financial instruments	31	**64,767**	116,108
Deferred tax assets	17	**7,295**	6,467
TOTAL NON-CURRENT ASSETS		**15,458,583**	17,467,973
CURRENT ASSETS			
Inventories	18	**4,199**	6,356
Finance lease receivables	15	**53,961**	-
Trade receivables	19	**727,153**	632,956
Accrued lease rentals	20	**372,945**	510,345
Other receivables, deposits and prepayments	21	**68,249**	85,904
Amounts due from customers on contract	22	**8,745**	-
Amounts due from joint ventures	16	**251,865**	335,032
Derivative financial instruments	31	**41,422**	-
Tax recoverable		**-**	2,312
Deposits, cash and bank balances	24	**1,846,114**	3,015,854
		3,374,653	4,588,759
Non-current assets classified as held-for-sale	25	**1,770**	33,397
TOTAL CURRENT ASSETS		**3,376,423**	4,622,156
TOTAL ASSETS		**18,835,006**	22,090,129

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
LIABILITIES			
LESS: CURRENT LIABILITIES			
Trade payables and accruals	26	**598,783**	1,227,072
Other payables and accruals	27	**454,906**	1,129,761
Amounts due to customers on contract	22	**-**	69,645
Amounts due to joint ventures	16	**32,237**	36,562
Hire purchase creditors	29	**88**	88
Borrowings – others	30	**3,352,727**	2,517,059
Borrowings – Armada Kraken Pte Ltd	30	**2,145,196**	-
Derivative financial instruments	31	**11,839**	42,250
Taxation		**52,309**	46,661
TOTAL CURRENT LIABILITIES		**6,648,085**	5,069,098
NET CURRENT LIABILITIES		**(3,271,662)**	(446,942)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals	27	**68,285**	97,014
Provisions	28	**106,921**	98,149
Hire purchase creditors	29	**198**	287
Borrowings	30	**6,024,982**	10,529,054
Derivative financial instruments	31	**449,850**	705,741
Deferred tax liabilities	17	**15,654**	709
TOTAL NON-CURRENT LIABILITIES		**6,665,890**	11,430,954
NET ASSETS		**5,521,031**	5,590,077
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	32	**4,311,294**	1,173,253
Reserves	35	**1,186,035**	4,413,708
		5,497,329	5,586,961
NON-CONTROLLING INTERESTS		**23,702**	3,116
TOTAL EQUITY		**5,521,031**	5,590,077
NET ASSETS PER SHARE (RM) *		**0.94**	0.95

* Based on 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.

STATEMENT OF FINANCIAL POSITION

for the financial year ended 31 December 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,715**	11,814
Investments in subsidiaries	13	**3,949,387**	1,689,680
Investments in joint ventures	5	**131,565**	151,960
Deferred tax assets	17	**4,288**	5,605
TOTAL NON-CURRENT ASSETS		**4,088,955**	1,859,059
CURRENT ASSETS			
Other receivables, deposits and prepayments	21	**6,516**	10,106
Amounts due from subsidiaries	23	**893,405**	3,074,007
Amounts due from joint ventures	16	**18,842**	45,111
Tax recoverable		**4,727**	755
Deposits, cash and bank balances	24	**63,406**	68,230
TOTAL CURRENT ASSETS		**986,896**	3,198,209
TOTAL ASSETS		**5,075,851**	5,057,268
LIABILITIES			
LESS: CURRENT LIABILITIES			
Other payables and accruals	27	**32,956**	48,326
Amounts due to subsidiaries	23	**112,780**	198,055
Amount due to a joint venture	16	**-**	134
TOTAL CURRENT LIABILITIES		**145,736**	246,515
NET CURRENT ASSETS		**841,160**	2,951,694
NET ASSETS		**4,930,115**	4,810,753
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	32	**4,311,294**	1,173,253
Reserves	35	**618,821**	3,637,500
TOTAL EQUITY		**4,930,115**	4,810,753
NET ASSETS PER SHARE (RM) *		**0.84**	0.82

* Based on 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

		Attributable to Owners of the Company										
2017	Note	Number of shares 32 '000	Share capital 32 RM'000	Share premium 35(a) RM'000	Foreign exchange reserve 35(b) RM'000	Share option reserve 35(c) RM'000	Hedging reserve 35(d) RM'000	Other reserves 35(e) RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
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
Transfer to share capital [1]		-	3,138,041	(3,137,730)	-	-	-	(311)	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	-	352,247	352,247	24,160	376,407
Other comprehensive (expense)/income for the financial year, net of tax		-	-	-	(513,183)	-	61,217	3,072	-	(448,894)	(3,574)	(452,468)
Total comprehensive (expense)/income for the financial year, net of tax		-	-	-	(513,183)	-	61,217	3,072	352,247	(96,647)	20,586	(76,061)
Transactions with owners:												
- Employee share options granted	33	-	-	-	-	266	-	-	-	266	-	266
- Employee share options forfeited/lapsed	33	-	-	-	-	(7,591)	-	-	7,591	-	-	-
- Management incentive plan granted	34	-	-	-	-	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) of the Act. The Board of Directors will make a decision thereon by 31 January 2019. 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2017

2016	Note	Number of shares 32 '000	Share capital 32 RM'000	Share premium 35(a) RM'000	Foreign exchange reserve 35(b) RM'000	Share option reserve 35(c) RM'000	Hedging reserve 35(d) RM'000	Other reserves 35(e) RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		Attributable to Owners of the Company										
2016												
At 1 January		5,866,269	1,173,253	3,137,730	1,383,557	44,817	(227,314)	6,562	1,738,853	7,257,458	38,314	7,295,772
Loss for the financial year		-	-	-	-	-	-	-	(1,967,651)	(1,967,651)	(37,385)	(2,005,036)
Other comprehensive income for the financial year, net of tax		-	-	-	209,867	-	125,840	7,385	-	343,092	2,187	345,279
Total comprehensive income/(expense) for the financial year, net of tax		-	-	-	209,867	-	125,840	7,385	(1,967,651)	(1,624,559)	(35,198)	(1,659,757)
Transactions with owners:												
- Employee share options granted	33	-	-	-	-	2,165	-	-	-	2,165	-	2,165
- Employee share options forfeited/lapsed	33	-	-	-	-	(27,054)	-	-	27,054	-	-	-
- Dividend paid	11	-	-	-	-	-	-	-	(48,103)	(48,103)	-	(48,103)
At 31 December		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

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2017

	Note	Number of shares	Share capital	Share premium	Share option reserve	Other reserves	Retained earnings	Total
		32	32	35(a)	35(c)	35(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	33	**-**	**-**	**-**	**266**	**-**	**-**	**266**
- Employee share options forfeited/lapsed	33	**-**	**-**	**-**	**(7,591)**	**-**	**7,591**	**-**
- Management incentive plan granted	34	**-**	**-**	**-**	**6,749**	**-**	**-**	**6,749**
At 31 December		**5,866,269**	**4,311,294**	**-**	**19,352**	**6,239**	**593,230**	**4,930,115**
2016								
At 1 January		5,866,269	1,173,253	3,137,730	44,817	6,550	319,125	4,681,475
Total comprehensive income for the financial year, net of tax		-	-	-	-	-	175,216	175,216
Transactions with owners:								
- Employee share options granted	33	-	-	-	2,165	-	-	2,165
- Employee share options forfeited/lapsed	33	-	-	-	(27,054)	-	27,054	-
- Dividend paid	11	-	-	-	-	-	(48,103)	(48,103)
At 31 December		5,866,269	1,173,253	3,137,730	19,928	6,550	473,292	4,810,753

[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) of the Act. The Board of Directors will make a decision thereon by 31 January 2019. 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.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
OPERATING ACTIVITIES					
Profit/(Loss) for the financial year		**376,407**	(2,005,036)	**112,347**	175,216
Adjustments for non-cash items:					
Share of results of joint ventures		**(164,347)**	(77,693)	**-**	-
Depreciation of property, plant and equipment	6	**575,350**	570,758	**6,460**	15,069
Fair value through profit and loss on derivative financial instruments	6	**(14,046)**	(7,190)	**-**	-
(Gain)/Loss on disposal of property, plant and equipment and non-current assets classified as held-for-sale	3,6	**(94,866)**	(3,916)	**1,838**	294
Fair value gain on remeasurement of a joint venture	3	**-**	(27,277)	**-**	-
Impairment of:					
- property, plant and equipment and non-current assets classified as held-for-sale	6	**-**	1,737,994	**-**	-
- available-for-sale financial assets	6	**8,328**	5,166	**-**	-
Net allowance for doubtful debts	6	**1,741**	91,356	**-**	-
Unrealised foreign exchange loss/(gain)	6	**48,598**	(10,071)	**1,818**	146
Share-based payment		**7,015**	2,165	**7,015**	2,165
Interest income	3	**(39,575)**	(17,374)	**(849)**	(26,243)
Interest expense	4	**434,519**	99,159	**-**	-
Accretion of interest	4	**10,485**	1,200	**-**	-
Dividend income	2	**-**	-	**(174,057)**	(172,504)
Taxation	9	**115,823**	60,772	**1,494**	4,117
Operating profit/(loss) before changes in working capital		**1,265,432**	420,013	**(43,934)**	(1,740)
Changes in working capital:					
Inventories		**1,662**	(305)	**-**	-
Trade and other receivables		**(140,216)**	193,147	**3,830**	12,585
Trade and other payables		**(74,253)**	97,675	**(15,370)**	(11,468)
Intercompany balances		**-**	-	**(71,435)**	(78,041)
Cash from/(used in) operations		**1,052,625**	710,530	**(126,909)**	(78,664)
Interest paid		**(453,629)**	(378,761)	**-**	-
Tax paid (net)		**(34,140)**	(39,122)	**(4,149)**	(13,214)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**564,856**	292,647	**(131,058)**	(91,878)

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	**(1,815,963)**	(3,639,092)	**(433)**	(45)
Proceeds from disposal of property, plant and equipment and non-current assets held-for-sale		**139,660**	7,649	**234**	98
Proceeds from disposal of subsidiaries		**-**	-	**-**	6,481
Interest received		**40,822**	15,746	**609**	4,118
Investments in joint ventures		**(30)**	(16)	**-**	(16)
Dividend received from investments		**-**	2,003	**-**	-
Dividend received from subsidiaries		**-**	-	**174,057**	72,533
Dividend received from a joint venture		**-**	21,380	**-**	21,380
Repayments from joint ventures		**26,135**	8,074	**26,135**	8,074
Advances to subsidiaries		**-**	-	**(94,657)**	(273,346)
Investments in subsidiaries		**-**	-	**(106)**	-
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(1,609,376)**	(3,584,256)	**105,839**	(160,723)
FINANCING ACTIVITIES					
Proceeds from bank borrowings		**307,894**	5,941,250	**-**	-
Repayment of bank borrowings		**(750,170)**	(1,155,666)	**-**	-
Proceeds from redemption of redeemable preference shares	B	**40,628**	-	**20,395**	-
Decrease in deposit pledgedas security		**900**	-	**900**	-
Proceeds from hire purchase ("HP") creditors		**-**	453	**-**	-
Repayment of HP creditors		**(88)**	(66)	**-**	-
Dividend paid		**-**	(48,103)	**-**	(48,103)
NET CASH FLOWS (USED IN)/ GENERATED FROM FINANCING ACTIVITIES		**(400,836)**	4,737,868	**21,295**	(48,103)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,445,356)**	1,446,259	**(3,924)**	(300,704)
CURRENCY TRANSLATION DIFFERENCES		**276,516**	43,877	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**3,014,954**	1,524,818	**67,330**	368,034
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	C	**1,846,114**	3,014,954	**63,406**	67,330

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

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2017

Notes to the statements of cash flows:

A Additions to property, plant and equipment (Note 12) which were acquired during the financial year were as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash	**1,815,963**	3,639,092	**433**	45
Movement in property, plant and equipment creditors	**(619,408)**	82,104	**-**	22,011
Interest expense capitalised for construction of vessels	**110,137**	326,767	**-**	-
	1,306,692	4,047,963	**433**	22,056

B Redemption of redeemable preference shares

During the financial year, the Group redeemed RM40.6 million (Company: RM20.4 million) of redeemable preference shares in Armada D1 Pte Ltd and Armada C7 Pte Ltd.

C Cash and cash equivalents consist of:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	**1,670,465**	2,758,140	**61,292**	63,527
Cash and bank balances	**175,649**	257,714	**2,114**	4,703
	1,846,114	3,015,854	**63,406**	68,230
Pledged deposits placed with licensed banks	**-**	(900)	**-**	(900)
	1,846,114	3,014,954	**63,406**	67,330

D This section sets out an analysis of liabilities from financing activities for the financial year ended 31 December 2017.

	Liabilities from financing activities				
Group	Borrowings due within 1 year RM'000	Borrowings due after 1 year RM'000	HP creditors due within 1 year RM'000	HP creditors due after 1 year RM'000	Total RM'000
Liabilities from financing activities as at 1 January 2017	2,517,059	10,529,054	88	287	13,046,488
Cash flows	(568,078)	125,802	(88)	-	(442,364)
Foreign exchange adjustments	(196,329)	(875,978)	-	-	(1,072,307)
Reclassification from non-current to current	3,753,896	(3,753,896)	88	(88)	-
Other non-cash movements	(8,625)	-	-	(1)	(8,626)
Liabilities from financing activities as at 31 December 2017	5,497,923	6,024,982	88	198	11,523,191

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 and Operation ("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" and comprise engineering services, which are not of a sufficient size to be reported separately, and 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.

	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 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**

1 SEGMENT INFORMATION (CONTINUED)

	FPO RM'000 Restated	OMS RM'000 Restated	Corporate and others RM'000 Restated	Elimination RM'000 Restated	Group RM'000 Restated
2016					
Revenue	394,176	923,213	-	-	1,317,389
Inter-segment revenue	-	-	160,865	(160,865)	-
Total revenue	394,176	923,213	160,865	(160,865)	1,317,389
Results					
Segment results	97,842	170,697	22,436	4,919	295,894
Depreciation and amortisation	(315,212)	(255,546)	-	-	(570,758)
Impairment	(1,004,821)	(733,173)	(5,166)	-	(1,743,160)
Net allowance for doubtful debts	(82,620)	(8,736)	-	-	(91,356)
Share of results of joint ventures	76,601	1,092	-	-	77,693
Subtotal	(1,228,210)	(825,666)	17,270	4,919	(2,031,687)
Other operating income					188,207
Finance costs					(100,784)
Taxation					(60,772)
Loss for the financial year					(2,005,036)

The Group is managed in Malaysia, and operate 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.

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

	Group	
	2017 RM'000	2016 RM'000
Malaysia	**127,467**	155,720
Asia (excluding Malaysia) and Australia	**1,077,084**	863,682
Africa	**937,234**	227,360
Europe	**225,461**	-
Latin America	**34,884**	70,627
	2,402,130	1,317,389

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

1 SEGMENT INFORMATION (CONTINUED)

The Group's largest customers (by revenue contribution) are in the FPO segment (2016: OMS segment). 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. In 2016, 3 customers, on an individual basis, contributed revenue exceeding 10% of total revenue for the financial year, amounting to RM357.4 million, RM306.7 million and RM244.1 million respectively.

The following comparative figures of the Group have been reclassified to conform with the current financial year's presentation as required to be reported to the Chief Executive Officer.

Group	As previously reported 31.12.2016 RM'000	Effects of reclassification RM'000	As restated 31.12.2016 RM'000
Segment Information			
Inter-segment revenue			
Corporate and others	270,591	(109,726)	160,865
Elimination	(270,591)	109,726	(160,865)
Segment results			
FPO	119,461	(21,619)	97,842
OMS	176,433	(5,736)	170,697
Corporate and others	73,716	(51,280)	22,436
Elimination	(73,716)	78,635	4,919

2 REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance lease income	**613,684**	-	**-**	-
Vessel charter fees and support services rendered	**1,331,595**	1,109,375	**-**	-
Construction and conversion work	**456,851**	208,014	**-**	-
Dividend income	**-**	-	**174,057**	172,504
Central overhead fees	**-**	-	**146,353**	232,872
	2,402,130	1,317,389	**320,410**	405,376

3 OTHER OPERATING INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gain on disposal of property, plant and equipment and non-current assets classified as held-for-sale	**94,866**	3,916	**-**	-
Fair value gain on remeasurement of a joint venture	**-**	27,277	**-**	-
Interest income				
- deposits with licensed banks	**39,575**	17,374	**849**	3,508
- loan to a subsidiary	**-**	-	**-**	22,735
Accretion of interest	**4,921**	1,652	**-**	53
Insurance claims	**2,946**	6,650	**7**	-
Management and engineering services charged to joint ventures	**16,641**	120,772	**-**	-
Others	**18,954**	10,566	**623**	539
	177,903	188,207	**1,479**	26,835

4 FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense	**434,519**	99,159	**-**	-
Accretion of interest	**10,485**	1,200	**-**	-
Fair value (gain)/loss on ineffective portion of cash flow hedges	**(14,046)**	425	**-**	-
	430,958	100,784	**-**	-

5 INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	**237,482**	278,080	**131,565**	151,960
Share of net assets	**431,485**	373,252	**-**	-
Interests in joint ventures	**668,967**	651,332	**131,565**	151,960

During the financial year, the Group redeemed RM40.6 million (Company: RM20.4 million) of redeemable preference shares in Armada D1 Pte Ltd and Armada C7 Pte Ltd.

5 INVESTMENTS 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 2017 %	2016 %	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. [1]	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. [1]	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 (formerly known as Forbes Bumi Armada Offshore Limited) [1] & [2]	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 [1]	Marine support and other services to the oil and gas industry	**50**	50	India

5 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

Name of company	Principal activities	Group's effective interest 2017 %	Group's effective interest 2016 %	Country of incorporation
SP Armada Offshore Private Limited	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**	50	India
Armada Madura EPC Limited	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	**49**	49	Republic of The Marshall Islands
Shapoorji Pallonji Bumi Armada Godavari Private Limited [3]	The contracting of the design, fabrication, installation charter, deployment, operations and maintenance of an FPSO facility.	**49**	49	India
Armada 98/2 Pte. Ltd. [4]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	**49**	-	Singapore
Bumi Armada Shapoorji Pallonji Ghana Limited [5]	Floating, production, storage and offloading development	**45**	-	Ghana

[1] In the previous financial year, the Company and its wholly-owned subsidiary, Bumi Armada Offshore Holdings Ltd ("BAOHL") have disposed approximately 1% of the issued and paid-up share capital of the following entities to Shapoorji Pallonji Oil and Gas Private Limited ("SPOG") as follows:

Joint venture companies	Date of transfer	Share transfer from	Equity interest after transfer
Armada C7 Pte. Ltd.	31 October 2016	BAOHL	49% less 1 share
Armada D1 Pte. Ltd.	31 October 2016	Company	49% less 1 share
Shapoorji Pallonji Bumi Armada Offshore Private Limited (formerly known as Forbes Bumi Armada Offshore Limited) [2]	22 October 2016	Company	49% less 1 share
SP Armada Oil Exploration Private Limited	21 October 2016	Company	49% less 1 share

By virtue of the respective shareholders' agreements with the relevant parties, the effective economic interest of these joint venture ("JV") companies remain unchanged at 50%.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

5 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

[2] With effect from 25 March 2017, the name of the JV company was changed from Forbes Bumi Armada Offshore Limited to Shapoorji Pallonji Bumi Armada Offshore Limited. Subsequently on 20 February 2018, the name of the JV company was changed to Shapoorji Pallonji Bumi Armada Offshore Private Limited following the conversion of the JV company from a public company to a private company.

[3] On 19 July 2016, Shapoorji Pallonji Bumi Armada Godavari Private Limited ("SPBAG") was incorporated as a private limited company in India under the Indian Companies Act, 2013. SPBAG is a JV company of the Company and SPOG.

The JV company was incorporated for the purpose of combining the capabilities and expertise of its JV partners in the bidding and if successful, the contracting of the design fabrication, installation, charter, deployment, and operations and maintenance of an FPSO facility.

The equity interest currently held by the Company in SPBAG is 49%.

[4] On 15 March 2017, BAOHL, together with S.P. Engineering Services Pte. Ltd. ("SPES"), an indirect subsidiary of Shapoorji Pallonji And Company Private Limited ("SPCL"), established a JV company known as Armada 98/2 Pte. Ltd. ("Armada 98/2") in Singapore.

Armada 98/2 was incorporated for the purpose of owning and undertaking the engineering, procurement and construction of a FPSO vessel and to charter the same on a bareboat charter basis to SPBAG, in the event SPBAG is successfully awarded an FPSO project.

Armada 98/2 is 49% less 1 share held by BAOHL and 51% plus 1 share held by SPES.

[5] On 5 June 2017, Bumi Armada Marine Holdings Limited ("BAMHL"), a wholly-owned subsidiary of the Company, together with SPOG, a wholly-owned subsidiary of SPCL and Cypress Energy Company Limited ("CECL") established a JV company known as Bumi Armada Shapoorji Pallonji Ghana Limited ("BASPG") in Ghana.

The JV company was incorporated for the purpose of combining the capabilities and expertise of BAMHL, SPOG and CECL with the intention of ultimately securing the award of a FPSO project in Ghana.

BASPG is 45% held by BAMHL, 45% held by SPOG and 10% held by CECL.

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")

5 INVESTMENTS 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
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

5 INVESTMENTS 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 RM'000	Armada C7 RM'000	Armada Madura RM'000	PT AGN RM'000	Others RM'000	Total RM'000
2016						
Current assets	353,593	349,673	385,800	3,814	111,969	1,204,849
Non-current assets	1,079,976	1,421,240	1,876,474	8,848	1,423	4,387,961
Current liabilities	(247,631)	(208,675)	(2,133,721)	(67,160)	(87,839)	(2,745,026)
Non-current liabilities	(560,600)	(964,032)	-	-	(941)	(1,525,573)
Net assets	625,338	598,206	128,553	(54,498)	24,612	1,322,211
The above net assets include the following:						
Cash and cash equivalents	92,990	56,563	383,249	1,081	3,377	537,260
Current financial liabilities excluding trade and other payables	(195,370)	(167,500)	(1,794,701)	(63,129)	(47,141)	(2,267,841)
Non-current financial liabilities excluding trade and other payables	(560,600)	(964,032)	-	-	(941)	(1,525,573)
Revenue	222,174	135,395	362,037	2,297	664,252	1,386,155
Other (expenses)/income	(14,832)	9,640	(335,023)	(7,308)	(644,562)	(992,085)
Interest income	-	4	11	3	-	18
Depreciation	(93,825)	-	-	(42)	(4,812)	(98,679)
Finance costs	(27,528)	(45,453)	(31,456)	-	-	(104,437)
Taxation	(41,156)	8,021	-	-	(9,522)	(42,657)
Profit/(Loss) after taxation	44,833	107,607	(4,431)	(5,050)	5,356	148,315
Other comprehensive income	1,137	-	-	-	-	1,137
Total comprehensive income/ (expenses)	45,970	107,607	(4,431)	(5,050)	5,356	149,452

5 INVESTMENTS 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
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	**(9,225)**	**-**	**-**	**(22,553)**	**-**	**(31,778)**
Share of hedging reserve	**877**	**(88)**	**-**	**-**	**-**	**789**
Net carrying amount	**309,553**	**315,910**	**28,384**	**(875)**	**15,995**	**668,967**
2016						
Net assets	625,338	598,206	128,553	(54,498)	24,612	1,322,211
Group share in %	50%	50%	49%	50%		
Group's share	312,669	299,103	62,991	(27,249)	(12,941)	634,573
Unrealised profit	(9,246)	-	(29,933)	(27,249)	27,249	(39,179)
Share of hedging reserve	1,440	-	-	-	-	1,440
Fair value gain on remeasurement of a joint venture	-	-	-	27,429	-	27,429
Carrying amount	304,863	299,103	33,058	(27,069)	14,308	624,263
Reclassification to amounts due from joint ventures (Note 16)	-	-	-	27,069	-	27,069
Net carrying amount	304,863	299,103	33,058	-	14,308	651,332

The negative interest in PT AGN as at 31 December 2016 represents the Group's share of losses on the cost of investment in PT AGN of RM27.1 million and is reclassified to amounts due from joint ventures as disclosed in Note 16.

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	
	2017 RM'000	2016 RM'000
Profit for the financial year	**164,347**	77,693
Total comprehensive income for the financial year	**165,136**	78,262
Dividend received	**-**	21,380
Net assets before reclassification to amounts due from joint ventures	**668,967**	624,263

6 PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit/(Loss) before taxation is arrived at after charging/(crediting):				
Auditors' remuneration:				
- fees for statutory audit:				
- PricewaterhouseCoopers Malaysia				
- current year	**1,769**	1,744	**228**	217
- under accrual in respect of prior financial year	**180**	444	**-**	-
- member firms of PricewaterhouseCoopers International Limited	**742**	817	**-**	-
- non-PwC member firms	**374**	64	**-**	-
- fees for audit related services:				
- PricewaterhouseCoopers Malaysia	**380**	524	**380**	524
- fees for non-audit services:				
- PricewaterhouseCoopers Malaysia	**451**	135	**451**	135
- member firms of PricewaterhouseCoopers International Limited	**-**	1,222	**-**	-
Impairment of:				
- property, plant and equipment and non-current assets classified as held-for sale (Note 12 & 25)	**-**	1,737,994	**-**	-
- available-for-sale financial assets (Note 14)	**8,328**	5,166	**-**	-
Net allowance for doubtful debts (Note 19)	**1,741**	91,356	**-**	-
Loss on disposal of property, plant and equipment	**-**	-	**1,838**	294

6 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Depreciation of property, plant and equipment (Note 12)	**575,350**	570,758	**6,460**	15,069
Travel and freight	**44,220**	36,845	**9,143**	6,841
Repairs and maintenance	**119,427**	98,588	**13,821**	9,986
Management fees	**6,982**	5,795	**6,293**	6,005
Insurance	**46,094**	40,266	**-**	-
Fuel and oil	**36,795**	36,163	**-**	-
Advertisement and recruitment	**902**	2,715	**430**	987
Staff costs (Note 7)	**572,257**	578,095	**134,241**	157,493
Other crew costs	**124,218**	113,687	**-**	-
Rental of buildings	**16,058**	17,090	**7,510**	8,252
Hiring of equipment	**5,991**	75,028	**-**	-
Fair value (gain)/loss on derivatives:				
- interest rate swaps	**(1,266)**	425	**-**	-
- cross currency interest rate swaps	**(12,780)**	(7,615)	**-**	-
Net foreign exchange (gain)/loss:				
- realised	**(1,214)**	11,547	**5,824**	(7,357)
- unrealised	**48,598**	(10,071)	**1,818**	146
Maintenance and services costs	**38,203**	45,257	**-**	-
Survey fees	**18,471**	14,209	**-**	-
Consultancy fees	**28,113**	15,830	**887**	953
Communication expenses	**6,990**	12,894	**19**	-

7 STAFF COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and bonuses	**494,548**	588,568	**113,673**	145,045
Defined contribution plan	**15,646**	25,404	**5,660**	5,022
Share-based payments	**7,015**	2,165	**7,015**	2,165
Termination benefits	**5,025**	2,129	**971**	1,103
Other staff related costs	**55,854**	44,108	**6,922**	4,158
Total staff costs	**578,088**	662,374	**134,241**	157,493

Executive Directors' remuneration as disclosed in Note 8 is included in staff costs. Of the total staff costs incurred, RM5.8 million (2016: RM84.3 million) has been capitalised in the Group's property, plant and equipment.

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8 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Executive Directors:				
- fees	**2,124**	2,252	**2,124**	2,252
- allowances	**596**	753	**596**	753
Executive Directors:				
- salaries, bonuses, allowances and other staff related costs	**8,038**	2,901	**7,258**	2,121
- defined contribution plan	**94**	94	**-**	-
- share-based payments [1]	**4,249**	1,105	**4,249**	1,105
	15,101	7,105	**14,227**	6,231

[1] Share-based payments for the Executive Directors are expenses recognised to the profit of loss over the vesting period for ESOS and MIP in accordance with Note 43.16(c).

Benefits-in-kind ("BIK") received by the Executive Directors from the Group and the Company amounted to RM62,300 (2016: RM60,000).

	Non-Executive Directors' remuneration for financial year ended 31 December 2017			
		Other emoluments		
	Fees RM'000	Meeting allowance[5] RM'000	Car allowance RM'000	Total 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
[6] The Non-Executive Directors do not receive any BIK

8 DIRECTORS' REMUNERATION (CONTINUED)

	Executive Directors' remuneration for financial year ended 31 December 2017		
	Leon Andre Harland RM'000	Shaharul Rezza bin Hassan RM'000	Total 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**

[1] The Executive Directors do not receive directors' fees and meeting allowances.

9 TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax:				
- Malaysian tax	**958**	6,974	**177**	3,817
- foreign tax	**100,258**	51,514	**-**	-
Deferred tax (Note 17)	**14,607**	2,284	**1,317**	300
	115,823	60,772	**1,494**	4,117
Income tax:				
- current financial year	**95,622**	93,364	**281**	6,298
- under/(over) provision in respect of prior financial years	**5,594**	(34,876)	**(104)**	(2,481)
	101,216	58,488	**177**	3,817
Deferred tax:				
- origination and reversal of temporary differences (Note 17)	**14,607**	2,284	**1,317**	300
	115,823	60,772	**1,494**	4,117

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9 TAXATION (CONTINUED)

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

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
Malaysian tax rate	**24**	(24)	**24**	24
Tax effects of:				
- exempt income	**(28)**	(6)	**(37)**	(23)
- difference in tax rates in other countries	**(4)**	3	**-**	-
- share of results of joint ventures	**(8)**	-	**-**	-
- withholding tax on foreign sourced income	**(1)**	1	**-**	-
- expenses not deductible for tax purposes	**29**	29	**4**	3
- deferred tax assets not recognised	**14**	2	**10**	(1)
- utilisation of previously unrecognised deferred tax assets	**(3)**	-	**-**	-
- under/(over) provision in prior years	**1**	(2)	**-**	(1)
	24	3	**1**	2

The Group's effective tax rate for the financial year ended 31 December 2017 was 24%, as compared to the Malaysian statutory rate of 24%.

The Company's effective tax rate for the financial year ended 31 December 2017 was 1% compared to the statutory tax rate of 24% as the Company's income was mainly exempted from tax for the financial year.

10 EARNINGS PER SHARE

Basic

The basic earnings per share ("EPS") is calculated by dividing the Group's profit/(loss) 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 granted during the financial year were not dilutive for the financial year ended 31 December 2017 as there is one vesting condition to be satisfied before Quarter 2, 2018. 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**	
	2017	**2016**	**2017**	**2016**
Profit/(Loss) attributable to the Owners of the Company for the financial year ended 31 December (RM'000)	**352,247**	(1,967,651)	**352,247**	(1,967,651)
Weighted average number/adjusted weighted average number of ordinary shares in issue for basic and diluted EPS ('000)	**5,866,269**	5,866,269	**5,866,269**	5,866,269
Basic and diluted EPS (sen)	**6.00**	(33.54)	**6.00**	(33.54)

11 DIVIDENDS

	Group and Company
	2016
	RM'000
Dividend paid	
In respect of the financial year ended 31 December 2015:	
- Final cash dividend comprising a single tier tax-exempt dividend of 0.82 sen per ordinary share paid on 18 August 2016.	48,103

The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2017.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Vessels under construction RM'000	Total vessel costs [1] Vessels RM'000	Dry-docking RM'000	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 6)	-	(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 25)	-	(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 equipment, furniture and fittings and office equipment 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.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Short-term leasehold land and building RM'000	Vessels under construction RM'000	Total vessel costs [1] Vessels RM'000	Dry-docking RM'000	Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
2016									
Net book value									
At 1 January	1,819	7,375,285	6,261,941	157,102	6,419,043	880	323,741	23,100	14,143,868
Additions	-	3,936,061	65,717	12,242	77,959	472	16,691	16,780	4,047,963
Disposal	-	-	(1,014)	(501)	(1,515)	-	(428)	-	(1,943)
Reclassification	-	(742,858)	742,858	-	742,858	-	-	-	-
Depreciation charge (Note 6)	(12)	-	(446,946)	(53,947)	(500,893)	(331)	(49,048)	(20,474)	(570,758)
Impairment (Note 6)	-	-	(1,718,956)	-	(1,718,956)	-	(14,622)	-	(1,733,578)
Transfer to non-current assets classified as held-for-sale (net) (Note 25)	(1,807)	-	(27,867)	(700)	(28,567)	-	(4,666)	-	(35,040)
Exchange differences	-	550,319	192,577	3,822	196,399	17	5,106	284	752,125
At 31 December	-	11,118,807	5,068,310	118,018	5,186,328	1,038	276,774	19,690	16,602,637
At 31 December 2016									
Cost	-	11,118,807	11,331,379	299,929	11,631,308	3,573	509,039	51,523	23,314,250
Accumulated depreciation	-	-	(4,541,164)	(181,911)	(4,723,075)	(2,535)	(217,643)	(31,833)	(4,975,086)
Accumulated impairment	-	-	(1,721,905)	-	(1,721,905)	-	(14,622)	-	(1,736,527)
Net book value	-	11,118,807	5,068,310	118,018	5,186,328	1,038	276,774	19,690	16,602,637

Included in property, plant and equipment are equipment, furniture and fittings and office equipment amounting to RM89.9 million which have been fully depreciated.

[1] The net book value of vessels at 31 December 2016 under operating lease agreements with charterers was RM1.0 billion.

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12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment, furniture and fittings RM'000	Motor vehicles under hire purchase RM'000	Total RM'000
2017			
Net book value			
At 1 January	**11,402**	**412**	**11,814**
Additions	**433**	**-**	**433**
Disposal	**(2,072)**	**-**	**(2,072)**
Depreciation charge (Note 6)	**(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**
2016			
Net book value			
At 1 January	5,220	-	5,220
Additions	21,558	498	22,056
Disposal	(393)	-	(393)
Depreciation charge (Note 6)	(14,983)	(86)	(15,069)
At 31 December	11,402	412	11,814
At 31 December 2016			
Cost	81,114	998	82,112
Accumulated depreciation	(69,712)	(586)	(70,298)
Net book value	11,402	412	11,814

(a) Fixed charges have been created over certain vessels of the Group with net book values amounting to approximately RM11.1 billion (2016: RM12.6 billion) as security for term loans (Note 30).

(b) Included in vessels are borrowing costs amounting to RM110.1 million (2016: RM326.8 million) which were capitalised during the financial year. Borrowing costs were capitalised at the weighted average of general borrowings of 4.80% (2016: 4.25%).

(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.

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) During the financial year ended 31 December 2017, no impairment loss on property, plant and equipment was recognised.

During the financial year ended 31 December 2016, as a result of the decline in vessel utilisation and day rates, and the termination of contract between Armada Balnaves Pte. Ltd. ("ABPL") and Woodside Energy Julimar Pty Ltd. ("WEJ") as elaborated in Note 40, the Group recognised an impairment loss of RM1,738.0 million comprising impairment loss on property, plant and equipment of RM1,733.6 million and non-current assets held for sale of RM4.4 million. The Group considered each vessel within a segment as a cash-generating unit. However, they are grouped together for disclosure purposes.

The Group has made an impairment charge of RM1,738.0 million for certain FPSO and OMS vessels. The recoverable amount for these vessels of which an impairment charge was RM1,988.7 million, comprising RM814.2 million in the FPO segment and RM1,174.5 million in the OMS segment, of which RM772.0 million were determined based on fair value ("FV") and RM1,216.7 million were determined based on value-in-use ("VIU").

(i) Recoverable amount determined based on fair value ("FV")

The FV of the vessels has been assessed by independent professional valuers using the market approach.

The FV for the FPSO vessels are assessed based on the assumptions that they are fully operational, in a good and seaworthy condition, have limited need of repair and life extension expenditure.

The FV for the OMS vessels are assessed based on the assumptions that they are charter-free, free of encumbrances, maritime liens and other debts, and are 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 FV hierarchy. The impairment recognised in respect of 2 FPSO vessels amounted to RM561.9 million and RM8.2 million, based on the recoverable amount of RM443.2 million and RM29.8 million, respectively. The impairment recognised in respect of OMS vessels is RM323.0 million, based on the recoverable amount of RM299.0 million.

(ii) Recoverable amount determined based on value-in-use ("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 followings are key assumptions used in determining the VIU for the FPSO vessels:

- The cash flows projection is based on the expected contractual period of the vessels and/or redeployment opportunities;
- Capital expenditure including mobilisation and demobilisation of the vessel are based on the expected production of the field;
- Inflationary rate of 3% is applied;
- Charter rates are based on existing charter contracts and future intended use of the vessel;
- Discount rate of 10% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

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12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) (ii) Recoverable amount determined based on value-in-use ("VIU") (continued)

The impairment recognised in respect of 2 FPSO vessels amounted to RM246.2 million and RM188.5 million, based on recoverable amount of RM341.3 million and RM Nil million, respectively.

The followings are key assumptions used in VIU for the OMS vessels:

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

The impairment recognised in respect of OMS vessels was RM410.2 million, based on the recoverable amount of RM875.4 million.

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

	Increase/(Decrease) in loss before taxation
	2016 RM'000
Utilisation rate increased by 5%	(3,563)
Utilisation rate decreased by 5%	292
Charter rate increased by 5%	(43,220)
Charter rate decreased by 5%	4,806
Discount rate increased by 1%	87,846
Discount rate decreased by 1%	(94,628)
Residual value increased by 1%	(9,283)
Residual value decreased by 1%	9,283

(e) In the previous financial year, the Group revised the useful lives of certain vessels ranging from remaining useful lives of 3 years to 24 years to remaining useful lives of 8 years to 18 years. The revision was accounted for as a change in accounting estimate and was effected on 31 December 2016. Accordingly, the depreciation charge has been effected on a year-on-year basis from the financial year ended 31 December 2017 onwards.

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	**24,166**	24,060
7% Cumulative Redeemable Preference Shares, at cost	**16,000**	16,000
	40,166	40,060
Amounts due from subsidiaries (net investment)	**3,909,221**	1,649,620
	3,949,387	1,689,680

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 2017 %	Group's effective interest 2016 %	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 Island
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
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 [6]	Provision of agency services to its holding company	**100**	100	Malaysia
Bumi Armada Engineering Sdn. Bhd. [4]	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 and vessel construction	**95**	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

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13 INVESTMENTS 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 2017 %	Group's effective interest 2016 %	Country of incorporation
Direct subsidiaries (continued):				
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
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

13 INVESTMENTS 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 2017 %	Group's effective interest 2016 %	Country of incorporation
Direct subsidiaries (continued):				
Bumi Armada Holdings B.V. ("BAHB") [(2) & (17)]	Holding company for all subsidiaries and joint venture companies in the Bumi Armada Group involved in FPO and OMS business segments	**100**	-	Netherlands
Subsidiaries of BAN:				
Armada Indah Sdn. Bhd. (In Members' Voluntary Liquidation) [(16)]	Dormant	**95**	95	Malaysia
Armada Tankers Sdn. Bhd. ("ATSB") (In Members' Voluntary Liquidation) [(16)]	Dormant	**95**	95	Malaysia
Bumi Armada Ship Management Sdn. Bhd.	Managers of ships and vessels, marine support and other services to offshore oil and gas companies	**95**	95	Malaysia
Bumi Care Offshore Production Sdn. Bhd.	Dormant	**57**	57	Malaysia
Bumi Armada Navigation Labuan Limited	Shipping on bare boat or time charter basis	**95**	95	Federal Territory of Labuan, Malaysia
Bumi Armada Navigation Labuan International Limited	Shipping on bare boat or time charter basis	**95**	95	Federal Territory of Labuan, Malaysia
Subsidiaries of BAOHL:				
Armada TLDD Limited [(3)]	Dormant	**100**	100	Republic of The Marshall Islands

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13 INVESTMENTS 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 2017 %	Group's effective interest 2016 %	Country of incorporation
Subsidiaries of BAOHL (continued):				
Angoil Bumi JV,LDA [2] & [8]	Service provider to the oil and gas industry, especially for repair and maintenance of FPSO and OSV companies	**49**	49	Angola
Bumi Armada Angola Servicos Limited [3]	Dormant	**100**	100	Republic of The Marshall Islands
Bumi Armada Australia Pty. Ltd. [2]	Ship management and chartering operation and maintenance of FPSO	**100**	100	Australia
Bumi Armada Do Brasil Servicos Maritimos Ltda. [3] & [7]	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 Blue LLC [3] & [12]	Dormant	**-**	100	The United States of America
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]	Remained dormant except for certain vessel construction during financial year 2016	**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

13 INVESTMENTS 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 2017 %	Group's effective interest 2016 %	Country of incorporation
Subsidiaries of BAOHL (continued):				
Bumi Armada Ghana Limited [2] & [10]	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
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]	Dormant	**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] & [11]	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 [13]	Offshore oil and gas marine services	**100**	-	The United States of America

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13 INVESTMENTS 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 2017 %	Group's effective interest 2016 %	Country of incorporation
Subsidiaries of BASPL:				
Bumi Armada Nigeria Limited [2]	Dormant	**100**	100	Federal Republic of Nigeria
Subsidiary of ATSB:				
Armada Alpha Sdn. Bhd. (In Members' Voluntary Liquidation) [16]	Dormant	**95**	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] & [11]	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] & [11]	Investment holding	**100**	100	The British Virgin Islands
Bumi Armada (Labuan) Ltd. [11]	Leasing of vessel on time charter basis	**100**	100	Federal Territory of Labuan, Malaysia
Offshore Marine Ventures Sdn. Bhd. [11]	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

13 INVESTMENTS 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 2017 %	Group's effective interest 2016 %	Country of incorporation
Subsidiaries of BASH (continued):				
Armada Ship Management (S) Pte. Ltd. [2] & [11]	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 [9] & [14]	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**	-	Angola
Bumi Armada Marine Ghana Limited [9] & [15]	Provision of offshore support vessel services to oil and gas industry in Ghana	**60**	-	Ghana
Subsidiary of AMCCL:				
Armada Marine Contractors Caspian Pte Ltd [2] & [5]	Chartering of ships, barges and boats with crew	**100**	100	Singapore

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13 INVESTMENTS 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 2017 %	Group's effective interest 2016 %	Country of incorporation
Subsidiary of BAHB:				
Bumi Armada Holdings Netherlands B.V. ("BAHNB") [(2) & (17)]	Holding company for subsidiaries and joint venture companies of the Bumi Armada Group involved in FPO business segment	**100**	-	Netherlands
Subsidiaries of BAHNB:				
Bumi Armada Netherlands B.V. ("BANB") [(2) & (17)]	Holding company for subsidiaries and joint venture companies of the Bumi Armada Group involved in FPO business segment	**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, Malaysia.

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

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

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

[(6)] Consolidated using predecessor method of merger accounting.

[(7)] The effective equity interest of the Company is 99.99%.

[(8)] 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.

[(9)] Auditors have yet to be appointed.

[(10)] On 19 January 2016, BAOHL disposed 40% of its interest in Bumi Armada Ghana Limited to Cypress Energy Company Limited.

[(11)] The Group is undergoing an internal reorganisation of its holding structure for its various subsidiaries to streamline its business operations. As part of this, certain directly held subsidiaries of the Company were transferred to other subsidiaries within the Group:

(i) With effect from 30 December 2016, the Company has transferred its effective equity interest in Armada Balnaves Pte Ltd to BAOHL.

(ii) With effect from 29 December 2016, the Company has transferred its effective equity interest in the following companies to BASH:
- Armada Mahakam Limited
- Armada Marine Contractors Caspian Ltd
- Bumi Armada (Labuan) Ltd
- Offshore Marine Ventures Sdn Bhd

(iii) With effect from 30 December 2016, the Company has transferred its effective equity interest in Armada Ship Management (S) Pte Ltd to BASH.

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(12) On 23 January 2017, Armada Blue, LLC ("Armada Blue"), a wholly-owned subsidiary of BAOHL that was incorporated in the United States of America on 2 April 2012, had received the Certificate of Termination dated 23 January 2017 from the Secretary of State of Texas. Armada Blue has been dormant since incorporation, and its termination is in line with the Group's streamlining exercise and does not have any material impact on the earnings or net assets of the Group.

(13) On 9 January 2017, Bumi Armada Americas Corporation ("BAAC") was incorporated as a wholly-owned subsidiary of BAOHL with an authorised capital of USD100 comprising 10,000 shares of USD0.01 each, of which 1,000 shares of USD0.01 each have been issued upon incorporation. BAAC was formed in the United States of America as a corporation under the Texas Business Organizations Code and will be principally involved in the offshore oil and gas marine services. The formation of BAAC is part of the Group's business strategy to develop closer relationship with some of its key clients based in Houston. The formation of BAAC does not have any material impact on the earnings or net assets of the Group.

(14) On 21 July 2017, Armada Marine Angola (SU), Lda ("AMA") was incorporated as a wholly-owned subsidiary of BASH, as a private limited liability by shares in Angola. The share capital of AMA is Kwanzas ("Kz") of Kz330,182 equivalent to USD2,000. The issued shares are currently held by Ms Filipa Silva Tavares De Lima, a partner of FTL Advogados being the correspondent office of CMS Rui Pena & Arnaut in Angola, as the attorney holding the shares in the interest of and for the benefit of BASH upon the terms and conditions stated in a Fiduciary Deed dated 18 May 2017 on temporary basis pending receipt of foreign investment approval to be obtained by BASH from the Ministry of Commerce of Angola. The principal business of AMA is to provide management and consulting services including human resources, finance and other related support services to companies in the Group operating in Angola.The formation of AMA does not have any material impact on the earnings or net assets of the Group.

(15) On 1 August 2017, Bumi Armada Marine Ghana Limited ("BAMG") was incorporated as a 60% owned subsidiary of BASH in Ghana. The remaining 40% equity stake in BAMG is owned by Cypress Energy Company Limited ("CECL"). The principal activity of BAMG is the provision of offshore support vessel services to the oil and gas industry in Ghana. The formation of BAMG does not have any material impact on the earnings or net assets of the Group.

(16) 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.

(17) As part of the Group's ongoing initiatives to streamline its corporate structure, optimise efficiencies and establish a commercial presence close to its key target clientele and major oil and gas companies:

(i) On 4 August 2017, BAHB, BAHNB and BANB were incorporated as direct and indirect wholly-owned subsidiaries of the Company. The authorised capital, issued and paid-up capital for each of the subsidiaries were USD25,000. The formation of the Netherlands subsidiaries does not have any material impact on the earnings or net assets of the Group.

In addition to the internal reorganisation of the Group's holding structure, certain amounts owing by the Company's subsidiaries were novated by the Company to other subsidiaries within the Group.

As at the reporting date, the Company assessed the recoverability of its cost of investments and amounts due from subsidiaries based on future estimated cash flows. Please refer to Section C for the significant estimates and judgement applied.

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14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2017 RM'000	2016 RM'000
Quoted equity securities, outside Malaysia		
At 1 January	**22,884**	20,240
Less: Impairment (Note 6)	**(8,328)**	(5,166)
Exchange differences	**(1,130)**	425
	13,426	15,499
Add: Fair value gain recognised in equity (Note 35 (e))	**3,072**	7,385
At 31 December	**16,498**	22,884

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

15 FINANCE LEASE RECEIVABLES

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

	Group
	2017 RM'000
Within 1 year	**733,983**
Between 1 and 5 years	**4,166,001**
After 5 years	**7,391,079**
Gross receivables	**12,291,063**
Less: Unearned finance income	**(6,959,874)**
	5,334,189

The unguaranteed finance lease receivables are subject to the following maturity period:

Current	**53,961**
Non-current	**5,280,228**
At 31 December	**5,334,189**

As at 31 December 2017, 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 20 years; and
(ii) Armada Olombendo, which started production in February 2017 for a charter of 23 years.

The residual values included in the finance lease receivables as at 31 December 2017 amount to RM538.8 million.

As at 31 December 2017, no allowances for uncollectible minimum lease payments were provided.

16 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Amounts due from joint ventures				
- interest bearing	**216.633**	13,492	**-**	-
- non-interest bearing	**35,232**	321,540	**18,842**	45,111
	251,865	335,032	**18,842**	45,111
Amounts due to joint ventures	**(32,237)**	(36,562)	**-**	(134)
Non-current				
Amounts due from joint ventures				
- interest bearing	**32,162**	46,539	**-**	-
Reclassification from investment in a joint venture (Note 5)	**-**	(27,069)	**-**	-
	32,162	19,470	**-**	-
	251,790	317,940	**18,842**	44,977

The amounts due from joint ventures classified as current which are non-interest bearing are unsecured and ranging from no credit terms to 30 days (2016: no credit terms to 30 days).

The amounts due from joint ventures classified as current and non-current which are interest bearing bear interest rate ranging from 5% to 6% (2016: 5% to 6%). As at 31 December 2017, there was no impairment (2016: RM Nil) on amounts due from joint ventures.

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

Past due but not impaired

Amounts that are past due but not impaired relate to a number of joint ventures for whom there is no recent history of default but remain slow paying. The ageing analysis of amounts due from joint ventures is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Less than 30 days past due	**7,175**	727	**2,532**	1,197
Between 31 and 60 days past due	**1,275**	33,864	**331**	534
Between 61 and 90 days past due	**3,325**	35,444	**309**	2,913
Between 91 days and 1 year past due	**77,632**	108,737	**887**	955
More than 1 year past due	**157,962**	57,674	**14,783**	38,444
	247,369	236,446	**18,842**	44,043

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17 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	**7,295**	6,467	**4,288**	5,605
Deferred tax liabilities	**(15,654)**	(709)	**-**	-
Subject to income tax:				
Deferred tax assets				
- payables	**5,156**	6,986	**4,327**	4,946
- unutilised tax losses	**1,210**	-	**-**	-
- unutilised capital allowance	**17,476**	-	**-**	-
- property, plant and equipment	**-**	659	**-**	659
	23,842	7,645	**4,327**	5,605
Offsetting	**(16,547)**	(1,178)	**(39)**	-
Deferred tax assets (after offsetting)	**7,295**	6,467	**4,288**	5,605
Deferred tax liabilities				
- property, plant and equipment	**(32,201)**	(335)	**(39)**	-
- receivables	**-**	(1,552)	**-**	-
	(32,201)	(1,887)	**(39)**	-
Offsetting	**16,547**	1,178	**39**	-
Deferred tax liabilities (after offsetting)	**(15,654)**	(709)	**-**	-

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	**5,758**	(780)	**5,605**	5,905
(Credited)/Charged to profit or loss (Note 9):				
- property, plant and equipment	**(15,539)**	8,138	**(698)**	1,078
- receivables	**1,552**	25,090	**-**	-
- payables	**(1,830)**	(40,338)	**(619)**	(1,378)
- unutilised tax losses	**1,210**	(2,504)	**-**	-
- amounts due from customers on contract	**-**	7,330	**-**	-
	(14,607)	(2,284)	**(1,317)**	(300)
Exchange differences	**490**	8,822	**-**	-
At 31 December	**(8,359)**	5,758	**4,288**	5,605

17 DEFERRED TAXATION (CONTINUED)

The amount of unabsorbed capital allowances and unutilised tax losses (which have no expiry date) 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses	**1,008,857**	776,786	**53,161**	8,753
Unabsorbed capital allowances	**24,604**	35,341	**14,394**	17,392

18 INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Fuel	**4,199**	6,356

19 TRADE RECEIVABLES

	Group	
	2017 RM'000	2016 RM'000
Trade receivables	**1,021,907**	1,034,536
Less: Impairment	**(294,754)**	(401,580)
	727,153	632,956

Neither past due nor impaired

With respect to trade receivables that are neither past due nor impaired, these relates to customers with no recent history of default. The Group believes that these trade receivables are with customers that are of good credit quality and collectable and as such no impairment provision is necessary.

Past due but not impaired

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	2016 RM'000
Less than 30 days past due	**69,252**	34,257
Between 31 and 60 days past due	**41,835**	14,541
Between 61 and 90 days past due	**23,742**	18,336
Between 91 days and 1 year past due	**55,984**	52,673
More than 1 year past due	**154,293**	87,983
	345,106	207,790

NOTES TO THE FINANCIAL STATEMENTS
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19 TRADE RECEIVABLES (CONTINUED)

Past due but not impaired (continued)

If the above past due but not impaired receivables had been impaired by 5% (2016: 5%) from management's estimates, the allowance for impairment of the Group would have been higher by RM17.3 million (2016: RM10.4 million).

Impaired and provided for

During the financial year, trade receivables totaling to RM1.7 million (2016: RM91.4 million) were impaired and charged to profit or loss. As at 31 December 2017, the amount of the provision was RM294.8 million (2016: RM401.6 million). The individually impaired receivables mainly relate to a number of customers, which are in unexpectedly difficult financial position due to the current industry conditions.

Movements of the Group's impairment of trade receivables are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
At 1 January	**401,580**	304,798
Charged to profit or loss (Note 6)	**1,741**	91,356
Bad debts written off	**(83,270)**	-
Exchange differences	**(25,297)**	5,426
At 31 December	**294,754**	401,580

20 ACCRUED LEASE RENTALS

	Group	
	2017 RM'000	**2016 RM'000**
Current	**372,945**	510,345

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2017 RM'000	**2016 RM'000**
No later than 1 year	**197,408**	328,288
Later than 1 year and no later than 5 years	**-**	218,859
	197,408	547,147

The Group leases vessels under various agreements which terminate between 2017 and 2018. These agreements include extension options. No contingent rent is recognised during the financial year.

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21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Deposits and other receivables	**153,600**	49,075	**-**	-
Current				
Other receivables	**36,755**	24,074	**324**	2,582
Deposits	**4,386**	11,670	**2,157**	2,107
Prepayments	**27,108**	50,160	**4,035**	5,417
	68,249	85,904	**6,516**	10,106

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.

The non-current deposits arise from costs incurred on construction of vessels which are expected to be utilised in the next 3 years.

As at 31 December 2017, there was no impairment on other receivables, deposits and prepayments. These amounts are interest free, unsecured and have no fixed term of repayment.

22 AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACT

	Group	
	2017 RM'000	2016 RM'000
Aggregate costs incurred	**1,426,772**	1,313,087
Profit recognised to-date	**292,304**	117,130
Cumulative contract revenue recognised	**1,719,076**	1,430,217
Less: Progress billings	**(1,710,331)**	(1,499,862)
	8,745	(69,645)

23 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from subsidiaries are unsecured and have no fixed term of repayment. These amounts are interest free except for an amount due from a subsidiary of RM500.0 million as at 31 December 2016 which bears floating interest rates ranging from 4.40% to 4.74%. There was no impairment on amounts due from subsidiaries.

All balances are non-trade in nature except for amounts of RM376.5 million (2016: RM330.5 million) due from subsidiaries which are trade in nature. Included in the amounts due from subsidiaries as at 31 December 2016 is dividend receivable of RM78.6 million.

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

NOTES TO THE FINANCIAL STATEMENTS
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24 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	**175,649**	257,714	**2,114**	4,703
Deposits with licensed banks	**1,670,465**	2,758,140	**61,292**	63,527
	1,846,114	3,015,854	**63,406**	68,230

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	
	2017 %	2016 %	2017 %	2016 %
Deposits with licensed banks	**2.06**	0.78	**0.90**	0.98

Bank balances are deposits held at call with banks and earn interest ranging between 0% to 2.6% (2016: 0% to 2.6%).

Included in deposits with licensed banks as at 31 December 2016 were RM0.9 million for the Group and the Company which have been designated for specific purposes.

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

25 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	
	2017 RM'000	2016 RM'000
Net book value		
At 1 January	**33,397**	5,700
Transfer from property, plant and equipment (Note 12)	**9,759**	44,056
Transfer to property, plant and equipment (Note 12)	**-**	(9,016)
Impairment (Note 6)	**-**	(4,416)
Disposals	**(38,132)**	(3,182)
Exchange differences	**(3,254)**	255
At 31 December	**1,770**	33,397

26 TRADE PAYABLES AND ACCRUALS

	Group	
	2017 RM'000	2016 RM'000
Trade payables	**104,007**	207,275
Trade accruals	**494,776**	1,019,797
	598,783	1,227,072

The trade payables have credit terms ranging from 0 to 90 days (2016: 0 days to 90 days).

27 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Advances from customers	**228,486**	550,792	**-**	-
Other payables	**156,990**	495,355	**5,891**	5,308
Accruals	**69,430**	83,614	**27,065**	43,018
	454,906	1,129,761	**32,956**	48,326
Non-current				
Advances from customers	**68,285**	97,014	**-**	-
	523,191	1,226,775	**32,956**	48,326

During the financial year, RM643.7 million advances from customers were reclassified upon first production to finance lease receivables.

28 PROVISIONS

	Group	
	2017 RM'000	2016 RM'000
At 1 January	**98,149**	-
Additions	**8,502**	96,942
Accretion of interest	**10,485**	1,207
Exchange difference	**(10,215)**	-
At 31 December	**106,921**	98,149

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28 PROVISIONS (CONTINUED)

The provisions are subject to the following maturity period:

	Group	
	2017 RM'000	**2016 RM'000**
Non-current		
Provision for demobilisation costs	**106,921**	98,149

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

29 HIRE PURCHASE CREDITORS

	Group	
	2017 RM'000	**2016 RM'000**
Analysis of hire purchase commitments:		
- payable within one year	**100**	100
- payable between one and two years	**100**	192
- payable between two and five years	**125**	133
	325	425
Less: Interest in suspense	**(39)**	(50)
	286	375
Representing hire purchase liabilities:		
- due within 12 months	**88**	88
- due after 12 months	**198**	287
	286	375

30 BORROWINGS

	Group	
	2017 **RM'000**	**2016** **RM'000**
Current		
Term loans – secured - others	**853,515**	717,725
Term loans – secured – Armada Kraken Pte Ltd	**2,145,196**	-
Term loans – unsecured	**1,448,169**	190,670
	4,446,880	908,395
Revolving credits – unsecured	**1,020,389**	1,578,271
Sukuk Murabahah - unsecured [1]	**30,654**	30,393
	5,497,923	2,517,059
Non-current		
Term loans – secured	**3,485,818**	6,694,379
Term loans – unsecured	**675,766**	2,335,600
Revolving credits – unsecured	**364,185**	-
Sukuk Murabahah - unsecured [1]	**1,499,213**	1,499,075
	6,024,982	10,529,054
Total borrowings	**11,522,905**	13,046,113

[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	
	2017 **%**	**2016** **%**
Revolving credits	**3.58**	3.05
Term loans	**3.91**	3.31
Sukuk Murabahah	**6.35**	6.35

30 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 varies based on cost of funds ("COF")	RM	92,527	92,527	-	-	-
	Floating rates varies based on London Interbank Offer Rate ("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 varies based on LIBOR	USD	979,924	615,739	364,185	-	-
	Floating rates varies based on COF	USD	404,650	404,650	-	-	-
Secured:							
- term loans	Floating rates varies based on LIBOR						
	- others	USD	3,939,458	453,640	256,969	1,036,647	2,192,202
	- Armada Kraken Pte Ltd [1]	USD	2,523,765	2,523,765	-	-	-
	Floating rates varies 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 D – 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 Armada Kraken Pte Ltd have the right to issue a cancellation notice for a full prepayment of the loan.

30 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 2016							
Unsecured:							
- term loans	Floating rates varies based on cost of funds ("COF")	RM	275,000	182,500	92,500	-	-
	Floating rates varies based on London Interbank Offer Rate ("LIBOR")	USD	2,251,270	8,170	1,493,905	749,195	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years	RM	1,529,468	30,393	-	-	1,499,075
- revolving credits	Floating rates varies based on LIBOR	USD	1,129,651	1,129,651	-	-	-
	Floating rates varies based on COF	USD	448,620	448,620	-	-	-
Secured:							
- term loans	Floating rates varies based on LIBOR	USD	7,362,871	690,037	842,103	2,406,752	3,423,979
	Floating rates varies based on COF	RM	49,233	27,688	21,545	-	-
			13,046,113	2,517,059	2,450,053	3,155,947	4,923,054

The term loans were secured as follows (either single security or combination of securities):

(i) Fixed charges over certain vessels in subsidiaries (Note 12).
(ii) Assignment of insurance policies for the vessels charged in (i) above.
(iii) Assignment of charter proceeds for the vessels charged in (i) above.
(iv) Assignment of ship building contracts for the vessels charged in (i) above.
(v) Corporate guarantee from the Company.
(vi) Shares of certain subsidiaries.

Certain term loans facilities were arranged to finance the construction of vessels of the Group and for working capital purposes.

31 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2017		2016	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Derivatives used for hedging:				
- Interest rate swaps	**103,974**	**(1,040)**	116,108	(19,177)
- Cross currency interest rate swaps	**2,215**	**(460,649)**	-	(728,814)
Total	**106,189**	**(461,689)**	116,108	(747,991)
Less: Non-current portion				
Derivatives used for hedging:				
- Interest rate swaps	**63,205**	**-**	116,108	(76)
- Cross currency interest rate swaps	**1,562**	**(449,850)**	-	(705,665)
	64,767	**(449,850)**	116,108	(705,741)
Current portion	**41,422**	**(11,839)**	-	(42,250)

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 2017, the net derivative financial liabilities of the Group amounted to RM355.5 million (2016: RM631.9 million) on remeasuring the fair values of the derivative financial instruments. Of the decrease of RM276.4 million from the previous financial year ended 31 December 2016, a net amount of RM261.5 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.

RM197.8 million was reclassified to the statements of income to offset the foreign exchange loss which arose from the strengthening of RM against USD, and RM2.5 million was recycled to profit or loss. This has resulted in a decrease in the debit balance of the cash flow hedging reserve as at 31 December 2017 by RM61.2 million.

As at 31 December 2016, the Group recognised net derivative financial liabilities of RM631.9 million (2015: RM677.7 million) on remeasuring the fair values of the derivative financial instruments. Of the decrease of the RM45.8 million from the previous financial year, a net amount of RM36.5 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interest, and RM9.3 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 2017 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.

(a) Cross currency interest rate swaps

A 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 30.

As at 31 December 2017, the fixed interest was 2.85% (2016: 2.85%) per annum and the main floating rate was cost of funds ("COF") plus a margin of 1.75% (2016: COF plus a margin of 1.75%) per annum. The swaps mature on 24 May 2018.

31 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cross currency interest rate swaps (Continued)

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

The notional principal amounts of the outstanding cross currency interest rate swaps at 31 December 2017 were RM1,521.3 million (2016: RM1,549.0 million).

(b) Interest rate swaps

The notional principal amounts of interest rate swap contracts used to manage the floating interest rate risk arising from term loans were RM4,373.9 million (2016: RM5,228.4 million). These interest rate swap contracts receive fixed interest rate ranging from 0.99% to 4.69% (2016: 0.99% to 4.69%) per annum and have the same maturity terms as the bank borrowings.

32 SHARE CAPITAL

	Group and Company			
	Number of shares		Share capital	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Issued and fully paid [1]:				
Ordinary shares				
At 1 January	**5,866,269**	5,866,269	**1,173,253**	1,173,253
Transferred from share premium	**-**	-	**3,137,730**	-
Transferred from preference share redemption reserve	**-**	-	**311**	-
At 31 December	**5,866,269**	5,866,269	**4,311,294**	1,173,253

[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.

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33 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 Directors and senior management during the financial year.

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.

33 EMPLOYEE SHARE OPTIONS SCHEME (CONTINUED)

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

	2017		2016	
	Average exercise price per share option RM'000	Options RM'000	Average exercise price per share option RM'000	Options RM'000
At 1 January	**2.31**	**46,067**	2.11	94,969
Forfeited	**2.29**	**(15,644)**	2.18	(48,902)
At 31 December	**2.32**	**30,423**	2.31	46,067

Out of the 30,423,270 outstanding options (2016: 46,067,088 outstanding options), all options (2016: 36,647,979 options) were exercisable as at the end of the reporting period.

There were no options exercised during the financial year ended 31 December 2017 and 31 December 2016.

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)	
			2017	2016
2012/2013	2017	2.25	**-**	2,685
2012/2014	2017	2.25	**-**	2,988
2012/2015	2017	2.25	**-**	3,984
2013/2013	2018	2.27/2.28	**3,237**	3,859
2013/2014	2018	2.27/2.28/2.43	**3,237**	3,859
2013/2015	2018	2.27/2.28/2.43	**4,315**	5,145
2013/2016	2018	2.43	**-**	-
2014/2015	2019	1.83/2.39	**5,890**	7,064
2014/2016	2019	1.83/2.39	**5,890**	7,064
2014/2017	2019	1.83/2.39	**7,854**	9,419
			30,423	46,067

With the establishment of the Management Incentive Plan which came into effect on 10 October 2016 (Note 34), the Company has ceased awarding further options under the Scheme.

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34 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.

(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.

On 2 June 2017, the Company has offered and granted 41,152,400 shares under the Plan. As at the reporting date, the maximum number of eligible shares granted is 36,276,000 shares.

The fair value as at grant date of the 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.

All shares granted were not vested at the end of the reporting period and hence, there were no payout during the financial year.

35 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 35(e)) becomes part of the Company's share capital (Refer to Note 32).

(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.

(d) Hedging reserve

The hedging reserve comprises the effective portion of the fair value changes on derivatives under cash flow hedge.

(e) Other reserves

Other reserves represent the fair value change in available-for-sale financial assets amounting to RM10.5 million (2016: RM7.4 million) and fair value change of a call option granted to a former executive director of RM6.3 million (2016: RM6.3 million).

The preference share redemption reserve for the Company and a subsidiary amounting to RM0.3 million (2016: RM0.3 million) has become part of the Company's share capital subsequent to the adoption of the new Act.

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36 COMMITMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(i) Capital expenditure for property, plant and equipment not provided for in the financial statements:				
- authorised and contracted	**162,142**	1,143,530	**398**	353
- authorised but not contracted	**278,385**	827,809	**6,474**	-
	440,527	1,971,339	**6,872**	353
(ii) Commitments for amounts payable under operating leases for rental of premises:				
- payable within one year	**8,893**	4,172	**6,822**	656
- payable later than one year and no later than five years	**10,185**	9,111	**9,665**	1,263
- payable later than five years	**-**	2,529	**-**	-
	19,078	15,812	**16,487**	1,919

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 (2016: 1 to 8 years and 1 to 4 years respectively).

37 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of the Group and the Company are:

(a) Subsidiaries

Details of the subsidiaries are shown in Note 13.

(b) Joint ventures

Details of the joint ventures are shown in Note 5.

(c) 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.

37 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	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(i)	Transactions with UTSB Management Sdn. Bhd. [1]				
	- management fees	**6,241**	9,844	**6,241**	9,844
(ii)	Telecommunication expenses to				
	- Maxis Berhad [2]	**-**	481	**-**	-
	- Maxis Broadband Sdn. Bhd. [2]	**1,220**	1,192	**25**	197
(iii)	Rental to Malaysian Landed Property Sdn. Bhd. [3]	**7,890**	8,004	**7,890**	8,002
(iv)	Management and engineering assistance services charged to joint ventures				
	- revenue	**3,207**	-	**-**	-
	- other operating income	**16,641**	120,772	**-**	-
(v)	Transaction with key management:				
	Key management personnel compensation:				
	- Non-executive Directors' fees	**2,124**	2,252	**2,124**	2,252
	- salaries, bonus, allowances and other staff related costs	**17,079**	10,248	**17,079**	9,468
	- defined contribution plan	**822**	1,272	**822**	1,178
	- share-based payment	**4,249**	1,105	**4,249**	1,105
(vi)	Central overhead fees charged:				
	- subsidiaries	**-**	-	**145,789**	201,256
	- joint ventures	**564**	15,754	**564**	15,754
(vii)	Payment on behalf of:				
	- subsidiaries	**-**	-	**10,001**	31,550
	- joint ventures	**11,076**	27,909	**10,857**	1,281
(viii)	Repayment on behalf by subsidiaries	**-**	-	**(49,840)**	(42,895)

[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.

38 FAIR VALUES

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

Group	Carrying amount 2017 RM'000	Carrying amount 2016 RM'000	Fair value 2017 RM'000	Fair value 2016 RM'000
Finance lease receivables	**5,334,189**	-	**6,036,757**	-
Amounts due from joint ventures	**248,795**	60,031	**240,673**	59,235
Fixed rate Sukuk Murabahah (Note 30)	**1,529,867**	1,529,468	**1,505,313**	1,485,270

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 6.29% and 11.00% respectively (2016: 5.86% and 6.51% 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.

39 CONTINGENT LIABILITIES

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Bank guarantees extended to third parties	**387,707**	708,794	**387,707**	458,901

40 MATERIAL LITIGATION

Save as disclosed below, as at 31 December 2017, neither our Company nor any of our subsidiaries were involved in any material litigation, claims or arbitration, and our Company and our subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against our Company and our subsidiaries:

In the Supreme Court of Western Australia between Armada Balnaves Pte Ltd and Woodside Energy Julimar Pty Ltd

The matter arose out of a dispute between Armada Balnaves Pte Ltd ("ABPL"), our wholly-owned subsidiary, and Woodside Energy Julimar Pty Ltd ("WEJ") in relation to a contract for the provision of floating production storage and offloading services dated 30 September 2011 ("Contract"). On 4 March 2016, WEJ purported to terminate the Contract by issuing a notice of termination to ABPL. ABPL considered that this purported termination by WEJ tantamount to a cancellation for convenience, or a repudiation of the Contract, either of which entitles ABPL to claim damages.

On 14 March 2016, ABPL filed a Writ of Summons in the Supreme Court of Western Australia ("Supreme Court") against WEJ for, inter alia, (i) a declaration that WEJ was in repudiatory breach of the Contract and (ii) damages for WEJ's breach of the Contract.

40 MATERIAL LITIGATION (CONTINUED)

Save as disclosed below, as at 31 December 2017, neither our Company nor any of our subsidiaries were involved in any material litigation, claims or arbitration, and our Company and our subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against our Company and our subsidiaries: (continued)

In the Supreme Court of Western Australia between Armada Balnaves Pte Ltd and Woodside Energy Julimar Pty Ltd (continued)

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 matter is currently progressing towards trial. The Supreme Court has listed the matter for trial to commence on 15 October 2018.

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

In the High Court of Bayelsa State, Nigeria between Century Energy Services Limited v Bumi Armada Berhad

On 16 November 2016, Century Energy Services Limited ("CESL") commenced a suit against our Company at the High Court of Bayelsa State ("High Court") in Nigeria by way of a Writ of Summons and Statement of Claim ("Suit") which were received by our Company on 16 December 2016. In the Suit, CESL alleged that our Company was in breach of one of the terms of a shareholders' agreement dated 14 April 2010 between our Company and CESL ("Agreement") and CESL has sought several declaratory reliefs, orders and damages in the sum of USD10,000,000.

In accordance with the terms of the Agreement which provided for the resolution of disputes by way of arbitration, on 19 January 2017, our Company issued a Notice of Arbitration to CESL stating our intention to arbitrate all claims and disputes between parties pursuant to the terms of the Agreement. On 25 January 2017, our Company filed an application in the High Court to stay the Suit. On 6 February 2017, the Court granted our Company's application and stayed the Suit sine die pending the arbitration.

The management is of the view that until the parties' respective claims have been filed in the arbitration, it is not possible at this stage to evaluate the probable outcome of the case.

In the Singapore International Commercial Court of the Republic of Singapore between Tozzi Srl (formerly known as Tozzi Industries S.p.A) v Bumi Armada Offshore Holdings Limited and Bumi Armada Berhad

Tozzi Srl (formerly known as Tozzi Industries S.p.A) ("Tozzi") had instituted proceedings against BAOHL and the Company, claiming that BAOHL and the Company are in breach of contract in failing to grant Tozzi an alleged right of first refusal to provide gas processing facilities relating to the construction and lease of a floating production storage and offloading vessel in Madura, Indonesia, with damages to be assessed by the court.

On 21 September 2017, the Singapore International Commercial Court ("SICC") in its judgment found in favour of Tozzi. As the trial proceedings were agreed to be bifurcated, the trial proceeded on the basis that only liability will be determined at this stage. The issue of the assessment of losses or damages, if ordered will be conducted in a separate hearing where Tozzi has the burden of proving its claims.

The Company disagrees that there is a binding contract with Tozzi and has filed an appeal on 20 Oct 2017 with the Singapore Court of Appeal against the decision of the SICC.

The Company is of the view that regardless of the final judgement outcome, the matter will not have any material impact on the business nor the financial statements of the Company.

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41 FINANCIAL INSTRUMENTS BY CATEGORY

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

	MFRS 117 Leases RM'000	Derivatives used for hedging RM'000	Available for-sale RM'000	Loans and receivables RM'000	Total RM'000
At 31 December 2017					
Financial assets:					
Finance lease receivables	5,334,189	-	-	-	5,334,189
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
	5,334,189	106,189	16,498	3,052,035	8,508,911

	Derivatives used for hedging RM'000	Other financial liabilities at amortised costs RM'000	Total RM'000
At 31 December 2017			
Financial liabilities:			
Trade payables and accruals	-	598,783	598,783
Other payables and accruals excluding advances from customers	-	226,420	226,420
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	12,380,631	12,842,320

41 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

	Derivatives used for hedging RM'000	Available for-sale RM'000	Loans and receivables RM'000	Total RM'000
At 31 December 2016				
Financial assets:				
Derivative financial instruments	116,108	-	-	116,108
Available-for-sale financial assets	-	22,884	-	22,884
Trade receivables	-	-	632,956	632,956
Other receivables and deposits excluding prepayments	-	-	84,819	84,819
Amounts due from joint ventures	-	-	354,502	354,502
Deposits, cash and bank balances	-	-	3,015,854	3,015,854
	116,108	22,884	4,088,131	4,227,123

	Derivatives used for hedging RM'000	Other financial liabilities at amortised costs RM'000	Total RM'000
At 31 December 2016			
Financial liabilities:			
Trade payables and accruals	-	1,227,072	1,227,072
Other payables and accruals excluding advances from customers	-	578,969	578,969
Hire purchase creditors	-	375	375
Borrowings	-	13,046,113	13,046,113
Amounts due to joint ventures	-	36,562	36,562
Derivative financial instruments	747,991	-	747,991
	747,991	14,889,091	15,637,082

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41 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 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
Amounts due from joint ventures	-	-	284,027	284,027
Finance lease receivables	-	-	5,334,189	5,334,189
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	-	(1,040)	-	(1,040)
- Interest rate swaps	-	(460,649)	-	(460,649)

41 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 2016:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Derivatives used for hedging				
- Interest rate swaps	-	116,108	-	116,108
Available-for-sale financial assets	22,884	-	-	22,884
Amounts due from joint ventures	-	-	354,502	354,502
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	-	(728,814)	-	(728,814)
- Interest rate swaps	-	(19,177)	-	(19,177)

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

	2017 RM'000	2016 RM'000
Financial assets classified as loans and receivables:		
Other receivables and deposits excluding prepayments	**2,481**	4,689
Amounts due from subsidiaries	**893,405**	3,074,077
Amounts due from joint ventures	**18,842**	45,111
Deposits, cash and bank balances	**63,406**	68,230
	978,134	3,192,107
Financial liabilities classified at amortised costs:		
Other payables and accruals	**32,956**	48,326
Amounts due to subsidiaries	**112,780**	198,055
Amount due to a joint venture	**-**	134
	145,736	246,515

It was not practical to estimate the fair value of the Group's and the Company's investment in unquoted preference shares due to lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

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.

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42 COMPARATIVE FIGURES

The following comparative figures of the Group have been reclassified to conform with current financial year's presentation, which more appropriately reflects the nature of relevant transactions.

Consolidated Statements of Income	As previously reported 31.12.2016 RM'000	Effects of reclassification RM'000	As restated 31.12.2016 RM'000
Group			
Cost of sales	(1,517,549)	(19,905)	(1,537,454)
Selling and distribution costs	(35,110)	5,298	(29,812)
Administrative expenses	(130,950)	14,607	(116,343)

Certain expenses previously classified as cost of sales have been reclassified to selling and distribution costs and administrative expenses.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

43.1 Consolidation

(a) 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 13, 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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.1 Consolidation (continued)

(a) Subsidiaries (continued)

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 139 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.

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.

(b) 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.

(c) 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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.1 Consolidation (continued)

(d) 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.

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.

43.2 Investments in subsidiaries and joint ventures in separate financial statements

In the Company's separate financial statements, investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses (see accounting policy Note 43.7). On disposal of investments in subsidiaries and joint ventures, 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 are considered as part of the Company's investments in the subsidiaries.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.3 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, asset's 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 Note 43.8).

Drydocking expenditures represent major inspection and overhaul cost 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 vessels 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:

Leasehold land and 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

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 Note 43.7).

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.4 Financial assets

(a) Classification

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

The Group classifies financial assets at fair value through profit or loss 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 Note 43.6). 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 and the Company's loan and receivables are disclosed in Note 41 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.

(b) Recognition and initial measurement

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 fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(c) Subsequent measurement - gains and losses

Financial assets at fair value through profit or loss 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 fair value through profit or loss, 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 Note 43.4(d)) and foreign exchange gains and losses on monetary assets (see accounting policy Note 43.13(b)).

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

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.4 Financial assets (continued)

(d) Subsequent measurement - impairment of financial assets

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.

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.

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43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.4 Financial assets (continued)

(e) 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.

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

(f) 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.

43.5 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company 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. The liability is initially measured at fair value and subsequently 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.

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.

43.6 Derivative and hedge 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 Note 43.4. Derivatives that qualify for hedge accounting are designated as 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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.6 Derivative and hedge activities (continued)

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 31. Movements on 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.

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.

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 hedging variable rate borrowings 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, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the transaction is ultimately recognised in profit or loss.

43.7 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.

43.8 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 deferred 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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.8 Borrowings and borrowing costs (continued)

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.

43.9 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.

43.10 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.

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.

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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.11 Construction contracts and conversion work

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.

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).

43.12 Revenue recognition

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 and the Company'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 and the Company recognise 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 and the Company's activities as described below. The Group and the Company base their 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 bases:

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.12 Revenue recognition (continued)

(a) 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 Note 43.14). 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.

(b) 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 Note 43.11).

(c) 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.

(d) Dividend income

Dividend income is recognised when the Group's and the Company'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.

(e) Rental income

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

(f) 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.

(g) Central overhead fees

The Company earns central overhead fees from its subsidiaries and joint ventures as disclosed in Note 2 and Note 37. Central overhead fees are recognised on an accrual basis.

(h) Management fees

The Group and the Company earn management fees from its subsidiaries and joint ventures as disclosed in Note 6 and Note 37. Management fees are recognised on an accrual basis.

(i) 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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.13 Foreign currencies

(a) 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.

(b) 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 available-for-sale financial assets, are included in other comprehensive income.

(c) 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 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, are treated as part of the parent's net investment. Translation differences arising therefrom are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.14 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.

(a) 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.

(b) 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 on 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 139 derecognition guidance to decide whether the lease receivable should be derecognised and the modified agreement accounted for as a new lease.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.14 Leases (continued)

(b) Accounting by lessor (continued)

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.

43.15 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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.16 Employee benefits

(a) 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.

(b) 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 and the Company have no further financial obligations.

(c) 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.

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. Where the options are granted by shareholders of the Company, the credit in equity is retained as "Other Reserves" when the options are exercised and/or lapsed.

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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.16 Employee benefits (continued)

(c) Share-based payment (continued)

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.

(d) 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.

43.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise 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.

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 Note 43.4(d)).

43.18 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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.19 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.

43.20 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, 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.

(a) 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 Note 43.3.

43.21 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.

43.22 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.

43 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

43.23 Share capital

(a) 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.

(b) 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.

(c) 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.

43.24 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.

43.25 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 revenues and expenses are those directly attributable to the segments and include any expenses where a reasonable basis of allocation exists.

44 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 22 March 2018.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Leon Andre Harland and Chan Chee Beng, two of the Directors of Bumi Armada Berhad, state that, in our opinion, the financial statements set out on pages 93 to 190 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 2017 and financial performance of the Group and of the Company for the financial year ended 31 December 2017 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 22 March 2018.

LEON ANDRE HARLAND
DIRECTOR

CHAN CHEE BENG
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, Pierre Philippe Georges Savy, 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 93 to 190 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.

PIERRE PHILIPPE GEORGES SAVY

Subscribed and solemnly declared by the abovenamed Pierre Philippe Georges Savy in Kuala Lumpur on 22 March 2018, before me:

COMMISIONER 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 2017, and of their financial performance and their cash flows for the 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 2017 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 93 to 190.

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.

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 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.

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 (CONTINUED)

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 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.

Key audit matters	How our audit addressed the key audit matters
Delay in the Kraken Floating Production Storage and Offloading ("FPSO") in achieving final acceptance *Refer to Preface to the financial statements section C – Critical accounting estimates and judgements, Preface to the financial statements section D – Financial and capital risk management objectives and policies, Note 30 – Borrowings, Note 43.11 - Significant accounting policies* The Kraken FPSO had achieved first oil on 28 June 2017 and completed offloading its first cargo on 12 September 2017. As at the date of approval of the financial statements, Armada Kraken Pte Ltd ("AKPL")'s Kraken FPSO is progressing towards acceptance. Management is currently in discussion with the charterer to address the matters relating to the project delivery and achieving final acceptance. Please refer to *Preface to the financial statements section D – Financial and capital risk management objectives and policies* for further details. As the Kraken FPSO has not achieved final acceptance by the scheduled date, the project lenders have the right to issue a cancellation notice for full prepayment of the loan. Accordingly, management has reclassified the loan balance to current liability. AKPL has sought for waiver from the project lenders to comply with certain obligations under the facility agreement and is still in discussions as at the date of this report. Management's assessment of the exposure to an event of default being called by the project lenders is low, given the progress towards final acceptance. Given that final acceptance has not been achieved, we gave audit focus on the Group's ability to meet its obligations as and when it arise, which includes the cash outflows required to complete the project and the implications arising from potential claims by the charterer.	<u>Assessment of implications to AKPL's loan</u> We read the terms of the facility agreement to understand the obligations of AKPL and the rights of the project lenders, to validate the appropriateness of the loan classification. In relation to the exposure to an event of default being called by the project lenders, we read materials provided to us by management and held discussions with the Chief Executive Officer, Head of FPSO Projects, Chief Financial Officer and Head of Legal to corroborate: • management's action plans in achieving final acceptance; and • status of discussions with the charterer and lenders on final acceptance. <u>Assessment of estimated cost to complete</u> We discussed with management to understand progress of the project and its related cost estimates to assess whether the action plans to achieve acceptance would result in changes to the forecasted costs to complete the project and potential claims by the charterer. We tested project budgetary controls and approval over changes in cost estimates. Based on the procedures performed above, we did not find any material exceptions.

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 (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group	
Refer Preface to the financial statements section C – Critical accounting estimates and judgements, Preface to the financial statements section D – Financial and capital risk management objectives and policies, Note 30 - Borrowings	
As at 31 December 2017, the Group's current liabilities position exceeded its current assets by RM3.3 billion. Of this, RM2.1 billion was due to the reclassification of the non-current borrowings of AKPL. The remaining current liabilities were primarily due to other borrowings of RM1.3 billion which are becoming due in the next 12 months. The Group has an existing approved Multi Currency Euro Medium Term Note Programme of up to USD1.5 billion ("EMTN Programme"). The Group expects to raise the Medium Term Notes by Quarter 3, 2018. The Directors have considered the funding plans for the Group to meet the repayment obligation of its borrowings and other current liabilities which are due in the next 12 months, in assessing the liquidity position of the Group, including the possible outflow in the event the project lenders recall the AKPL loan. We gave audit focus in considering the viability of the Group's funding plans in place to meet its obligations as and when they arise.	We have tested the key assumptions underlying the Group's cash flow forecast for the next 12 month 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 debt repayment obligations, while taking into consideration sources of funding available to the Group to meet its obligations as and when they arise. In assessing the source of funding, we have validated management's implementation plan. We have also assessed the sensitivity of the Group's key assumptions underlying its cash flow position in the next 12 months and discussed the outcome of the sensitivity analysis with management. We reviewed the Group's debt covenants as at 31 December 2017, of which any breaches for which waiver was not received prior to year end was disclosed. In line with this, we assessed the sufficiency of disclosures in the financial statements on the liquidity position of the Group. We discussed with management whether their assessment that the outflow of resources based on the various outcomes anticipated, had a material impact to the liquidity position of the Group for the next 12 months from the date of approval of the financial statements. We found the assessment made by management in relation to the liquidity position of the Group to be consistent with our procedures. The disclosures are in line with the assessment made by management on the liability position in the Group.

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 (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of vessels *Refer to Preface to the financial statements section C – Critical accounting estimates and judgements, Note 12 - Property, plant and equipment, Note 43.3 - Significant accounting policies* The continued depressed market conditions in 2017 was an impairment trigger. Accordingly, management had performed an impairment assessment of certain affected vessels with lower than budgeted utilisation or charter rates. This was predominantly in the Offshore Marine Services ("OMS") segment where certain vessels do not have long term charter contracts (less than a year). In addition, a FPSO vessel which was temporarily suspended from operations during the year was assessed for impairment due to the delayed payments from its customer. The recoverable amount of the affected vessels were assessed by management and were able to support the respective carrying amounts. Due to the use of significant estimates and judgment to arrive at the recoverable amounts, we have determined this to be a key audit matter. The details of the significant estimates and judgement used by management have been disclosed in *Preface to the financial statements section C – Critical accounting estimates and judgements.*	In relation to the value-in-use for certain OMS vessels, we evaluated the reasonableness of key assumptions used by the management in arriving at the projected cash flows, i.e. future vessel utilisation and future charter rates. We held discussions with management on future prospects of the OMS business and industry outlook on the OMS segment, in particular the anticipated period for oil and gas market to recover. We also corroborated the industry outlook on the OMS segment with external industry reports. In relation to the fair value of the vessel estimated by an independent valuer, we held discussions with both the valuer and management to understand the method and assumptions used in arriving at the fair value of the vessel. We considered the valuer's objectivity and expertise based on their experience and reputation. We found no evidence to suggest that the objectivity of the valuer in their performance of the valuation was compromised. We have tested, on sampling basis, the information provided by management to the valuer against the relevant supporting documentation. Based on our procedures, the key assumptions used in the recoverable amounts were materially in line with our expectations.

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 (CONTINUED)

Key audit matters (continued)

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 20 - Accrued lease rentals, Note 40 - 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 the prior year) 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. Management has taken into consideration the probability of receiving the compensation claims and the estimated amount receivable in assessing the recoverability of the amounts in relation to the contract and concluded that there was no impairment on these amounts. 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.	We held discussions with senior management personnel and experts with direct knowledge of the matter and read materials 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 and timetable. We found the information provided and the discussions with the parties described above to be consistent with management's assessment of the recoverability of the amount.
Recoverability of trade receivables *Refer to Preface to the financial statements section C – Critical accounting estimates and judgements, and Note 19 - Trade receivables, Note 43.4 - Significant accounting policies* The Group's total gross receivables as at 31 December 2017 was RM1.0 billion. Of this amount, RM0.3 billion has been provided for as impairment loss. In doing so, management of the Group has applied judgment in assessing the credit risk of their customers to arrive at the present value of the estimated future cash flows in calculating the impairment loss of the affected trade receivables. We gave audit focus and attention to this area considering the material amounts involved and significant management judgment required over the timing and amount of repayments due to the downturn in the oil and gas industry which affected the Group's customers.	We have examined management's correspondences with customers for those with impairment indicators and held discussions with management on the status of their negotiations with those customers. We have also examined the historical collection trends from these customers. We further checked the subsequent receipts of the affected customers received after year end to corroborate the reasonableness of management's assumptions on the expected timing and quantum of future cash flows of these customers. We found management's assessment of its trade receivables' recoverability to be materially consistent with the supporting information provided to us.

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 (CONTINUED)

Key audit matters (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 – Critical accounting estimates and judgements, and Note 13 and 23 - Investments in subsidiaries and amounts due from subsidiaries, Note 43.2, 43.4 - Significant accounting policies Company As at 31 December 2017, the Company's investments in subsidiaries and amounts due from subsidiaries amounted to RM3.9 billion and RM1.0 billion, respectively. During the current financial year, the Group continues to undergo an internal realignment of its holding structure for its various subsidiaries to streamline its business operations. Certain amounts owing by the Company's subsidiaries were novated to the respective intermediary subsidiary holding companies as disclosed in Note 13 to the financial statements. We focused on the impairment assessment of those balances with impairment indicators, given the significant estimates involved in determining the future cash flow of the subsidiaries.	Amounts due from subsidiaries 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 evaluated the reasonableness of the key assumptions that affected the amount and timing of cash flows available to the subsidiaries for repayment of the amounts due. These key assumptions are contractual and estimated revenue, estimated utilisation and charter rates of vessels. These key assumptions were corroborated against historical trends and contracts with customers. We have also considered other contractual obligations of the subsidiaries to pay cash that have priority for repayment over the amounts due. Cost of investments in subsidiaries In addition, to the procedures mentioned above on the future cash flows. We evaluated the reasonableness of estimated financing and tax cash flows deducted from 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 the amounts due from subsidiaries and cost of investment is materially consistent with management's assessment, considering the internal realignment plan in place.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Director's Report and the Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and other sections of the 2017 Annual Report, which is expected to be made available to us after that date. Other information 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 (CONTINUED)

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.

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 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 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.

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 (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(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.

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 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 13 to the financial statements.

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
LLP0014401-LCA & AF 1146
Chartered Accountants

SUBATHRA A/P GANESAN
03020/08/2018 J
Chartered Accountant

Kuala Lumpur
22 March 2018