BUMIARMADA

ANNUAL REPORT 2017

BUMIARMADA

Bumi Armada is a Malaysia-based international provider of offshore production and support services with a presence in over 17 countries, spread across five continents, supported by over 1,700 people from 49 nationalities.

We provide services via two business units – Floating Production and Operation ("FPO") and Offshore Marine Services ("OMS") which comprises of Offshore Support Vessel ("OSV") and the Subsea Construction ("SC") activities.

Bumi Armada is one of the largest Floating Production Storage Offloading ("FPSO") players in the world and an established OSV owner and operator, with extensive experience across Asia, Europe, Africa and Latin America.

2017 AT A GLANCE

- Bumi Armada delivered positive financial results for 2017, driven by strong revenue from our FPO business and supplementary income from our OMS business.
- The Group brought 3 large and complex FPSOs and 1 Liquified Natural Gas ("LNG") Floating Storage Unit ("FSU") online in four different markets.
- We continued our internal rationalisation activities to improve efficiency of our processes and procedures.
- 2017 was a transition year for Bumi Armada Berhad.
- We closed 2017 with a firm orderbook of RM22.3 billion, with potential additional contract extensions of up to RM12.5 billion.

Revenue
(RM)
2.40bil
(2016: RM1.32 bil)

EBITDA
(RM)
1.51bil
(2016: RM470.44 mil)

Total Assets
(RM)
18.84bil
(2016: RM22.09 bil)

Total Equity
(RM)
5.52bil
(2016: RM5.59 bil)

Net Profit
(RM)
376.41mil
(2016: -RM2.0 bil)

Order Book
(Firm)
22.25bil
(2016: RM25.58 bil)

Market Capitalisation
(RM)
4.49bil
(2016: RM3.55 bil)

Share Price Performance
(% Year-on-year)
26.44%
(2016: -44.69%)

FPSO Uptime
(%)
≥99%
(2016: ≥99%)

Lost Time Injury
(per 1 mil man-hours)
0.45
(2016: 0.12)

Note: All data as at 31 December 2017

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ABOUT THIS REPORT

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

LEON ANDRE HARLAND

Welcome to Bumi Armada's 2017 Annual Report. As you read through the following pages, you will find a comprehensive review of our Company's performance, challenges and opportunities during the financial year 2017.

Scope and Boundaries

This year, readers will notice a difference in the way information is presented. This report covers the governance, the strategy, the financial performance and the prospects of the Group. Split into 6 sections, Sections 1-2 provide a narrative of our business whilst Section 3-6 provide all the information believed to be relevant to our stakeholders, including consolidated annual financial statements.

Materiality

The financial statements have been audited by our external auditors, PricewaterhouseCoopers PLT, and were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 ("CA 2016") in Malaysia.

Other sections of this report have been prepared in accordance with the guidelines established by the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Malaysian Code on Corporate Governance 2017 ("MCCG"), Bursa Securities Sustainability Reporting Guidelines, and Corporate Governance Guide (3rd Edition) ("CG Guide").

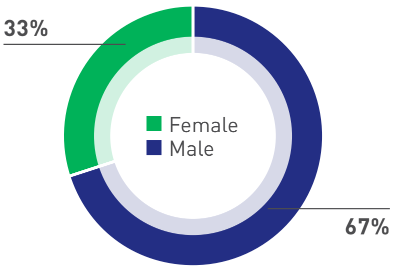
Enquiry

In ensuring that we report on the issues that matter to our stakeholders, please provide any questions pertaining to this report or questions that you would like answered at our upcoming Annual General Meeting to enquiry@bumiarmada.com.

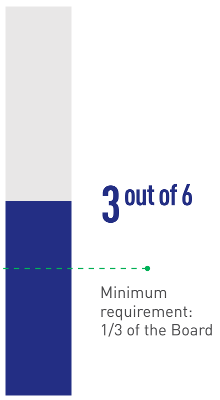
OUR PEOPLE

for the year of 2017

GENDER ON THE BOARD



INDEPENDENT DIRECTORS ON THE BOARD

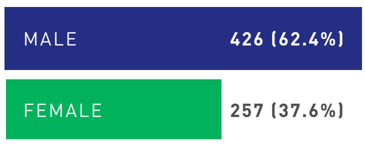


TOTAL NUMBER OF EMPLOYEES

683
Onshore
(855 in 2016)

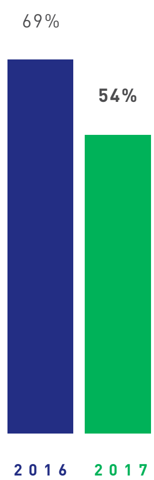
1,079
Offshore
(1,399 in 2016)

GENDER OF ONSHORE EMPLOYEES



(Male: 507, Female: 348 in 2016)

PERCENTAGE OF EMPLOYEES THAT UNDERTOOK FORMAL TRAINING



DIVERSITY OF EMPLOYEE NATIONALITIES

Note: All data as at 31 December 2017


1
BUMI ARMADA

An Overview of Bumi Armada

VISION, MISSION AND CORE VALUES

OUR VISION

To be the preferred provider of offshore production and support services to our clients.

OUR MISSION

- To operate and deliver on our commitments to the satisfaction of our stakeholders, safely, on time and within budget.
- To add value by effectively managing risks through a hands-on approach.
- To continuously improve our capabilities and to apply the lessons learnt to the way we work.
- To ensure good governance in all our practices, reduce our environmental footprint, support our local communities and promote social sustainability awareness wherever we operate.

OUR CORE VALUES

SURE

SAFE

We care for the safety of each other and lead by example.

We aim to take a proactive approach in protecting the environment, maintaining our assets and safeguarding information.

UNITED

We place a high importance on working as one team and want to pursue and achieve results together.

We seek the participation of others in resolving problems, encourage mutual respect and always welcome feedback.

RESPONSIBLE

We take responsibility in always delivering on our promises and we commit ourselves personally in adding value to our stakeholders.

We want to conduct our business with good governance and a strong moral compass.

EXCELLENT

We are driven by our ambition to continuously improve.

We seek to learn from others, challenge others constructively and have the discipline to make the extra effort each time.

UNDERSTANDING OUR BUSINESS

We provide offshore services to the upstream industry through the following:

FPO

FLOATING PRODUCTION & OPERATION ("FPO")

The FPO business specialises in engineering, procurement, construction, commissioning, and the operations of floating oil and gas facilities as per the specific requirements of clients, the reservoir and the operational environment.

Bumi Armada currently owns 1 LNG FSU and 8 FPSOs worldwide.

OMS

OFFSHORE MARINE SERVICES ("OMS")

The OMS business runs a fleet of 47 vessels, comprising 44 OSVs and 3 SC vessels. The OSVs currently operate in South East Asia, West Africa, Latin America, with 3 ice-class vessels operating in the Russian sector of the Caspian Sea. The SC vessels operate in the Caspian Sea and Indonesia, where we execute installation of pipe lines and heavy lift operations. The OMS business is responsible for the chartering, scope planning, logistics and full operations of the vessels in its fleet.

WHERE WE OPERATE

To be the preferred provider of offshore production and support services to the oil & gas industry

8 Floating Production Storage Offloading Units

1 Floating Storage Units

44 Offshore Support Vessels

WHERE WE OPERATE

MAIN ASSETS

3 SC Units

15 Shore Bases/ Offices

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tunku Ali Redhauddin ibni Tuanku Muhriz
Chairman/ Independent Non-Executive Director

Alexandra Elisabeth Johanna Maria Schaapveld [1]
Senior Independent Director/ Independent Non-Executive Director

Uthaya Kumar K Vivekananda [2]
Independent Non-Executive Director

Chan Chee Beng
Non-Independent Non-Executive Director

Maureen Toh Siew Guat
Non-Independent Non-Executive Director

Leon Andre Harland [3]
Executive Director/ Chief Executive Officer

AUDIT COMMITTEE

VU Kumar (Chairperson)
Alexandra Schaapveld
Maureen Toh Siew Guat

REMUNERATION COMMITTEE

Alexandra Schaapveld (Chairperson)
Maureen Toh Siew Guat
VU Kumar

RISK MANAGEMENT COMMITTEE

VU Kumar (Chairperson)
Maureen Toh Siew Guat

COMPANY SECRETARIES

Noreen Melini binti Muzamli (LS 0008290)
Noor Hamiza binti Abd Hamid (MAICSA 7051227)

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +603 7849 0777
Fax : +603 7841 8151/8152

NOMINATION & CORPORATE GOVERNANCE COMMITTEE

Tunku Ali Redhauddin ibni Tuanku Muhriz (Chairperson)
Alexandra Schaapveld
VU Kumar
Chan Chee Beng

EXECUTIVE COMMITTEE

Chan Chee Beng (Chairperson)
Maureen Toh Siew Guat
Leon Harland

REGISTERED ADDRESS/ HEAD OFFICE

Level 21, Menara Perak
24, Jalan Perak
50450 Kuala Lumpur, Malaysia
Tel : +603 2171 5799
Fax : +603 2163 5799
Website : www.bumiarmada.com
Email : enquiry@bumiarmada.com

AUDITORS

PricewaterhouseCoopers PLT
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia
Tel : +603 2173 1188
Fax : +603 2173 1288

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)
Listed since 21 July 2011
Sector : Trading & Services
Stock Code : 5210

In the other sections of the Annual Report:

[1] She is also referred to as Alexandra Schaapveld.
[2] He is also referred to as VU Kumar.
[3] He is also referred to as Leon Harland.

GROUP ORGANISATION STRUCTURE

Board of Directors

Head of Internal Audit & Acting Head of Risk
Sasha Vijayananthan

- Risk (Indirect to Board-RMC)
- Internal Audit (Direct to Board-AC)

Executive Director/ Chief Executive Officer
Leon Harland

Joint Company Secretary/ Head, Corporate Secreatarial Services
Noreen Melini binti Muzamli

- Corporate Secretarial (Direct to Board)

Chief Human Resources Officer
Anusoorya Themudu

- HR Centre of Excellence ("CoE")
- HR Business Partners
- Administration
- Shared Services

Head of HSSEQ
Gary Leong

- Health
- Safety
- Security
- Environment
- Quality

Chief Financial Officer
Pierre Savy (Acting)

- Corporate Finance & Treasury
- Cash Management
- Group Financial Reporting
- Group Business Controller
- Investor Relations, Communications & Sustainability
- Group Tax
- Information Service & Technology ("IST")
- Project Finance
- Joint Venture Management

Head of Supply Chain Management
Hans Rausch

- Supply Quality
- Sourcing
- Materials
- Distribution

Head of Engineering
Bruno Solinas

- Technical CoE
- Engineering Management
- Technical Safety
- Development

Head of Offshore Marine Services
Megat Zariman

- OSV
- SC

SVP Commercial
Leon Harland (Interim)

- Sales & Business Development Regions
  - Asia Pacific
  - Europe & Africa
  - North America
  - South America
- Proposals

VP Projects
John Leemeijer

- Project Management
- Project Controls
- Quality Control Management
- Regulatory Compliance

SVP Floating, Production & Operations
James Ellis

- Operations
- Fleet Asset Integrity
- HSSEQ
- Regulatory Compliance

General Counsel

- Legal
- Contracts
- Insurance
- Compliance

GROUP CORPORATE STRUCTURE

as at 31 December 2017

BUMIARMADA

100%	ARMADA FLOATING SOLUTIONS LIMITED (BVI)
100%	ARMADA OYO LTD. (BVI)
100%	ARMADA TGT LTD. (Marshall Islands)
100%	BUMI ARMADA AUTOMATION INTERNATIONAL SDN. BHD. (Malaysia)
100%	BUMI ARMADA CAPITAL MALAYSIA SDN. BHD. (Malaysia)
100%	BUMI ARMADA CAPITAL OFFSHORE LTD (Labuan)
100%	BUMI ARMADA ENGINEERING SDN. BHD. (Malaysia)
100%	BUMI ARMADA HOLDINGS B.V. (Netherlands)
100%	BUMI ARMADA HOLDINGS LABUAN LTD. (Labuan)
100%	BUMI ARMADA OFFSHORE HOLDINGS LIMITED (Marshall Islands)
100%	BUMI ARMADA SINGAPORE HOLDINGS PTE. LTD. (Singapore)
100%	BUMI ARMADA (SINGAPORE) PTE. LTD. (Singapore)
95%	BUMI ARMADA NAVIGATION SDN. BHD. (Malaysia)
49% less 1 share	ARMADA D1 PTE. LTD. (Singapore)
49% less 1 share	SHAPOORJI PALLONJI BUMI ARMADA OFFSHORE PRIVATE LIMITED (FORMERLY KNOWN AS FORBES BUMI ARMADA OFFSHORE LIMITED) (India)
49% less 1 share	SP ARMADA OIL EXPLORATION PRIVATE LIMITED (India)

Joint Venture ("JV")

GROUP CORPORATE STRUCTURE

as at 31 December 2017

- 100% BUMI ARMADA HOLDINGS NETHERLANDS B.V. (Netherlands)
  - 100% BUMI ARMADA NETHERLANDS B.V. (Netherlands)

- 100% ARMADA BALNAVES PTE. LTD. (Singapore)
- 100% ARMADA CABACA LTD (Marshall Islands)
- 100% ARMADA FLOATING GAS SERVICES MALTA LTD (Malta)
- 100% ARMADA FLOATING GAS STORAGE MALTA LTD (Malta)
- 100% ARMADA KRAKEN PTE. LTD. (Singapore)
- 100% ARMADA OFFSHORE MPSV LIMITED (Marshall Islands)
- 100% ARMADA OFFSHORE OSV LIMITED (Marshall Islands)
- 100% BUMI ARMADA AUSTRALIA PTY LTD (Australia)

- 100% BUMI ARMADA OFFSHORE CONTRACTOR LIMITED (Marshall Islands)
  - 99% BUMI ARMADA CASPIAN LLC (Russia)
  - 99% BUMI ARMADA MARINE LLC (Russia)
- 100% BUMI ARMADA UK LIMITED (England and Wales)
- 60% BUMI ARMADA GHANA LIMITED (Ghana)
- 49% PT. ARMADA GEMA NUSANTARA (Indonesia)
- 49% ANGOIL BUMI JV, LDA [1] (Angola)
- 49% ARMADA C7 PTE. LTD. [2] (Singapore)
- 49% ARMADA MADURA EPC LIMITED (Marshall Islands)

- 100% ARMADA CONSTRUCTOR PTE. LTD. (Singapore)
- 100% ARMADA MAHAKAM LIMITED (BVI)
- 100% ARMADA SHIP MANAGEMENT (S) PTE. LTD. (Singapore)
- 100% BUMI ARMADA MARINE NARYAN MAR PTE. LTD. (Singapore)
- 100% BUMI ARMADA (LABUAN) LTD. (Labuan)

- 100% BUMI ARMADA MARINE POKACHI PTE. LTD. (Singapore)
- 100% ARMADA MARINE CONTRACTORS CASPIAN LTD. (BVI)
  - 100% ARMADA MARINE CONTRACTORS CASPIAN PTE. LTD. (Singapore)
- 100% BUMI ARMADA MARINE URAY PTE. LTD. (Singapore)
- 100% OFFSHORE MARINE VENTURES SDN. BHD. (Malaysia)
- 60% BUMI ARMADA MARINE GHANA LIMITED (Ghana)

- 100% BUMI ARMADA NAVIGATION LABUAN INTERNATIONAL LIMITED (Labuan)
- 100% BUMI ARMADA NAVIGATION LABUAN LIMITED (Labuan)
- 100% BUMI ARMADA SHIP MANAGEMENT SDN. BHD. (Malaysia)

Notes:

1 Notwithstanding that BAB Group is holding less than 50% equity interest, the investment in Angoil Bumi JV, LDA is classified as a subsidiary (not a JV) due to the Group's control pursuant to a Shareholders' Agreement entered into between Bumi Armada Offshore Holdings Limited, Angoil Exploracao Petrolifera Lda., Cosmarq Lda. and Angoil Bumi JV Lda. on 12 June 2015.

2 Bumi Armada Offshore Holdings Limited holds 49% less 1 share of Armada C7 Pte. Ltd.

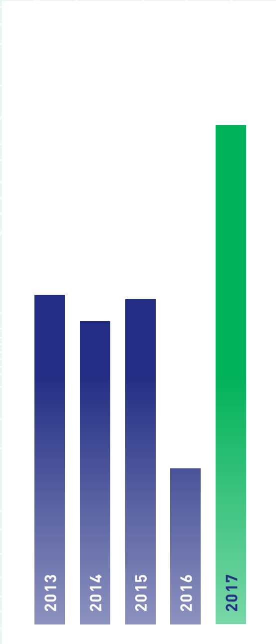
The full list of Bumi Armada Group of Companies are stated on pages 120 to 126 and 138 to 146 of the Notes to the Financial Statements.

FIVE-YEAR FINANCIAL PERFORMANCE

REVENUE
(RM'000)

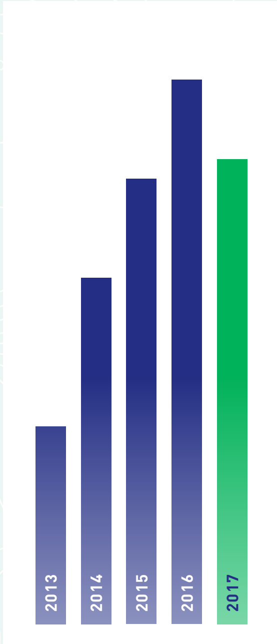
2017	**2,402,130**
2016	1,317,389
2015	2,179,734
2014	2,397,339
2013	2,073,004

EBITDA
(RM'000)



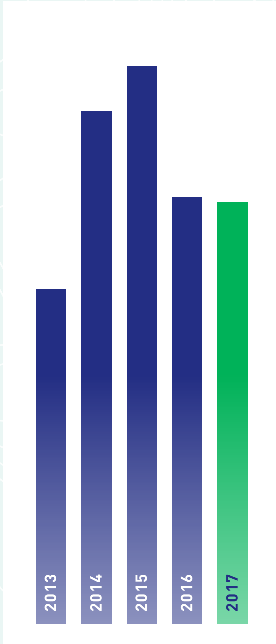
2017	**1,506,866**
2016	470,438
2015	981,014
2014	914,044
2013	994,184

TOTAL ASSETS
(RM'000)



2017	**18,835,006**
2016	22,090,129
2015	18,072,639
2014	14,451,890
2013	8,809,665

TOTAL EQUITY
(RM'000)



2017	**5,521,031**
2016	5,590,077
2015	7,295,772
2014	6,717,525
2013	4,380,235

Financial Performance (RM'000)	2013	2014	2015	2016	2017
Revenue	2,073,004	2,397,339	2,179,734	1,317,389	**2,402,130**
EBITDA	994,184	914,044	981,014	470,438	**1,506,866**
Profit/(Loss) for the financial year	435,098	224,365	(241,777)	(2,005,036)	**376,407**
Profit/(Loss) attributable to the Owners of the Company	431,191	218,690	(234,566)	(1,967,651)	**352,247**
Total assets	8,809,665	14,451,890	18,072,639	22,090,129	**18,835,006**
Total equity	4,380,235	6,717,525	7,295,772	5,590,077	**5,521,031**

More info at www.bumiarmada.com

SHARE PERFORMANCE

Malaysian Stock Market and Bumi Armada

The Malaysian stock market, represented by the benchmark FBM KLCI Index ("FBM KLCI") had a positive performance over the first half of 2017. This was driven by strong corporate earnings and positive economic data, such as the 5.6% increase in first quarter gross domestic product and strong import and export data, which underlined the improving manufacturing sector forecasts.

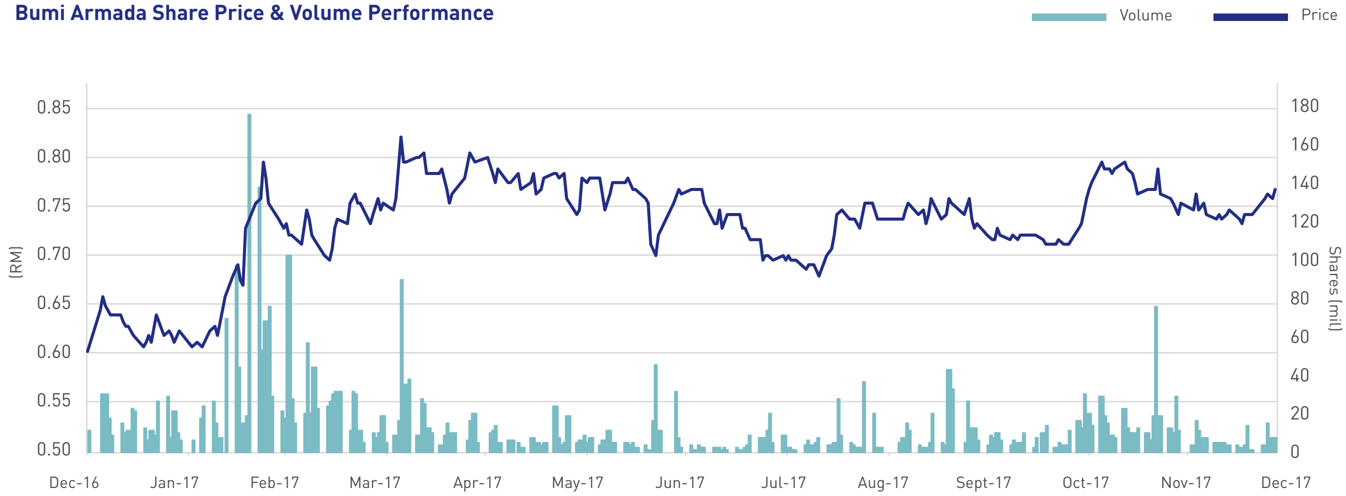
At the second half of 2017, the FBM KLCI index performance stalled, before a recovery late in the year on the back of strong economic data, including economic growth of 6.2% in the third quarter, which helped close the market at the high for the year. The FBM KLCI ended 2017 with a 9.4% year-on-year gain.

For Bumi Armada, the share price started the year low, recovering on the release of our fourth quarter 2016 results at the end of February, indicating a positive reaction to steps taken to address the OSV fleet valuation. There was then a period of share price fluctuation as the four new FPO projects started-up, but the final acceptances of the two large projects were delayed. After a positive start to the year, the shares traded primarily between 70 and 80 sen from February. Bumi Armada's share price ended 2017 at 76.5 sen, a year-on-year gain of 26.4%.

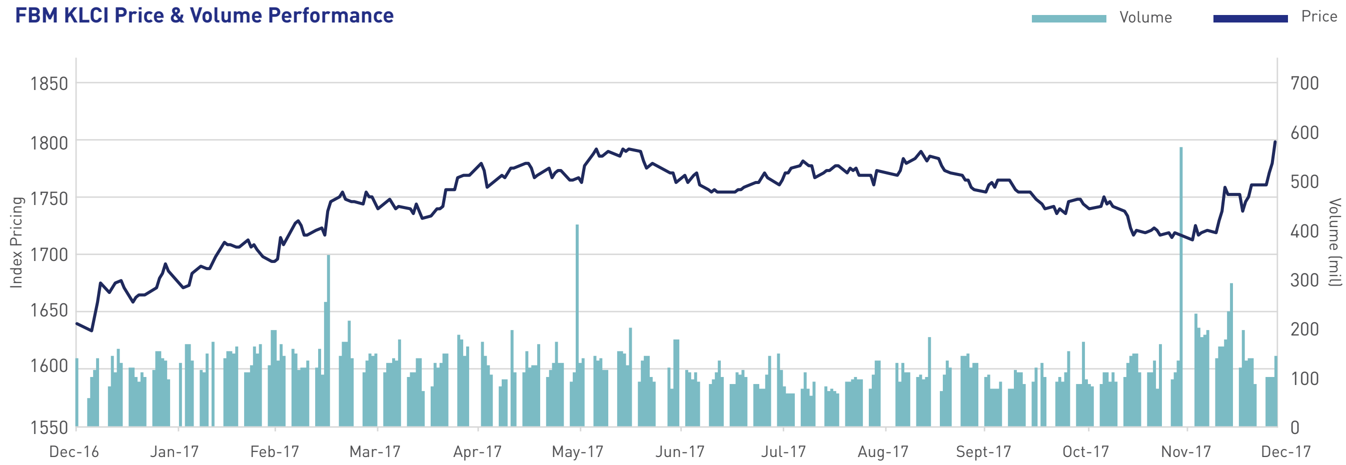
FBM KLCI	2017
Year Open	**1641.73**
Year High	**1796.81**
Year Low	**1635.53**
Year Close	**1796.81**

Bumi Armada Berhad	2016 (RM)	2017 (RM)
Year High	1.040	**0.815**
Year Low	0.510	**0.605**
Year Close	0.605	**0.765**
Market Capitalisation (at year end closing)	3.5 bil	**4.5 bil**

Bumi Armada Share Price & Volume Performance



FBM KLCI Price & Volume Performance



Strategy & Sustainability

CHAIRMAN'S MESSAGE

Dear Shareholders,

As we review the activities and operations of 2017, I would like to start by bidding farewell to two Independent Non-Executive Directors, Saiful Aznir bin Shahabudin, an Independent Non-Executive Director and Chairperson of the Audit Committee, and Steven Leon Newman, an Independent Director and the Chairperson of the Risk Management Committee. I would also like to commend Shaharul Rezza bin Hassan, who leaves us from his position as Executive Director and Head of OMS, for his contributions to the Group over the last 13 years. On behalf of the Board, I would like to thank the three former Directors for their contributions and insight during their time with Bumi Armada.

Tunku Ali Redhauddin ibni Tuanku Muhriz

Chairman

CHAIRMAN'S MESSAGE

Leon Harland has now completed his first full year with the Group as Executive Director ("ED") and Chief Executive Officer ("CEO"), and VU Kumar has settled into his role of Independent Non-Executive Director and Chairperson of the Audit Committee.

SAFETY A TOP PRIORITY

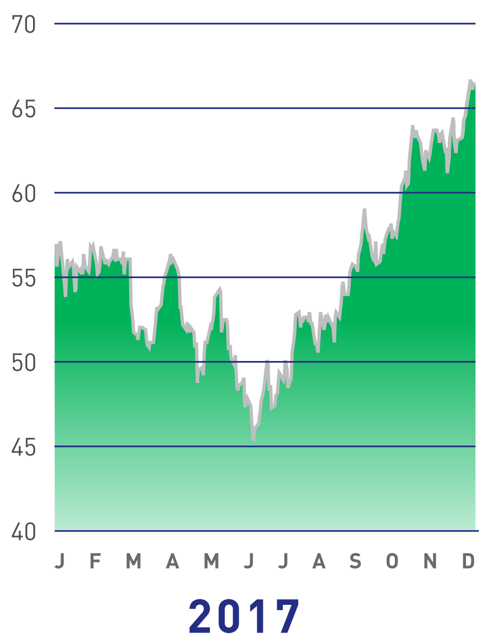
During 2017, there was a fatality on board one of our vessels. This sad and distressing event reminds us that we can never be complacent on safety, not only offshore, but also in our day-to-day lives. This message continues to be enforced across the organisation to avoid accidents. At the end of the day, we want everyone to go home safely to their families.

OIL PRICE

Oil prices were volatile during the year, starting January around USD55 per barrel before falling to USD45, and then strengthening to end the year in the high USD60s. The recovery in oil prices was due to steps taken by OPEC to reduce supply, as well as expectations of stronger future demand for oil on the back of positive global economic outlook data.

The weak oil prices in early 2017 resulted in controlled spending by the oil companies. This resulted in a lack of new exploration activity over the year, highlighted by low levels of drilling activity, and therefore, continued low demand for OSVs. The lack of demand for vessels in this segment put severe pressure on charter rates, forcing some regional OSV companies to file for bankruptcy, or forced consolidation of the main players in several regions, such as Norway.

Brent Oil (USD/Barrel)



Source: Bloomberg

There was, however, an increase in pre-qualification and bidding activity for FPSO projects in 2017, highlighting that the FPO business is more focused on longer-term oil demand outlook.

FLOATING PRODUCTION & OPERATION

With this backdrop, the Group focused on delivering our four major FPO projects that I mentioned in our last Annual Report. The Armada LNG Mediterrana in Malta, and the Karapan Armada Sterling III in Indonesia both achieved final acceptance during 2017. The Armada Olombendo FPSO in Angola, and Armada Kraken FPSO in the North Sea, which achieved first oil in February and June 2017 respectively, are expected to complete their final acceptances by mid-2018.

OFFSHORE MARINE SERVICES

The OMS business had a mixed year in 2017. The OSV sub-segment continued to see weak demand and low charter rates due to the oversupply of vessels and reduced new activity. Where possible, we have proactively reduced costs and cold-stacked vessels, to be as efficient as possible.

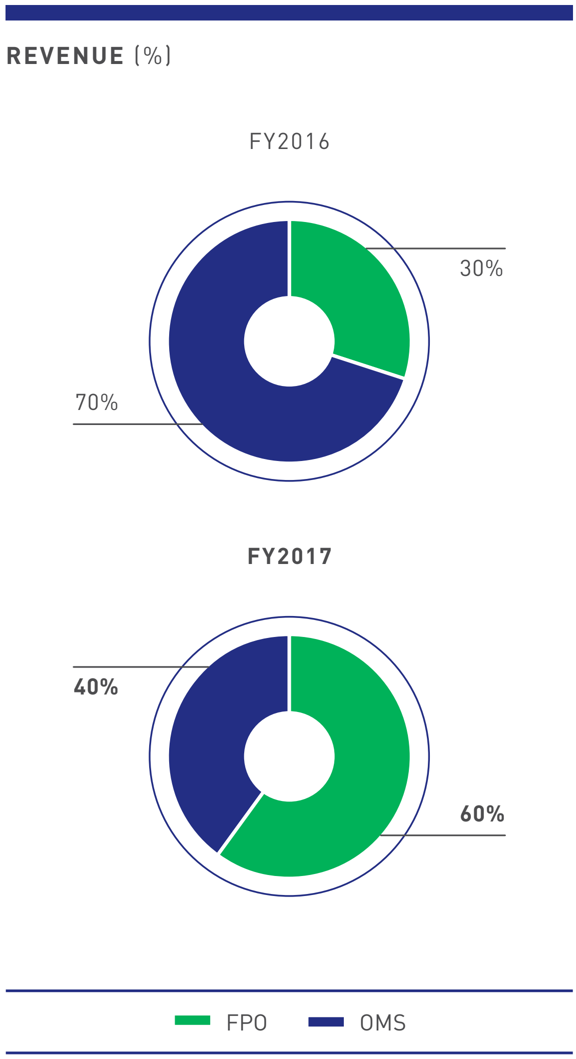
In contrast, the SC sub-segment, based on our Caspian Sea operations of pipelaying and trenching activities of the Armada Installer and the Armada Constructor, continued to see strong activity. We have secured work through 2018 and the teams are working on securing more work for 2019 and beyond. In addition to the Caspian activities, the Armada KP1 is now operational in Indonesia, and has started to secure work in a new market for the SC sub-segment.

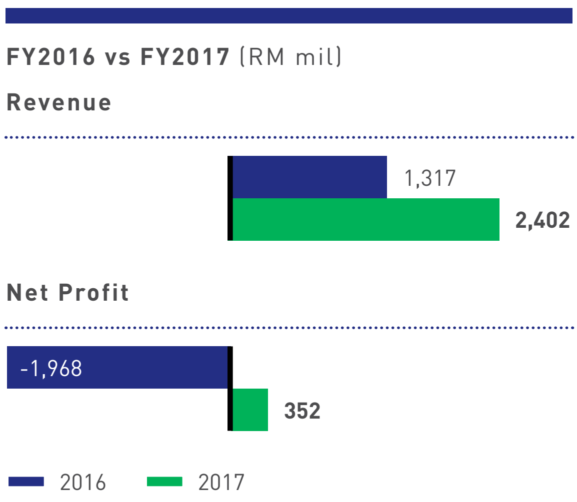
Leon will provide more details on the overall FPO and OMS businesses in the Management Analysis and Discussion ("MD&A") section.

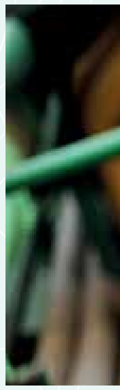
TEAM

Together with the Board and Management, we have set the road-map for Bumi Armada and have continued to ensure that the Group has a strong team. Megat Zariman took over as Head of OMS, John Leemeijer joined us as the Vice President of Projects, Bruno Solinas as Head of Engineering and Gary Leong as Head of Health, Safety, Security, Environment and Quality ("HSSEQ"). We are also strengthening our people practices across the group where we have implemented systems to facilitate the talent management and talent acquisition processes; and relooking at how we enhance our organisation's skill and talent depth internally. As we move ahead, our focus will be centred around engaging our employees actively and ensuring that we grow our talent pool internally.

"The Group saw a recovery in revenue in 2017, to RM2.4 billion from RM1.3 billion in 2016. This recovery came mainly from the FPO business, as the four new units started to contribute over the course of the year."







SYSTEMS AND PROCEDURES

We continued to develop the Business Management System ("BMS") to enhance our critical processes and improve efficiency and accountability across the Group.

We have also developed and rolled out more robust compliance and ethics guidelines as part of our aim to continuously strengthen our processes and operate in accordance with the best practices and standards.

FINANCIAL PERFORMANCE IN 2017

The Group saw a recovery in revenue in 2017, to RM2.4 billion from RM1.3 billion in 2016, driven mainly by the FPO business, as the four new units started to contribute over the course of the year. The significant increase in revenue in the FPO business, combined with the relatively flat revenue registered by the OMS business, drastically changed our revenue mix in 2017. In 2016, the FPO and OMS businesses accounted for 30% and 70% of total revenue respectively. In 2017, this swapped to FPO and OMS accounting for 60% and 40% of total revenue respectively.

The Group also returned to profit in 2017, registering a net profit attributable to shareholders of RM352.2 million, compared to a net loss of RM2.0 billion in 2016. The improved results came on the back of the recovering FPO business, strong SC performance in the OMS business, and stronger JV contributions during the year. The negative results in 2016 were also largely due to the RM1.7 billion in non-cash impairments, which we deemed necessary, during the year.

BUILDING A SUSTAINABLE BUSINESS

The Group is emerging from a volatile period in the oil and gas sector and we, at the Board and Management, have taken steps to strengthen the core of the business. 2017 results have shown positive signs on the back of these steps. We have further strengthened our governance procedures, mindful of our need to comply with strict regulations and requirements that guide the way we carry out our business, and our responsibility to all stakeholders, and the environments, and the countries in which we operate. In this report, you will also see more disclosure and information about the overall state of the Group and direction on where we are trying to take the business and how we plan to get there.

OUTLOOK AND PROSPECTS

Overall, we expect a stronger performance from the Group, with higher contributions coming mainly from the FPO business, as we recognise a higher proportion of revenue from the recently deployed projects, and potentially new businesses. The OMS business is expected to maintain relatively stable contribution from its two segments.

In other areas, we will continue to pursue higher levels of efficiency and other opportunities to create additional value for the Group. This includes enhancing our balance sheet structure, looking for new partners either at a strategic or project level, and other means to benefit both the business and all stakeholders over the long-term.

IN CLOSING

I would like to thank my fellow Directors on the Board and the various Committees for their time and effort during the year, and to the Management and employees of Bumi Armada for staying focused on the major projects, operations of our vessels, new bids, and all the work done to strengthen the corporate culture, as well as other work done throughout the organisation.

Lastly, I would like to note my thanks to all our shareholders and stakeholders that have continued to stand by the Company through 2017 and into 2018, as we work towards a period of stability whilst pursuing the right growth opportunities.

Tunku Ali Redhauddin ibni Tuanku Muhriz
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

In the following sections, I would like to provide you with an overview of the Group's objectives and strategies, as well as an operational and financial review of how the Group performed during 2017. I will zoom in on the main factors that both positively and negatively impacted the business, as well as touch on general management/ organisational matters, the main risks we see affecting the business and a view of how we see both the industry and, in particular the Group, going forward.

Leon Harland

Executive Director/ Chief Executive Officer

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Bumi Armada is a Malaysian company that operates on a truly global basis. As an illustration, only 5% of our turnover is generated in Malaysia while the vast majority of our earnings is generated outside Malaysia. The Group has two main business units; FPO and OMS, via which, we provide Floating Production and Offshore Marine Services to the offshore oil and gas industry.

In the FPO business, we design, build, own and operate our units, on a predominantly lease basis, to our clients. We currently operate seven FPSOs and one LNG FSU across Asia, West Africa and Europe with an outstanding operational safety performance and over 99% production uptime. In a ranking of total number of units in operation, we are currently the fifth largest FPO operator in the world. When looked at from the perspective of technical complexity, proprietary technology and product handling capacity, we see our fleet being rated higher. We are also the first FPO operator to have brought four floating production units on-stream in one year.

In the OMS business, we own and operate a fleet of 47 vessels, ranging from OSVs that provide anchor-handling, towing, transportation, accommodation and safety support services, as well as three vessels that carry out pipe-line installation and heavy lift operations. The safety and operational performance of our fleet and crew is consistently recognised and commended by our clients. Our main areas of activities in the OMS business are Asia, the Caspian Sea, West Africa and Latin America.

OBJECTIVES AND STRATEGIES

It is the Group's vision "To be the preferred provider of offshore production and support services to our clients". This is not to say that we would be the largest owner, or have the most assets in the most markets, but to be eventually seen as a bench-mark in the industry for the assets and services that we, as a Group, provide to our clients. If an oil and gas company needs an FPSO, an OSV or pipelines installed for their projects, we want to be the first company they think of and to be invited to bid for the work.

How do we aspire to achieve this? By having motivated employees working together in a "SURE" culture (Safe, United, Responsible, Excellent) with effective processes to generate the most efficient solutions with the best operational and safety capability, to deliver the ideal, fit for purpose result, to the client. Also, when in the less ideal reality, problems do occur, then we want to be proactive, hands-on, transparent and decisive to resolve the matter.

Are we there yet? No, but we believe we are on track and have assembled the right people, systems and structures to move Bumi Armada towards that goal.

"If an oil and gas company needs an FPSO, an OSV or pipelines installed for their projects, we want to be the first company they think of and to be invited to bid for the work."

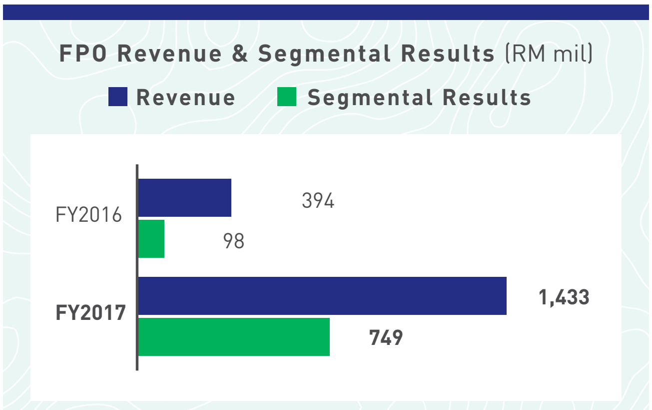
FATALITY

In 2017, the Company suffered a fatality, sending a shock throughout the organisation and tragically reminding us that we work in an inherently dangerous environment; at sea, with heavy equipment, undertaking multiple simultaneous operations. Needless to say, we have continued to re-enforce the need for safety awareness and to engrain safety into everyone's mind, whether working in an operational role, at the office, or in everyday life.

THE FPO BUSINESS

2017 was an extremely busy year in the FPO business, as the Group delivered four new complex projects in four different countries, while continuing to operate the four existing FPSOs. The operations teams kept up an outstanding performance, with unit uptimes of over 99% across the fleet and with a high focus on safety resulting in another year of zero Loss Time Incidents ("LTI") on the FPO fleet.

There were some notable milestones achieved during 2017, including the sixth continuous year of LTI free operations on the Armada TGT1 in Vietnam, four years of operations without LTI on both the Armada Sterling in India and Armada Perdana in Nigeria and two years of continuous operations on Armada Sterling II in India, without LTI.



"At the end of 2017, the FPSO was producing over 40,000 bpd and has maintained stable production over the start of 2018."

Armada LNG Mediterrana in Malta

As mentioned already in the previous annual report, for 2016, the Armada LNG Mediterrana, which is chartered to ElectroGas Malta Ltd., started operations on 16 January 2017, with the first LNG offload. She has since been running smoothly at the Delimara LNG Regasification Terminal in Malta and has completed her first year of LTI free operations.

Armada Olombendo in Angola

Armada Olombendo, chartered to Eni Angola S.p.A., achieved first oil in February 2017 and subsequently ramped-up production to nearly name-plate production in less than four months. In parallel, the commissioning schedules have been completed for the oil and water injection systems. The gas compression and injection systems, particularly the back-up units, gave us more headaches than expected, but together with equipment providers and vendor specialists, the problems have been overcome.

We expect the Armada Olombendo FPSO to be fully accepted by the client and on full charter in the first half of 2018.

Karapan Armada Sterling III in Indonesia

The Karapan Armada Sterling III, which is chartered to Husky CNOOC Madura Ltd ("HCML") in Indonesia, started operations with first gas in May 2017. The unit cleared final acceptance in July 2017 and in November 2017, completed the world's first offload of molten sulphur from a floating offshore facility to a specialised tanker.

Armada Kraken in the North Sea, UK

The Armada Kraken FPSO arrived in the North Sea in February 2017 before achieving first oil in June 2017. She then went through a slow ramp-up in production as the teams from BAB and the client, Enquest Heather Limited, Enquest ENS Limited and Nautical Petroleum Ltd jointly worked to bring the FPSO and the

16 JAN

Armada LNG Mediterrana
- First LNG offload in Malta

8 & 15 FEB

Armada Olombendo
- First oil in Angola
Armada Kraken
- Completes hook-up in North Sea, UK

6 MAY

Karapan Armada Sterling III
- First gas in Indonesia

23 JUN

Armada Kraken
- First oil in North Sea, UK

22 JUL

Karapan Armada Sterling III
- Final acceptance in Indonesia

13 SEP

Armada Kraken
- First off-load in North Sea, UK

3 NOV

Karapan Armada Sterling III
- First floating molten sulphur offload

reservoir online. The unit is operating in a highly regulated market, producing heavy oil from a complex field through a complex FPSO in an extremely harsh operating environment. At the end of 2017, the FPSO was producing over 40,000 bpd and has maintained stable production over the start of 2018. We expect to complete final acceptance of the unit with the client, in the first half of 2018.

Other FPSOs

Our two JV FPSOs in India, Armada Sterling and Armada Sterling II, contracted to Oil and Natural Gas Corporation Ltd, continue to operate smoothly. They have both maintained operational uptimes of over 99%, and as mentioned earlier, have had safe operations throughout 2017.

Our unit in Vietnam, Armada TGT1, which is contracted to Hoang Long Joint Operating Company, has performed very well since starting operations in 2011, with high uptimes, production rates and safe operations. We are, at the time of writing, in discussions with the client about the optional extension of the contract, as the firm contract is due to end in August 2018. We will make the appropriate announcement once this is finalised.

"A strong endorsement of BAB's pipelay capabilities and performance was given by Lukoil with the award of a supplemental contract to the work in the Filanovsky project, in July 2017."

Our last, and oldest, operating unit is the Armada Perdana in Nigeria, working for Erin Petroleum Nigeria Limited ("Erin"). As we have announced in the past, the client is under significant financial stress, as this is Erin's only producing field. We have announced the suspension of the contract, under which, we continue to operate the unit and secure fees prior to any offload of oil. This is not an ideal nor a sustainable situation, but it is unfortunately, the only means to claim payment from the client at this time.

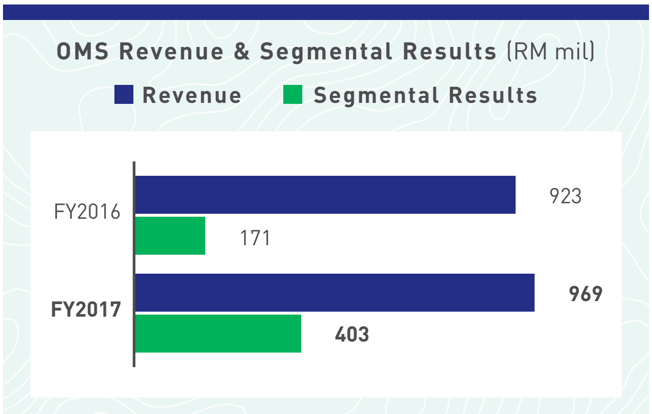
Finally, we have the Armada Claire FPSO, which has been moored in Batam, following its demobilisation from the Balnaves field off Western Australia. We have been actively marketing this unit to potential new clients, and we are expecting to enter into Front-End Engineering and Design ("FEED") studies in anticipation of a possible charter to be secured in the future.

Litigation with Woodside Energy Julimar Pty Ltd

The litigation process with Woodside Energy Julimar Pty Ltd ("Woodside") for the termination of the charter contract for the Armada Claire FPSO in the Balnaves field, is on-going. We have been given a trial commencement date in the fourth quarter of 2018 by the Supreme Court of Western Australia and we will continue to pursue all our rights as necessary for our case that the contract was wrongfully terminated.

THE OMS BUSINESS

It was a mixed year in the OMS business; the OSV sub-segment struggled as oil companies continued to limit spending in exploration, while the SC sub-segment was busy having to complete secured work in Turkmenistan and Russia.



Offshore Support Vessels

The OSV sub-segment currently operates a fleet of 44 vessels, after disposing of 5 vessels. From an operational perspective, we have performed well in 2017, securing work in South East Asia ("SEA") with an oil major at the expense of our competitors and receiving recognition from our clients with various awards for our safety and operational performances in the field. In a tight market, this is a positive vote for the measures of one's capability and credibility.

The fleet saw average utilisation across the year of approximately 50%, helped by the long-term charters the OSV sub-segment has in place, such as with Lukoil in the Caspian Sea and Sarawak Shell in Malaysia. The Group has seen a slight increase in activity from clients who are willing to replace existing vessels and pay a slight premium to charter vessels from BAB on the back of our safety and operational track-record. As a Group that operates 44 vessels in four different regions around the world, the continued depressed market makes it very challenging for the OSV sub-segment. Our activities in SEA and for Lukoil in the Caspian Sea remain our strongest areas, whereas the markets in West Africa and Latin America remain very weak. We have worked to rationalise the OSV operations to make it as cost efficient as possible and we believe we have taken the right steps over the last two years to face the current market conditions.

We do maintain several vessels in lay-up, so called "cold-stacked", to keep costs to the bare minimum, whilst actively pursuing efforts to market and secure new charter contracts for these vessels.

We continue to await a decision on a long-term tender in SEA for several vessels, which we hope will improve our utilisation rates for 2018. We are also bidding for work in other markets in SEA and are hopeful to secure more work. Overall however, without a significant increase in exploration drilling by the oil companies in 2018, the oversupply situation in the OSV market is expected to keep pressure on overall charter rates and fleet utilisations in the segment.

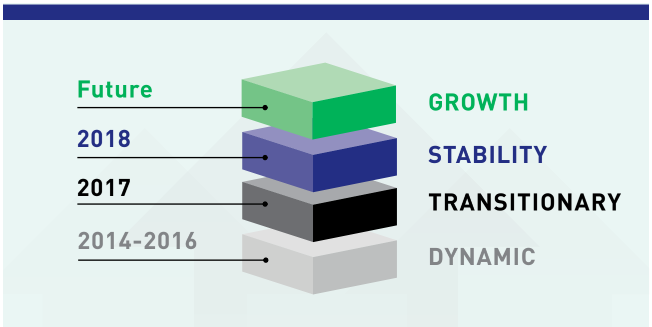
Subsea Construction

The SC sub-segment undertakes pipelay, construction and heavy lift activities and owns and operates three assets: The Armada Installer ("Installer") and the Armada Constructor ("Constructor") in the Caspian Sea and the Armada KP1 ("KP1") in Indonesia. The Installer and KP1 have pipelay and heavy lift capabilities. The Constructor is a trenching and back-filling vessel that works with the Installer to bury the pipeline that is being laid on the seabed.

During 2017, the SC sub-segment executed work for Petronas Turkmenistan, carrying out pipeline and other facility installation in relation to Petronas' gas project in Turkmenistan. In addition, we completed the construction and dredging of pipelines in the Filanovsky field in the Russian part of the Caspian Sea for Lukoil.

The Installer and Constructor are expected to work throughout 2018, completing the final scope of the long-term contract with Petronas Turkmenistan, and the balance of work for Phase 3 in the Filanovsky field. A strong endorsement of BAB's pipelay capabilities and performance was given by Lukoil with the award of a supplemental contract to the work in the Filanovsky project, in July 2017.

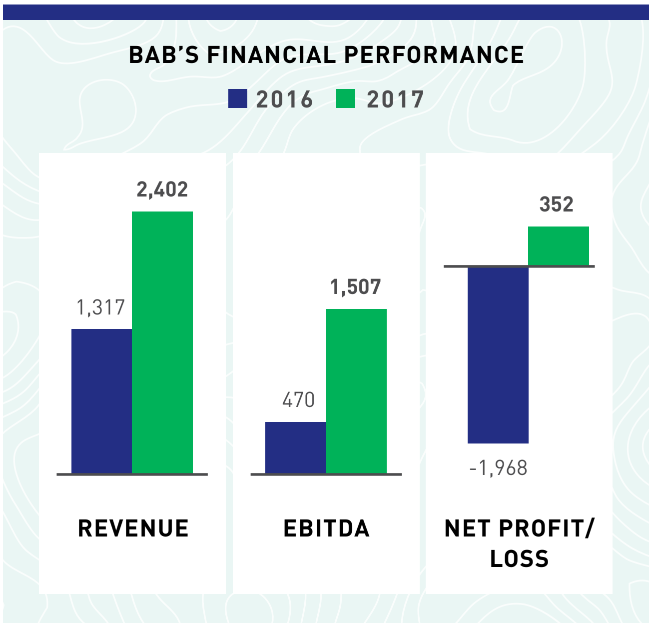
The KP1, which was reflagged in Indonesia in 2017, has started to work. Due to the limited number of pipelaying vessels in Indonesia, we expect the KP1 to secure work in Indonesia going forward having already secured its first project in the first quarter of 2018.



FINANCIAL RESULTS

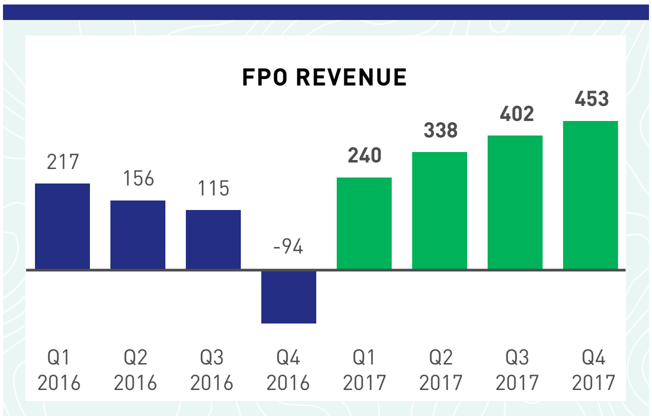
When one looks back at the market conditions as well as the various impacts on Bumi Armada since the severe drop in oil prices in 2014, then I believe the Group has steered through some very rough weather. Between 2014 and 2016, with volatile oil prices and significant reductions in spending and investment by oil companies, this was a very "dynamic" period for the industry as well as for BAB, with substantially reduced activity in OSV, the termination of the Armada Claire FPSO charter, challenges with the Armada Perdana FPSO in Nigeria, plus ongoing construction of four FPO projects in the shipyards. As a result, we have been hit by reduced income whilst capital spending needed to continue at the same time and we have been relying on corporate debt facilities as result. 2017 was a "transition" period for BAB. We delivered the four critical projects for the Group and progressively started up the operations, which generated more income. These start-ups not only signalled a transition from FPSO construction to operations, but also clearly shifted the Company's fundamentals from its "OSV" origins to be a "FPSO" led business. This shift also impacted the internal organisation and we have been transitioning with the help of a new BMS and a streamlined organisation.

In 2018, we are looking to move into a more "stable" phase as we complete projects and internal rationalisation activities within the Group, including reducing our dependency on our corporate debt facilities. After this period of stability, we would then be looking to move into a new phase of growth.



The Group registered a significant improvement in 2017 compared to 2016. This was on the back of three key factors:

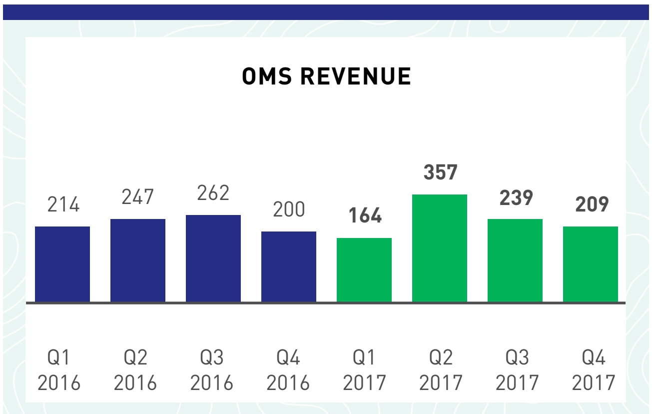
1. The 3 wholly-owned new FPO projects came on-stream over 2017, reflected by the significant change in FPO revenue in 2017 over 2016;
2. Positive contributions from the SC sub-segment, which was boosted by the additional scope under the supplement agreement from Lukoil, which was signed in the third quarter of 2017; and
3. Stronger share of results from JV companies during the year, compared to 2016, helped by the start-up of our fourth FPO project.



New FPO Projects Come On-Stream

In 2016, the FPO business revenue declined on the back of lower conversion revenue recognition during the year. In 2017, all these new projects were installed and started to operate and contribute to revenue during the year.

This increasing contribution is clear when the quarterly revenue from the FPO business is compared on a rolling quarterly basis. FPO revenue of RM240.0 million in the first quarter of 2017 increased to RM453.0 million in the fourth quarter of 2017. We can expect to see further improvements in the FPO revenue as we finalise Olombendo and Kraken in the first half of 2018.



SC Boosts OMS Revenue

The OMS business, as mentioned earlier, has two sub-segments: OSV and SC. The OSV sub-segment was financially challenging, and we have had to rationalise its cost base as much as possible throughout 2017. With low demand resulting in another year of low utilisation of the fleet, and oversupply depressing charter rates, the OSV sub-segment had another poor year.

The SC sub-segment has boosted the overall OMS business financials as work in the Caspian Sea remained stable, and the unit secured additional scope in relation to work for Lukoil, which was recognised as revenue from Q2 2017, with the initial catch-up amount boosting the OMS revenue in that quarter.

Stronger JV Contributions

With the Karapan Armada Sterling III FPSO delivered and achieving its final acceptance in Indonesia during 2017, this was a strong positive contributor to the overall Group's financial performance in 2017. The other JV units, the Armada Sterling and Armada Sterling II, which are both in India, continue to perform well for ONGC, and provide stable contributions to the Group.

Increase in Finance Related Costs

One major cost area that has increased substantially (RM431.0 million in 2017 from RM100.8 million in 2016) and in line with expectations is our finance costs. Whilst bringing the new FPO projects into operation, we stopped capitalising the interest costs and start recognising them to the profit or loss. The FPOs are backed with long-term project financing, syndicated to a series of banks, so the increase in the cost of financing is more than offset by the charter revenue we recognise from these projects.

Nevertheless, the borrowing costs of the Group are substantial, and there has been a thorough review of our debts and borrowings. We have looked at cheaper financing and alternative ways of repaying some of our corporate facilities, as well as ensuring we have sufficient equity to pursue new projects for future growth of the Group. Improving our balance sheet is another part of stabilising our business that we strongly wish to undertake in 2018, before moving into the next growth phase. We are assessing various options to raise funds to strengthen our balance sheet and to fund growth.

KEY RISK AREAS

As a Group working offshore, across different business segments and in different geographical locations, we are exposed to various risks from a corporate, operational and regulatory perspective. There will also be risks that are constant, such as the risk to our people and/or assets, and some that may be more specific, such as regulations or individual contracts.

Some of the key areas that we are currently focused on, as an overview, are:

Health, Safety, Security, Environment and Quality Completion of Major Projects

During 2017 we delivered four major FPO projects, to four different clients in different locations across the world. This was an extremely challenging task, unheralded in Bumi Armada's history, nor undertaken by a single player in the FPO industry. We are currently closing out the final acceptances on two of these projects, which will signal their completion, and allow the Group to recognise their full charters. These are critical in terms of revenue and reputation for the Group, but also for the various stakeholders involved, whether the banks providing financing or the clients these units service.

Financial Risks

The FPO business is a highly capital-intensive business at the front-end, but the repayment of the capital and debt is spread over a long-term contract. Delays in project delivery or pure field performance, such as the case with our FPSO in Nigeria, means that expected charter income is delayed or inconsistent, and that puts pressure on the Group. The weakness in the OSV market means that the historical short-term cash generating part of the Group, is no longer generating this cashflow. In addition, collections from some clients have been difficult or delayed.

People

As the Group looks to move through this period of stability into a new phase of growth, we will need the right people to ensure that the growth is secured, delivered and value-enhancing. We also need people that have the right mindset, attitude and ethics that not only conform with our processes and procedures, but also enhance them with their knowledge, experience and capabilities.

For more details about the way we look at risks to the Group, please refer to the Statement on Risk Management and Internal Control ("SORMIC") within this report.

OUTLOOK FOR THE MARKET AND THE GROUP

Based on industry expert opinions and various reports, the current view appears to be that oil prices are expected to be relatively stable over 2018, with the oil companies forecast to generally increase investments in the offshore O&G sector in 2018 and 2019. In parallel, we have seen there are clear indications and statements from the oil companies that they are looking foremost to develop large discovered fields, (where size of the reservoir means there are economies of scale) and bring them into production, whilst keeping a cautious approach to spending on exploration of new fields in 2018.

Whilst understanding generic trends is useful, I have always put my focus on what our clients want to talk to us about on a daily basis. Based on those discussions, I do see positive signs for our FPO business going forward, and we have been increasing our tendering activities over the last 12 months. The Group is actively involved in several FPSO bids in Asia, West Africa, Latin America and the North Sea, and where we put focus on prospects with strong fundamentals and with good chances of success. On average we hope to secure one large FPO project a year, to efficiently manage our current technical and project management capacity in the organisation. We are also looking to bring partners into future large projects to reduce our project related risks and financial burden.

When it comes to the outlook for our OMS business, I am cautiously optimistic. As I mentioned earlier, regionally, there are opportunities for the OSV sub-segment, but unfortunately, the limited investment in new exploration is likely to limit the outlook for OSV in 2018. For the SC sub-segment, it already has work in hand for 2018 in the Caspian Sea, and the additional focus will be to secure more work for 2019 and 2020, as well as look to grow the workload in Indonesia.

IN CLOSING

To close my review of 2017, I would like to thank the Chairman, Tunku Ali, and the Board of Bumi Armada for their guidance, challenge and support during the year. It has not always been easy, but moving through this transitionary period was never going to be.

I would like to thank my colleagues at Bumi Armada, and, in particular, the members of my Management Team, for their dedication and leadership, as well as for the honest and candid discussions and feedback. The presence of many good, hard working people at BAB, the wide skill sets and in-depth knowledge gives me a lot of confidence that we will meet my vision/ ambition to become the preferred company in this sector, whether from the client, employee or you, the shareholders' point of view. I would also like to add to Tunku Ali's thanks to Rezza Hassan for his leadership as the Head of the OMS business, and I welcome Megat Zariman, Rezza's identified successor, into his new role.

Finally, I would like to thank all the shareholders of Bumi Armada for their continued support and belief in the Group and I look forward to seeing you all at the upcoming Annual General Meeting of Bumi Armada.

Leon Harland
Executive Director/ Chief Executive Officer

SUSTAINABILITY STATEMENT

Sustainability refers to the link between an organisation's long-term strategy and its plans to ensure that it not only limits its operational impact, but where possible, has a positive effect on the Economic, Environmental or Social ("EES") situation where it operates.

As an international provider of offshore production and support services around the world, our business touches all of the EES areas, not only in how we aspire to build our corporate culture through our Core Values, but also as an organisation that operates in a highly regulated industry.

In addition, via our Corporate Social Responsibility ("CSR") initiatives, we support EES areas which directly relate to both our local and international businesses and operations.

Our efforts to manage our Sustainability responsibilities in 2017 have continued to be recognised with the Group's inclusion in the FTSE4Good Bursa Malaysia Index, the Morgan Stanley Composite Index ("MSCI") Global Sustainability Index and the Dow Jones Sustainability Emerging Market Index.

Areas that our business interrelates with the Sustainability areas:

ECONOMIC

- Local content requirements
- JV ownership and operations
- Shore bases or offices in overseas locations
- Employment and development of local resources

ENVIRONMENT

- Environment,
- GHG and carbon capture
- CSR activities

SOCIETY

- HSSEQ
- People and Society
- CSR activities

Contents

KEY MATERIAL ISSUES

Materiality evaluates long-term areas of risks and concerns that could have an impact on the business from both an internal and external stakeholder perspective. These are then rated from Critical down to Moderate and then Normal impact.

At Bumi Armada, the material issues are closely related to our core values, SURE, as these values and behaviours are what we look to build into our Corporate Mission, to deliver our Vision "To be the preferred provider of offshore production and support services to our clients".

Critical Material Issues	Addressed by:
Safety	Health, Safety, Security, Environment and Quality ("HSSEQ")
Ethical Operations	Corporate Governance
Environmental Impact	Our Impact on the Environment
Business Performance	Management Discussion and Analysis
Moderate Material Issues	**Addressed by:**
People	People & Society
Operational Compliance	Operational Compliance

HEALTH, SAFETY, SECURITY, ENVIRONMENT AND QUALITY AT BUMI ARMADA

As we work in the offshore environment, we are regulated by various bodies that ensure asset and operational compliance and capability. Two of the main bodies that monitor performance across this sector are the International Maritime Organisation ("IMO") and the International Marine Contractors Association ("IMCA"), and they provide industry wide benchmarks on an annual basis, for companies such as us to monitor our performances against.

Certification by Recognised Bodies

In addition, we are required to comply with various regulatory and operational minimum standards. These certification bodies audit the operations of the business in the areas covered by the policy to ensure minimum standards and best practices are used by the organisation. The Group's business operations are certified by the following recognised bodies:

- ISO 14001:2015 Environmental Management System
- ISO 9001:2015 Quality Management System
- OHSAS 18001:2007 Occupational Health and Safety Management Systems

The following areas of the business are covered under these certifications:

- Management of Engineering;
- Engineering, Design, Consultancy;
- Procurement, Construction, Commissioning and Operations of F(P)SO;
- Offshore Support/ Transportation/ Installation Vessels; and
- Offshore Pipelines/ Structures for the Offshores and Marine Industries including Ship Management and Chartering Services.

Compliance to Vessel Classification and Certification

At an operational level, each vessel is required to comply to standards and requirements documented by certification and classification bodies. Our vessels cannot operate if there is non-compliance or certification that has expired.

These certification codes are:

- ISM – International Safety Management
- ISPS – International Ship and Port Facility Security
- SMS – Safety Management System
- RINA – Registro Italiano Navale
- RMRS – Russian Maritime Register of Shipping
- ABS – American Bureau of Shipping
- BKI – Biro Klasifikasi Indonesia

OMS Vessels	Region	ISM	ISPS
Armada Constructor	Caspian	RINA Class	
Armada Firman	Asia	YES	YES
Armada Firman 2	Asia	YES	YES
Armada Firman 3	South America	Vessel complies to 3rd party SMS	
Armada Hibiscus	West Africa	Vessel complies to 3rd party SMS	
Armada Iman	Asia	YES	YES
Armada Installer	Caspian	RMRS Class	
Armada KP1	Caspian	ABS and BKI Class	
Armada Mutiara 2	Asia	Vessel complies to BAN SMS	
Armada Mutiara 3	Asia	Vessel complies to BAN SMS	
Armada Mutiara 4	Asia	Vessel complies to BAN SMS	
Armada Salman	Asia	YES	YES
Armada Tuah 6	Asia	YES	YES
Armada Tugas 4	West Africa	Vessel complies to BAN SMS	
Armada Tuah 8	Asia	Vessel complies to 3rd party SMS	
Armada Tuah 21	Asia	YES	YES
Armada Tuah 23	Asia	YES	YES
Armada Tuah 24	Asia	YES	YES
Armada Tuah 25	Asia	YES	YES
Armada Tuah 26	Asia	YES	YES
Armada Tuah 80	Asia	YES	YES
Armada Tuah 81	West Africa	YES	YES
Armada Tuah 82	West Africa	YES	YES
Armada Tuah 83	West Africa	YES	YES
Armada Tuah 84	South America	Vessel complies to 3rd party SMS	
Armada Tuah 85	South America	Vessel complies to 3rd party SMS	
Armada Tuah 100	Asia	YES	YES
Armada Tuah 101	West Africa	YES	YES

SUSTAINABILITY STATEMENT

OMS Vessels	Region	ISM	ISPS
Armada Tuah 102	West Africa	YES	YES
Armada Tuah 104	South America	YES	YES
Armada Tuah 105	West Africa	YES	YES
Armada Tuah 107	South America	YES	YES
Armada Tuah 108	West Africa	YES	YES
Armada Tuah 300	Asia	YES	YES
Armada Tuah 301	South America	YES	YES
Armada Tuah 302	West Africa	YES	YES
Armada Tuah 303	Asia	YES	YES
Armada Tuah 304	Asia	YES	YES
Armada Tuah 305	Asia	YES	YES
Armada Tuah 306	West Africa	YES	YES
Armada Tuah 307	West Africa	YES	YES
Armada Tuah 308	Asia	YES	YES
Armada Tuah 500	West Africa	YES	YES
BG Mahakam	West Africa	Vessel complies to BAN SMS	
Bumi Naryan-Mar	Caspian	Vessel complies to 3rd party SMS	
Bumi Pokachi	Caspian	Vessel complies to 3rd party SMS	
Bumi Uray	Caspian	Vessel complies to 3rd party SMS	

For the FPO Business, the units are required to comply with the following certifications. In addition to the ISM and ISPS codes there is also the Mobile Offshore Drilling Unit ("MODU"), certification applying to Floating Production Units covered under the MODU Code.

FPO Vessels	Area of Operations	ISM	ISPS	MODU
Armada Claire	Indonesia	Lloyd's - Lay up condition		
Armada Kraken	United Kingdom	N/A	N/A	YES
Armada LNG Mediterrana	Malta	YES	YES	N/A
Armada Olombendo	Angola	YES	YES	YES
Armada Perdana	Nigeria	N/A	YES	YES
Armada Sterling	India	N/A	YES	YES
Armada Sterling II	India	N/A	YES	YES
Armada TGT1	Vietnam	N/A	YES	YES
Karapan Armada Sterling III	Indonesia	YES	YES	YES

The International Convention for the Prevention of Pollution from Ships ("MARPOL")

In addition to monitoring our organizational impact on the environment, all 56 of our operating vessels under our two business units, FPO and OMS, comply to MARPOL-73/78. This is the environmental policy set out by the IMO and is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes.

MARPOL covers all areas of environmental impact from either vessel operations or vessel accidents and has strict processes and limits to ensure that all vessels that are certified, comply to the MARPOL regulations. These regulations include pollution of the marine environment by spillage, leakage or other pollution.

Safety

Under HSSEQ requirements, the Group actively monitors and reports its performances in relation to health, safety, security, environment and quality. HSSEQ reporting covers the Environment and Social areas that impact our business.

In addition, the Group employs an in-house occupational health physician and a hygienist to evaluate our practices relating to the health and well-being of our employees. Annual health hazard identification audits are conducted to spot non-conformities against good practices for ergonomics, lighting, noise and hygiene conditions.

We track health and safety incidents on our work premises for employees, contractors and visitors alike, in an effort to achieve our 'Goal Zero', which is zero harm to our people at work.

Safety	2013	2014	2015	2016	2017
Leading Indicators (per 200,000 mhrs)					
Safety Observation Frequency	560.5	720.8	902.15	598.79	**686**
Near Miss Reporting Frequency	1.34	1.66	1.69	1.19	**3.62**
Management Visit Ratio	5.2	5.83	4.78	8.33	**3.02**
Lagging Indicators (per 1 million mhrs)					
Lost Time Injury Frequency	0.44	0.66	0.27	0.12	**0.45**
Total Recordable Injury Frequency	1.31	1.58	2.34	0.73	**1.05**
First Aid Case Frequency	2.32	2.76	2.75	1.46	**1.79**

As highlighted in the MD&A, on page 23, there were some positive safety milestones on our operating FPSOs and FSU over the last 12 months. Sadly, during 2017 the Group recorded a fatality. There has also been a higher occurrence of LTIs, which has resulted in an increase in the TRIF score during 2017, as compared to 2016.

On the back of these safety events, the Group, as highlighted by both the Chairman and the CEO, has continued to re-enforce safety awareness for all employees across the Group.

ENVIRONMENTAL IMPACT

As the owner of 56 vessels that operates in the offshore energy sector in numerous countries around the world, we aim to minimise the impact of our business undertakings on the environment. For this reason, the two main areas that we focus on are water treatment and consumption and the monitoring of GHG emissions.

In terms of our impact on the marine environment and GHG, we monitor various areas, such as crude spillage, water consumption, GHG emissions as well as fuel and electricity consumption. These are monitored and recorded on an annual basis, as contained in the table on the next page. Behind this data is information that allows us to track the reason for increases, where we see improvements and efficiency and how we can find improvements going forward.

Environmental	2013	2014	2015	2016	2017
Spills (Contained onboard)	1	5	5	6	**10**
Spills release to sea (Number)	3	4	0	0	**0**
Greenhouse gas emissions (GHGs)					
Scope 1 ('000 tonnes CO_2 equivalent)	529	540	540	497	**486**
Scope 2 ('000 tonnes CO_2 equivalent)	0.8	1	0.9	0.7	**0.65**
Bunker fuel consumption (Million litres)	184	139	96	67	**58**
Electricity consumption (MWh)	1198	1489	1425	1016	**1101**
Water Consumption - Vessels thousand m^3	178	142	126	114	**133**

Note:

i) Reduction in Scope 1 Greenhouse gas emissions is due to reduction in number of operating assets

ii) Reduction in Scope 2 Greenhouse gas emissions is due to reduction in number of offices

Analysis of the Data:

- Although there was an increase in the number of spills on board the vessels, which have been contained and recovered, there were no incidents of spills to the sea.
- GHG emissions - Scope 1, monitors marine diesel consumption, which was lower due to lower OSV activity as compared to past years, but is likely to increase going forward on the back of more FPSOs in operations.
- GHG emissions - Scope 2, monitors bunker fuel and electricity consumption for offices. These are likely to increase due to higher FPSO operations in 2018.

PEOPLE & SOCIETY

Our People

Bumi Armada is committed to creating a working environment in which our people can develop in their roles to achieve the highest standards of professional excellence and integrity. We believe this development is achieved when we take care of our employees and provide leadership with a clear vision. As an organisation working across multiple countries, the Group always looks to employ key resources from the local markets in which we operate. Well-trained, motivated and aligned offshore crew are also critical in implementing our operations responsibly.

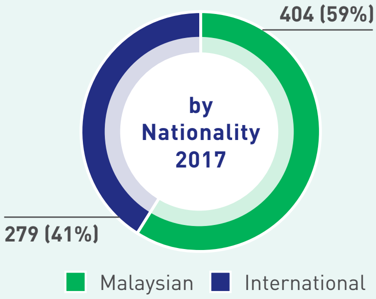
Equal Opportunity & Diversity

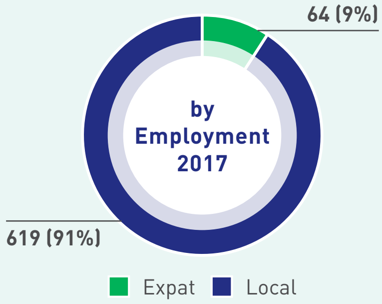
Our human resources activities are based on a commitment to equal opportunity, to attract the best talent, across gender and culture, to serve our global operations. Wherever possible, we will endeavour to reflect a country's diversity in our staff strength.

Onshore Workforce

Grand Total Headcount

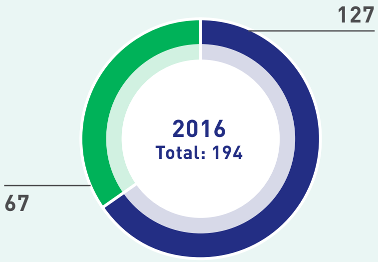
683

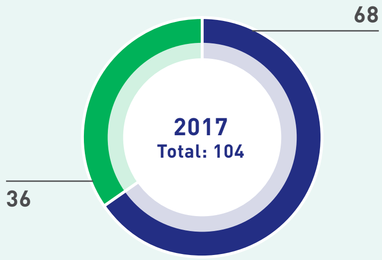




New Hires by Gender

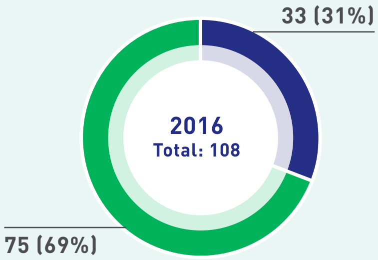
- Female
- Male

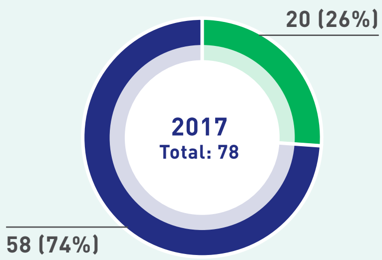




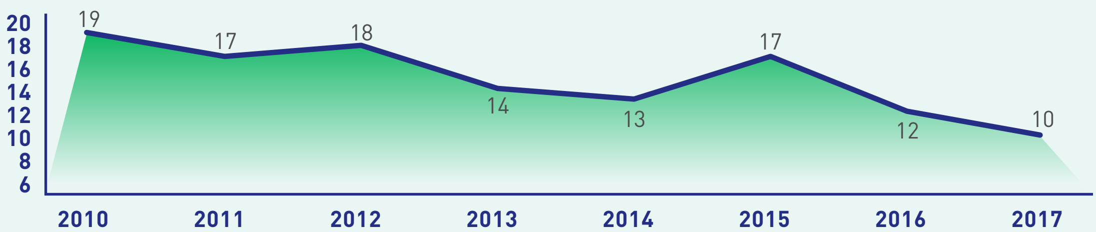
Employee Turnover by Gender

- Female
- Male





Voluntary Attrition Rate (%)



People	2013	2014	2015	2016	2017
Turnover Rate	14%	13%	17%	12%	**10%**
Training Hours Per Employee	11.7	10.6	8.3	8.8	**10.4**
Women (Onshore Employees)	33%	30%	28%	41%	**38%**

CSR ACTIVITIES

Other than setting targets across the organisation to reduce the various energy and water consumption amounts as part of our internal CSR targets, we look to support initiatives that mitigate our impact on the environment and have a positive impact in social areas.

Environment

We focus on marine conservation and GHG reduction. These two areas are not only supported at the corporate level, but also at our offices spread across the world.

We have been a long-term supporter of the Cherating Turtle Sanctuary ("CTS"). The CTS works to recover the eggs of Asian sea turtles laid on beaches along the East Coast of Malaysia and transfer them to the CTS hatchery. Once hatched, the turtles are reared to improve their chances of survival, until their release into the sea. In addition, our sponsorship has supported the provision of electronic tracking equipment for mature turtles, to monitor migration patterns. The CTS also educates schools and communities in the area about protecting sea turtles, especially the eggs, which are often seen as a delicacy in the region.

The Group also collaborates with the Biosphere Foundation ("Biosphere"), which carries out marine conservation activities near to where our JV FPSO, Karapan Armada Sterling III, operates off Madura Island in Indonesia. Biosphere runs a programme of coral reef protection, rehabilitation as well as education programmes in the local schools in the area.

While these are the main corporate marine CSR activities, our other offices around the world also undertake other marine conservation related activities, such as beach clean ups and smaller local initiatives in the countries where they are based.

GHG Reduction

We have supported the Forest Research Institute of Malaysia ("FRIM") for several years and were the first offshore O&G company to sponsor a dedicated area at FRIM. Under the programme, we have sponsored tree planting and educational activities that support GHG reduction activities and awareness. We plan to continue our support for FRIM, which we have supported for the past five years.

In addition to the support of FRIM, our international offices have added to GHG reduction programme, such as our office in Astrakhan, Russia, which sponsored and planted trees.

Society

Under our social CSR initiatives, we cover a series of areas ranging from education, local community support, clean water and immunisation programmes to disaster relief. In 2017, some of the main initiatives, supported were:

- The Malaysian Children Education Foundation ("MCEF"), with provides education support and sponsorship for underprivileged high-performing children.
- UNICEF's Clean Water and Immunisation programmes, focusing on countries where we operate in West Africa.
- Rise Against Hunger, which provides disaster relief pre-packed meals, which are distributed in areas that are struggling from natural or other disasters.

STAKEHOLDER ENGAGEMENT

We organise our various stakeholders into seven groups, which cover all the relevant parties from shareholders and clients, through to suppliers and media.

Our interaction with our stakeholders takes place on a series of different levels and with varying regularity. Interaction with existing clients and financial investors are almost day-to-day events, while engagement with regulators or certification bodies may be more ad-hoc.

Some examples of formal engagement, but not limited to:

- Project or operational reviews with the clients;
- Audits and reviews by regulators or certification bodies;
- Pre-qualification process for major projects; and
- Surveys held with employees or investors.

Informal feedback is likely to take place during other meetings such with individual stakeholders, supplier representatives, investors or banks.

In addition, there are a series of "lessons learnt" reviews from project execution, operational reviews, etc. that we use to improve performance of all stakeholders involved.

Stakeholders	Engagements	Engagement Actions	Areas of Emphasis
Shareholders & Financial Community	Regular	• Individual meetings • Investor conferences • Quarterly results briefings • AGM • Site or vessel visits, etc.	• Project completion • Financial performance and growth • Share price performance
Employees	Regular	• Townhalls • Performance appraisals • Employees survey • Site or vessel visits, etc	• Corporate performance • Development opportunities
Governments & Regulators	As required	• Formal engagement and dialogues • Site or vessel visits • Certification dialogues and audits • Local content reviews, etc.	• Local content • Compliance to regulations
Clients & Business Associates	Regular	• Operating performance reviews • Operating and contractual compliance • Pre-qualification & Surveys • Industry conferences • Site or vessel visits, etc.	• Safety • Operational performance
Suppliers & Contractors	Regular	• Performance appraisals • Lessons learnt exercises and feedback • Site or vessel visits	• Safety • Outlook for new projects
Community	As required	• Local partnerships • Local content reviews • Community support, etc.	• Local content • Job opportunities • Community support
Media	Regular	• Quarterly releases • Meetings local and sector specific media • Site or vessel visits	• Project completion • Financial performance • Share price performance

SUSTAINABILITY STATEMENT

CURRENT TOP 5 STAKEHOLDER CONCERNS

The list below is based on the most recent interactions with stakeholders, as highlighted in the table above, and while most of the concerns areas overlap with our material issues discussed earlier, their order of priority for stakeholders, at this time, is different.

Areas of Concern	Reasons/Explanations
Completion of Major FPO Projects	Delayed final acceptance of Armada Olombendo and Armada Kraken.
Financial Performance	Delays in FPSO charters and weak OSV operations have negatively affected cash flow.
Safety	Remains a key risk for clients and operations.
Prospects and Growth	Questions regarding the next major project and future growth.
People	Resource capacity and capability to execute new projects and longer-term talent development.

PLANS IN 2018

For 2018, we plan to continue to support the main initiatives that we have been reporting on in the past, with an aim to make a long-term positive impact in both the marine environment and societies where we operate. In addition, we will look to further expand our sustainability activities where possible with our stakeholders in the different countries in which we operate.


3

How We Are Governed

CORPORATE GOVERNANCE OVERVIEW STATEMENT

>>

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ
Chairman

Dear Shareholders,

The Board of Bumi Armada believes that sound corporate governance principles and practices are integral to the success of the Company in achieving its objectives and goals. This is especially vital for the Board in effectively discharging its role in steering the organisation safely through the continuing challenges in the business and operating landscape.

GOVERNANCE

The MCCG issued by the Securities Commission requires companies to explain any departure from the recommended practices and should a departure exist, alternative practices are disclosed which still achieve the Intended Outcomes. The MCCG is premised on driving good corporate governance practices within organisations. It is intended as a guide which organisations may refer to when developing their internal frameworks and processes. It is a concerted effort to embed governance rather than be a check box ticking exercise.

With this in mind, the Board reviewed the Company's current practices, and there are several departures from the recommended practices under the MCCG. These have been disclosed in the Corporate Governance report which the Company has announced to Bursa Securities. Timelines to adopt the practices have also been disclosed.

The Board remains committed to ensuring the Intended Outcomes are and will be achieved per the timelines and that sound corporate governance practices are effectively implemented throughout the organisation.

PERFORMANCE EVALUATION

The Board Annual Evaluation is an important exercise in ensuring the continued performance and effectiveness of the Board. Directors' feedback are obtained through questionnaires and one-on-one discussions with the Board Chairman. Findings are discussed at the Nomination & Corporate Governance Committee ("NC") as well as the Board. Outcomes of the evaluation exercise are the identified areas for improvement with clear action plans set. The implementation progress of the respective action plans are monitored by the Board. The evaluation exercise has been run internally since 2015 and the Board will consider the engagement of an independent party to conduct the exercise for 2018.

CHANGES TO YOUR BOARD

As mentioned in my earlier message, there were several changes to Board membership during 2017 and up until February 2018. Currently, 33% of the Board comprise of women which is line with the MCCG. The Board is of the view that the current Board size of 6 Directors has the necessary skills and experience as well as diversity in enabling the Board to effectively discharge its duties and responsibilities. However, the Board is actively searching for suitable candidates as Independent Directors.

Tunku Ali Redhauddin ibni Tuanku Muhriz
Chairman of the Board

CORPORATE GOVERNANCE OVERVIEW

IN THIS CORPORATE GOVERNANCE OVERVIEW SECTION, WE DESCRIBE OUR GOVERNANCE STRUCTURE AS WELL AS HOW THE BOARD AND BOARD COMMITTEES OPERATE AND THEIR FOCUS FOR 2017. WE ALSO LOOK AT THE MEMBERS OF THE BOARD AND MANAGEMENT.

OUR DIRECTORS

Our Directors' skills and experience, together with their wide range of backgrounds, help them constructively challenge Bumi Armada's Management and develop our effective strategy for the future.

OUR GOVERNANCE FRAMEWORK

Our governance and internal control framework helps the Board exercise proper oversight.

OUR COMMITTEES

The Board has delegated certain authorities and responsibilities to five Board Committees, all of which operates within their respective Terms of Reference ("TOR").

OUR CORPORATE GOVERNANCE STATEMENT

We remain committed to operating in accordance with best practice in business integrity and ethics and maintaining the highest standards of financial reporting and corporate governance. The Directors consider that Bumi Armada has generally complied throughout the year with the provisions of the MCCG, save for what has been detailed in the Corporate Governance Report. Bumi Armada has also complied with the CA 2016 and MMLR of Bursa Securities. In preparing this report, the CG Guide issued by Bursa Securities was referred to. Our Corporate Governance Overview is to be read in conjunction with the Corporate Governance Report, which is accessible online at www.bumiarmada.com.

The MCCG issued in April 2017 is available on the Securities Commission website at www.sc.com.my and the CG Guide is available on www.bursamalaysia.com.

CORE PRINCIPLES

LEADERSHIP & EFFECTIVENESS

A strong, open and effective Board

PAGES 44 TO 69

ACCOUNTABILITY

Close scrutiny of risks and controls

PAGES 70 TO 77

RELATIONSHIP WITH STAKEHOLDERS

Open engagement with stakeholders

PAGE 78

CORPORATE GOVERNANCE OVERVIEW
Leadership & Effectiveness

BUMI ARMADA'S BOARD MEMBERS BRING A WIDE RANGE OF EXPERIENCE, SKILLS AND BACKGROUNDS WHICH COMPLEMENT OUR STRATEGY

- Audit
- Executive
- Risk Management
- Nomination & Corporate Governance
- Remuneration

CORPORATE GOVERNANCE OVERVIEW
Leadership & Effectiveness

EXPERIENCES

- Government/ Agency/ Regulatory Bodies
- Private Enterprise
- Professional Services/ Bodies
- International Posting

INDUSTRIES

- Banking/ Capital Markets
- Oil and Gas (Technical/ Operations)
- Oil and Gas (General Management)
- Oil and Gas (Insurance)
- Marine & Shipping
- Telecommunications/ IT
- Property Development/ Real Estate
  Manufacturing
- Investments
- Others

SKILLS

- Corporate Governance
- Strategic Planning and Business Strategy
- International Business Relations
- Banking, Finance & Investment
- Engineering & Geological
- Linguistics & Negotiation
- Marketing
- Accounting
- Corporate Finance
- Audit
- Risk Management
- Legal and Regulatory Compliance
- Communication
- Human Resource Management
- Change Management
- Project Management

NAME	**1** **TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ** Chairman/ Independent Non-Executive Director/ Chairperson of Nomination & Corporate Governance Committee
AGE/ GENDER	**40/ Male**
COUNTRY	**Malaysia**
DATE OF APPOINTMENT	**Director** -17 January 2013 **Chairman** -18 June 2013
QUALIFICATIONS	■ BA (Hons) in History and Social & Political Sciences from the University of Cambridge ■ Masters in Public Administration from the John F Kennedy School of Government, Harvard University
BOARD AND BOARD COMMITTEES	●
PRESENT DIRECTORSHIPS	**Listed Companies:** Nil **Other Public Companies:** ■ Bangkok Bank Berhad ■ Sun Life Malaysia Assurance Berhad
SKILLS AND PREVIOUS APPOINTMENTS	See below

SKILLS AND PREVIOUS APPOINTMENTS

Tunku Ali Redhauddin ibni Tuanku Muhriz ("Tunku Ali") brings with him significant experience and knowledge in the global investment field, having been with Khazanah Nasional Berhad ("Khazanah") from 2004 to 2010, where he was a director in the Investments Division.

There, he worked on a number of transformational projects and new investments in Malaysia and throughout Asia. Prior to Khazanah, Tunku Ali gained international client service experience while serving in McKinsey & Company as a management consultant from 1998 to 2004 where he worked on corporate strategy, organisational and governance projects in Europe, North America, and Asia. In addition to Bumi Armada Berhad and other public companies, Tunku Ali sits on the Boards of several companies including Themed Attractions, Resorts and Hotels Sdn Bhd, Iskandar Malaysia Studios Sdn Bhd, Sun Life Malaysia Assurance Berhad, Bangkok Bank Berhad and Cardiac Vascular Sentral (Kuala Lumpur) Sdn Bhd. He is also a Senior Advisor to TPG Capital, a global Private Equity firm. He is Chairman and Founding Trustee of Teach For Malaysia, Chairman of WWF Malaysia, Chairman of the Board of Trustees of Yayasan Munarah, Royal Patron of Enactus Malaysia Foundation, Chairman of the Board of Governors of Marlborough College Malaysia and Pro-Chancellor of Universiti Sains Islam Malaysia.

Notes:
1. *None of the Directors have any family relationships with any directors and/or major shareholders of the Company.*
2. *None of the Directors have any conflict of interest with the Company.*
3. *None of the Directors have any convictions for offences within the past five years (other than traffic offences, if any).*
4. *None of the Directors have any public sanctions and/ or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2017.*

CORPORATE GOVERNANCE OVERVIEW
Leadership & Effectiveness

2 ALEXANDRA SCHAAPVELD

Independent Non-Executive Director/
Chairperson of Remuneration Committee/
Member of Audit and Nomination &
Corporate Governance Committees

59/ Female

Netherlands

8 June 2011

- Degree in Politics, Philosophy and Economics from Oxford University, United Kingdom
- Master in Development Economics at Erasmus University, Netherlands

Listed Companies:
- Vallourec S.A.
- Société Générale S.A.

Other Public Companies:
- Nil

Alexandra Schaapveld started her career at ABN AMRO Bank in 1984 in corporate banking and subsequently in investment banking: equity capital markets and mergers and acquisitions.

She had always been a strong advocate of client relations at the Bank. In 2001, she was made Senior Executive Vice President responsible for sector expertise and in 2004 she became the head of the global clients and investment banking units. After the acquisition of ABN AMRO Bank by a consortium of banks, she became head of Europe for Royal Bank of Scotland in 2008.

3 VU KUMAR

Independent Non-Executive Director/
Chairperson of Audit and
Risk Management Committees/
Member of Remuneration and Nomination &
Corporate Governance Committees

64/ Male

Malaysia

10 April 2017

- Fellow of the Institute of Chartered Accountants in England & Wales
- Member of Institute of Chartered Accountants in England & Wales
- Chartered Accountant of Malaysian Institute of Accountants
- Member of Malaysian Association of Certified Public Accountants

Listed Companies:
Nil

Other Public Companies:
Nil

VU Kumar was with PricewaterhouseCoopers for nearly 35 years.

He has led and worked on some of the most challenging and complex assignments, both in Malaysia and globally, working with multinational and blue-chip national clients in audit, business advisory, mergers and acquisitions, valuations, privatisations, IPOs and cross-border transactions.

4 CHAN CHEE BENG

Non-Independent Non-Executive Director/
Chairperson of Executive Committee/
Member of Nomination &
Corporate Governance Committee

62/ Male

Malaysia

2 June 2003

- Degree in Economics and Accounting from the University of Newcastle-upon-Tyne, United Kingdom
- Fellow of the Institute of Chartered Accountants in England and Wales

Listed Companies:
Nil

Other Public Companies:
- Maxis Communications Berhad Group
- Yu Cai Foundation

Chan Chee Beng has more than 38 years of experience in general and financial management, investment banking and accounting including stints with Ernst & Young and Morgan Grenfell & Co. Ltd prior to joining the Usaha Tegas Sdn Bhd ("UTSB") Group in 1992 as Head of Corporate Finance.

He serves on the Boards of several other companies in which UTSB has significant interests, such as Sri Lanka Telecom PLC, Binariang GSM Sdn Bhd and Maxis Communications Berhad (holding company of Maxis Berhad), having an operational base in Malaysia. He is also a director of Yu Cai Foundation.

CORPORATE GOVERNANCE OVERVIEW
Leadership & Effectiveness

NAME	5 MAUREEN TOH SIEW GUAT	6 LEON HARLAND
	Non-Independent Non-Executive Director/ Member of Audit, Risk Management, Remuneration and Executive Committees	Executive Director/ Chief Executive Officer/ Member of Executive Committee
AGE/ GENDER	**52/ Female**	**48/ Male**
COUNTRY	**Malaysia**	**Netherlands**
DATE OF APPOINTMENT	23 April 2014	16 May 2016
QUALIFICATIONS	▪ Bachelor of Law (LL.B) from University Malaya, Malaysia ▪ Master of Law (LL.M) from Harvard Law School, United States of America	▪ Master of Science Degree – Civil (Offshore) Engineering from Delft University of Technology, Netherlands
BOARD AND BOARD COMMITTEES	● ● ● ●	●
PRESENT DIRECTORSHIPS	**Listed Companies:** Nil **Other Public Companies:** Nil	**Listed Companies:** Nil **Other Public Companies:** Nil
SKILLS AND PREVIOUS APPOINTMENTS	**Maureen Toh Siew Guat has more than 20 years of legal experience, primarily in corporate, commercial and banking matters and equity/ capital markets, including stints with law firms in Kuala Lumpur and Singapore.** She is a Director of Usaha Tegas Sdn Bhd ("UTSB"), which is a Malaysian based investment holding company which has significant interests in companies operating across diverse industries such as telecommunications, media and entertainment, energy and real estate and leisure, including the following companies which are listed on Bursa Malaysia Securities Berhad – Maxis Berhad (integrated communications services group) and Astro Malaysia Holdings Berhad (integrated consumer media entertainment group). She was previously the Group General Counsel of UTSB.	**Leon Harland was appointed as an Executive Director and Chief Executive Officer of the Company with effect from 16 May 2016. Leon Harland is responsible for driving Bumi Armada's short and long term growth plans, charting the strategic direction of the Company, leading the drive to operational excellence, allocating capital as well as forming strategic partnerships with clients and stakeholders.** He brings with him more than 20 years of diverse experience in the oil and gas sector, especially in FPSO, FLNG, SURF and Transport & Installation segments. He was previously the Executive Vice-President, Commercial & Technology at Heerema Marine Contractors and a member of the Board of Directors, with joint responsibility of building the company's performance, and he was directly responsible for all commercial, contracting, engineering and innovation initiatives. He also worked at SBM Offshore where he held various positions in engineering, project management and business development. In 2004, he was tasked to start up and build their Floating-LNG business.

Notes:
1. *None of the Directors have any family relationships with any directors and/or major shareholders of the Company.*
2. *None of the Directors have any conflict of interest with the Company.*
3. *None of the Directors have any convictions for offences within the past five years (other than traffic offences, if any).*
4. *None of the Directors have any public sanctions and/ or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2017.*

CORPORATE GOVERNANCE OVERVIEW

Leadership & Effectiveness

1

Leon Harland

- Executive Director
- Chief Executive Officer

2

Pierre Savy

- Acting Chief Financial Officer

3

Anusoorya Themudu

- Chief Human Resources Officer

4

James Ellis

- Senior Vice President Floating Production and Operation

5

Megat Zariman bin Abdul Rahim

- Head of Offshore Marine Services

6

Bruno Solinas

- Head of Engineering

7

Hans Rausch

- Head of Supply Chain Management

8

Gareth Gill

- Vice President Proposals & Tendering

9

Sasha Vijayananthan

- Head of Internal Audit & Acting Head of Risk

10

Gary Leong

- Head of Health, Safety, Security, Environment and Quality (HSSEQ)

11

John Leemeijer

- Vice President Projects

12

Noreen Melini binti Muzamli

- Joint Company Secretary/ Head, Corporate Secretarial Services

1 Leon Harland

Please refer to his profile in the Board of Directors' profiles section.

2 Pierre Savy

Acting Chief Financial Officer

COUNTRY: *FRANCE*
AGE: 59
GENDER: ♂

Date of appointment:
- 5 May 2015
  (Joined Bumi Armada as Head - Cost Control, Risk & Insurance)
- 9 September 2016
  (Appointed as Acting Chief Financial Officer)

Qualifications:
- Master's Degree in Management from Dauphine University, Paris
- Bachelor of Economics from Dauphine University, Paris

Directorship in Listed Issuers and Public Companies:
- Nil

Pierre Savy ("Pierre") is responsible for Corporate Finance, Treasury, Financial Reporting, Group Control, Investor Relations, Project Finance, Communications, Tax and IST.

Pierre has been in Kuala Lumpur for almost two decades prior to joining the Company, he was the Finance Director of SBM Offshore in Kuala Lumpur, where he contributed to the implementation and performance of this operating centre. Before that, he was with Project Finance at Technip and he was highly involved in the setting up and further development of Technip in the APAC Region.

3 Anusoorya Themudu

Chief Human Resources Officer

COUNTRY: *MALAYSIA*
AGE: 45
GENDER: ♀

Date of appointment:
- 3 August 2015

Qualifications:
- Bachelor of Science (Hons) in Biochemistry from University Putra Malaysia
- Graduate of Experience HR Leadership Program at GE Global Learning Center in Crotonville
- Attended a global leadership program hosted by London Business School for high performing leaders in Petrofac

Directorship in Listed Issuers and Public Companies:
- Nil

Anusoorya Themudu ("Soorya") is responsible for Bumi Armada's global workforce. Soorya is an experienced HR leader with world class experience gained in a diverse range of blue-chip companies, including Petrofac, General Electric and Eli Lilly. Soorya's experience to date encompasses all aspects of the HR agenda: Talent Acquisition, Reward Strategy, Performance Management, Leadership Development, Organisational Design, Cultural Change, Business Transformation, HR Systems, Employee Relations and Stakeholder Engagement. She has a proven track record in developing and implementing best practices, along with experience in successfully creating, implementing and sustaining leadership development programmes that attract and retain talent. In addition to her work, she also championed the Diversity Initiative at Eli Lilly and General Electric.

Prior to joining BAB, Soorya was the Regional HR Director at Petrofac where she managed the HR function for the SEA region.

CORPORATE GOVERNANCE OVERVIEW
Leadership & Effectiveness

4 James Ellis

Senior Vice President Floating Production and Operation

COUNTRY: IRELAND

AGE: 56

GENDER: ♂

Date of appointment:
- 1 July 2016

Qualifications:
- Bachelor of Science which includes a certificate in management and a diploma in Environment as well as a Class 1 (Deck) Master Marine South Tyneside College, United Kingdom
- Bachelor of Science (Hons) from Open University
- Certificate in Management and Quality from Open University
- Graduate of the Ops Academy at MIT USA (Sloan School of Executive Management)

Directorship in Listed Issuers and Public Companies:
- Nil

James Ellis ("Jim") is responsible for our FPO division, Fleet Asset Integrity and Commercial activities group. He was the Operations Director of SBM Offshore and was responsible for the day to day operations of the global production fleet of FPSOs, semi-subs, gas platform FSOs, and a trading tanker before joining Bumi Armada.

Jim has also worked at Excelerate Energy as Director of Floating Liquefaction and provided the technical and commercial guidance of Floating Liquefaction solutions and FEED execution plans for the company. He has held various management positions in the past including approximately 6 years in BP as the President of BP Shipping (USA) as well as the Global Fleet Manager for BP Shipping.

5 Megat Zariman bin Abdul Rahim

Head of Offshore Marine Services

COUNTRY: MALAYSIA

AGE: 50

GENDER: ♂

Date of appointment:
- 11 April 2013 (appointed as Senior General Manager, Sales & Marketing - Malaysia)
- 1 March 2018 (appointed as Head of Offshore Marine Services)

Qualifications:
- Bsc Electrical Engineering, Worcester Polytechnic Institute, Worcester, Massachusetts, USA

Directorship in Listed Issuers and Public Companies:
- Nil

Megat Zariman bin Abdul Rahim ("Megat") is responsible for the running of our OMS business which includes the OSV and SC sub-segments.

He has held various positions within Bumi Armada for the last five years with the scope of building, managing and growing the Company's activities within Malaysia and the Asia Pacific region.

Before joining Bumi Armada, Megat spent over 21 years with Schlumberger, delivering and growing its services portfolio to regional clients in Thailand, Myanmar, Vietnam, Philippines and Brunei.

Concurrently, Megat is also the Vice President in the Malaysian Oil & Gas Service Council ("MOGSC"). MOGSC is a leading non-profit association, which promotes the interests of the Malaysian Oil & Gas service providers, with the mission to champion the Malaysian Oil & Gas services sector as a regional hub and with the scope of aiding in the development of the Malaysian Oil & Gas services sector too.

6 Bruno Solinas

Head of Engineering

COUNTRY	AGE	GENDER
ITALY	62	♂

Date of appointment:
- 23 January 2017

Qualifications:
- Brevet De Technicien Superieur (BTS) of Steel Structure from University Technology Bretigny-sur-Orge

Directorship in Listed Issuers and Public Companies:
- Nil

Bruno Solinas ("Bruno") is responsible for all aspects of Bumi Armada's engineering activities and projects in ensuring they are met on time, within budget and meeting all Health, Safety, Environmental and Quality requirements.

Bruno joins us with a wealth of experience, having spent over 35 years in the oil and gas industry with stints in ETPM, Technip, Germanischer Lloyd and Progisys group. He specialises in offshore structural engineering, project management, and technical assurance.

Before to joining Bumi Armada, Bruno was the Asia Pacific, Business Development Director at SBM Offshore, where he was responsible for the overall management of all strategic and operational marketing and customer relationship activities.

7 Hans Rausch

Head of Supply Chain Management

COUNTRY	AGE	GENDER
GERMANY	50	♂

Date of appointment:
- 13 January 2016

Qualifications:
- DBA, Doctorate Degree in Business Administration (In Progress) Walden University, Minneapolis
- EAFIT, Bogota, Graduate program, Specialization in Marketing, Universidad De La Sabana
- Master's Degree in Business Administration, Universidad EAFIT, Medellin
- Logistics Management Certification, Universidad De Medellin, Medellin
- Bachelors in Business Administration, Pittsburg State University, Pittsburg

Directorship in Listed Issuers and Public Companies:
- Nil

Hans Rausch ("Hans") is responsible for managing Bumi Armada's overall supply chain operations. In his role, Hans aids not solely in minimising shortages of vital components and cost savings, but has the responsibility in making recommendations in improving productivity, quality and efficiency of our current operations through re-accessing current business practices and implementing industry best practices.

Hans has over 20 years of supply chain experience and was a regional procurement and sourcing manager for Asia at Schlumberger Oilfield Services before joining Bumi Armada. At Schlumberger, he was responsible for the restructuring of the regional strategic sourcing team in centralising of procurement activities to their Kuala Lumpur office.

He has also worked with Halliburton and was responsible for maximising the contribution to the bottom line through the development of a strategic buying initiatives in reducing inventory wastages.

CORPORATE GOVERNANCE OVERVIEW

Leadership & Effectiveness

8 Gareth Gill

Vice President Proposals & Tendering

COUNTRY: UNITED KINGDOM

AGE: 48

GENDER: ♂

Date of appointment:

- 3 June 2013 (appointed as FPSO Operations Manager)
- 1 October 2016 (appointed as Vice President Proposals & Tendering)

Qualifications:

- Bachelors of Mechanical Engineering, Newcastle Polytechnic

Directorship in Listed Issuers and Public Companies:

- Nil

Gareth Gill ("Gareth") is responsible for managing Bumi Armada's tender acceptance, commercial proposals, document submission time lines, financial modelling and price calculations for all FPO project bids.

Gareth brings a wealth of experience. Prior to this role, Gareth had been working at Bumi Armada FPO Operations department. Before Bumi Armada, Gareth held various positions at SBM Offshore. He has both technical knowledge of FPSOs during his time as an Offshore Installation Manager and client management experience.

He has also worked at Deutag Services Limited as a shift production supervisor where he was responsible for upkeep of production and utility items, safety analysis and risk assessment and production reporting.

9 Sasha Vijayananthan

Head of Internal Audit & Acting Head of Risk

COUNTRY: MALAYSIA

AGE: 43

GENDER: ♀

Date of appointment:

- 1 March 2016

Qualifications:

- CPA Australia
- Bachelor of Commerce (Accounting), Monash University, Australia

Directorship in Listed Issuers and Public Companies:

- Nil

Sasha Vijayananthan ("Sasha") is responsible for all aspects of Bumi Armada's internal audit function which assists the Group in accomplishing its goals by providing a systematic and disciplined approach to evaluate the effectiveness of various processes and controls within the Group. This would include detailed review and identification of areas of improvement in matters related to internal controls and governance. In her role of Acting Head of Risk Management, she manages and oversees the risk management activities of Bumi Armada.

She has over 22 years' experience in the Governance, Risk and Control space and was Vice President of Group Risk Management at Sime Darby Berhad, before joining Bumi Armada.

Sasha was previously an auditor at Ernst & Young, starting as an associate and working her way up to director level. She has a wealth of experience, specialising in governance reviews, financial control framework implementations, internal and external auditing for a broad range of industries including the oil and gas industry.

10 Gary Leong

Head of Health, Safety, Security, Environment and Quality (HSSEQ)

COUNTRY: MALAYSIA
AGE: 36
GENDER: ♂

Date of appointment:
- 15 March 2018

Qualifications:
- Bachelor (First Class), Chemical Engineering with Environmental Protection, Loughborough University

Directorship in Listed Issuers and Public Companies:
- Nil

Gary Leong ("Gary") is responsible for overseeing Bumi Armada's Corporate HSSEQ function as well as driving governance and assurance on HSSEQ matters related to projects and operations across corporate and business units.

Before joining the Company, Gary was the Head of Health, Safety, Security & Environment ("HSSE") Performance at Group HSSE, PETRONAS where he was responsible for HSSE performance management, sustainability reporting, digitalisation of HSSE performance management and C-level reporting to PETRONAS Executive Leadership Team and Board.

Gary has also worked with DuPoint and Accenture, where he held various positions in driving HSSE excellence for clients in the energy and mining industry. His experiences span across strategy development, governance audits, safety culture transformation, organisation improvement, project management and performance improvement in the realm of HSSE.

11 John Leemeijer

Vice President Projects

COUNTRY: AUSTRALIA
AGE: 65
GENDER: ♂

Date of appointment:
- 1 June 2017

Qualifications:
- Chief Engineers First Class Certificate for Motor Ships with Steam Endorsement

Directorship in Listed Issuers and Public Companies:
- Nil

John Leemeijer ("John") is responsible for Bumi Armada's overall strategy for engineering projects, starting from opportunity identification, bid submission, approval and execution of the project throughout its lifecycle.

John brings with him, strong operations experience in project management of FPSO and other floating units (such as drill ships) and has built up his long career with Bluewater, Maersk and American Eagle Tankers.

Prior to joining Bumi Armada, John worked with SBM Offshore in the capacity of Director of Projects where he was responsible for overseeing all live projects and proposals centered in Kuala Lumpur.

CORPORATE GOVERNANCE OVERVIEW
Leadership & Effectiveness

12 Noreen Melini binti Muzamli

Joint Company Secretary/ Head, Corporate Secretarial Services

COUNTRY	AGE	GENDER
MALAYSIA	41	♀

Date of appointment:
- 1 September 2015 (joined Bumi Armada)
- 10 September 2015 (appointed as Joint Company Secretary)

Qualifications:
- Bachelor of Laws (Hons) from University of Bristol, United Kingdom (1999)
- Certificate of Legal Practice (2005)
- Company Secretary license from the Companies Commission of Malaysia (since 2001)

Directorship in Listed Issuers and Public Companies:
- Nil

Noreen Melini binti Muzamli ("Noreen") is responsible for ensuring the provision of effective corporate secretarial services at Bumi Armada and advising the Board and management of Bumi Armada on the compliance with relevant regulations and best practices on corporate governance.

She has more than 16 years of corporate secretarial experience in various sectors which included property development and financial services. Prior to joining Bumi Armada, Noreen was attached to the Maybank Group for nine years and her last position was as the Company Secretary of Maybank Investment Bank Berhad and its group of companies, a position she held since November 2010. She was also Regional Head, Corporate Secretarial Services of Maybank Kim Eng Group ("Group"), the investment banking division of Maybank Group and was responsible for ensuring the adoption of group policies and best practices on corporate governance in the 10 countries in which the Group operated. Before Maybank Group, she was with a public listed property developer for more than 5 years and was assigned to its Legal and Secretarial Department.

Notes

1. *None of the Management has any family relationships with any Directors and/or major shareholders of the Company.*
2. *None of the Management has any conflict of interest with the Company.*
3. *None of the Management has any convictions for offences within the past five years (other than traffic offences, if any).*
4. *None of the Management has any public sanctions and/ or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2017.*

BOARD GOVERNANCE AND ACTIVITIES

BOARD OF DIRECTORS

TENURE OF INDEPENDENT DIRECTORS	A limit of nine years' service is provided for under the criteria for independence in the MCCG which has been incorporated in the Company's Policy on Assessment of the Independence of Directors. None of the Independent Directors have exceeded the limit of nine years' service. Although long tenure of an Independent Director may incline towards or be perceived as compromising independence, the Board will review its position and criteria from time to time. This is to ensure that Independent Directors who have the necessary knowledge, skills and competencies, and who continue to exercise independent and objective judgment, play their part effectively on the Board in the best interest of the Company and satisfy the independence criteria, are not excluded based merely on the nine-year tenure criteria.
DIRECTOR INDEPENDENCE	Independence is determined by ensuring that, apart from receiving their fees for acting as Directors, Non-Executive Directors ("NEDs") do not have any other material relationship or additional remuneration from, or transactions with, the Group, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect, or could appear to affect, their independence of judgement. The Board has in place policies, procedures and criteria for the assessment of the independence of Independent Directors. The policy and procedure also provides for assessment to be undertaken when new members are appointed to the Board in an independent capacity, prior to their appointment. Confirmation is also required for disclosures for regulatory purposes. However, the Independent Directors are expected to inform the Board, at any time when circumstances arise which could interfere with their exercise of independent judgment, and objectivity or their ability to act in the best interest of the Company. The policy and criteria will be reviewed from time to time.
CONFLICTS OF INTEREST	There are no actual or potential conflicts of interest between any duties owed by the Directors or senior management to the Company and their private interests or other duties. The Board will continue to monitor and review potential conflicts of interest on a regular basis.
BOARD RESPONSIBILITY	Ultimate responsibility for the management of the Group rests with the Board. The Board focuses primarily on strategic and policy issues and is responsible for: ■ leadership of the Group; ■ implementing and monitoring effective controls to assess and manage risk; ■ supporting the senior leadership team to formulate and execute the Group's strategy; ■ monitoring the performance of the Group; and ■ setting the Group's values and standards. There is a specific schedule of matters reserved for the Board. These matters can be found in our Board Charter which is accessible online at www.bumiarmada.com.

CORPORATE GOVERNANCE OVERVIEW
Leadership & Effectiveness

ROLES AND RESPONSIBILITIES OF THE BOARD

ROLE	RESPONSIBILITIES
Chairman **Tunku Ali**	The Chairman is responsible for creating the conditions necessary for overall Board and individual Director's effectiveness, drawing on their respective knowledge, experience and skills. **His role includes:** ■ providing leadership at the Board level; ■ setting the tone for the Board discussions and deliberations with a view to promoting effective decision-making and performance monitoring to promote the success of the Group; ■ setting the tone for the Company's values and standards to ensure the obligations to its shareholders and other stakeholders are understood and met; ■ together with the Board, reviewing the organisational structure including the composition of Board Committees to ascertain if it serves the needs of the Company and Board; ■ setting the Board agenda with input and advice from the CEO (with primary focus on strategy, value creation, governance and accountability) and the Company Secretaries and ensuring timely flow of high quality supporting information; ■ working together with the Board and based on the work of the Board Committees, determine the nature and extent of risk appetite of the Group; ■ working with the Board in ensuring there is a proper selection, assessment and training programmes for the Directors; ■ together with the other Board Members, monitoring the implementation of Board decisions and directions and performance of Management; ■ lead the Board in establishing and monitoring good corporate governance pratices and systems in the Company: and ■ presiding over shareholder meetings and representing the Company at certain key events.
CEO **Chief Executive Officer** **Leon Harland**	**The Chief Executive Officer ("CEO"), who is an Executive Director ("ED") on the other hand, has overall responsibilities over the following:** ■ the performance of the operational and business units and achievement of the corporate and commercial objectives of the Group including managing the expansion and optimisation of revenue and earnings of each of the business units and enhancing the capital value of the Group; ■ working with and advising the Board to define the strategic, corporate and commercial objectives of the Group; ■ preparing its business and operational plans and seeing to their implementation as well as the implementation of the policies, directives and decisions as approved by the Board; and ■ providing leadership to Management and having direct oversight for the financial performance and organisational effectiveness of the Group which includes business operations, financial management and controls, project execution, supply chain management, human resource development, investor relations and building of brand equity, operational excellence, supporting and managing the Company's HSSEQ management system and quality performance initiatives as well as commitment to Corporate Sustainability.
SID **Senior Independent Director** **Alexandra Schaapveld**	The Board has nominated one of the Independent NEDs to act as Senior Independent Director. **She is responsible for:** ■ being an alternative contact for shareholders at Board level other than the Chairman; ■ acting as a sounding Board for the Chairman; ■ if required, being an intermediary for NEDs' concerns; and ■ undertaking the annual Chairman's performance evaluation.

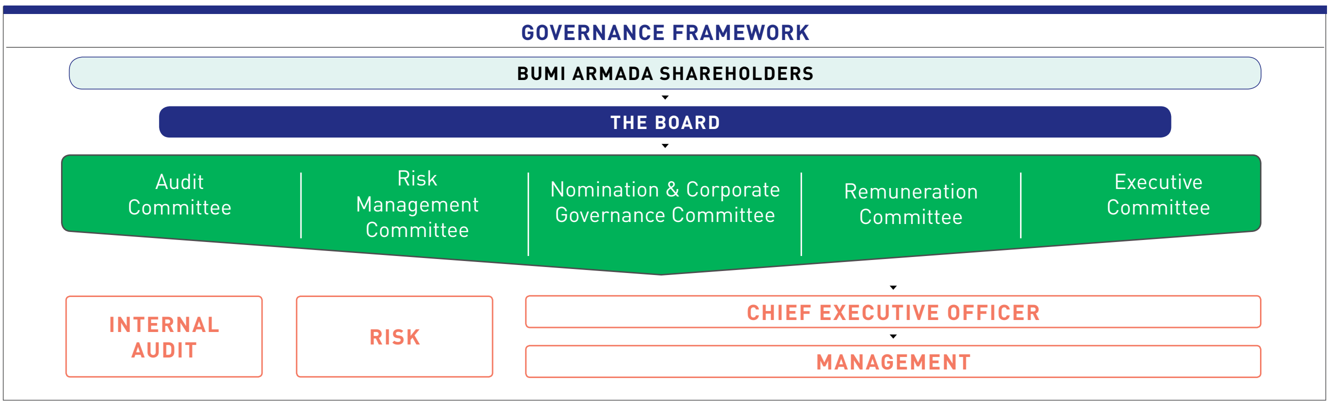
CORPORATE GOVERNANCE OVERVIEW

Leadership & Effectiveness

ROLE	RESPONSIBILITIES
CS **Company Secretaries** **Noreen Melini binti Muzamli** *(Head, Corporate Secretarial Services)* **Noor Hamiza binti Abd Hamid**	The Company Secretaries support the Chairman on Board Corporate Governance matters. **They are responsible for:** (i) Corporate governance advisory ▪ ensuring that adequate processes and procedures are in place and adhered to for the effective functioning of the Board; ▪ advising the Board on various matters including Directors' duties, disclosure obligations, compliance with companies and securities laws, regulatory requirements and corporate governance developments; ▪ assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and ▪ facilitating training programme for Directors and induction programme for new Directors. (ii) Compliance advisory ▪ providing updates and assist the Board and Management with reviewing regulatory requirements related to Company and securities regulations and listing requirements as well as analysis of status of compliance and action plans; ▪ advising the Board on disclosure requirements relating to material information to shareholders and regulators in a timely manner; and ▪ notifying the Board of any possible non-compliance issues. (iii) Information flows and meetings ▪ setting the agenda, convening, facilitating proper conduct and recording proceedings and decisions of the Board and Board Committees; and ▪ ensuring an appropriate level of communication between the Board and its Committees and between senior management and the NEDs. (iv) Regulatory compliance ▪ ensuring statutory and meeting records of the Company are properly maintained; and ▪ ensuring relevant disclosures, submissions and filings are made in a timely manner to the regulators on behalf of the Company and the Board. (v) Stakeholder communication ▪ managing processes pertaining to the annual shareholders meeting; and ▪ serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

YOUR BOARD IN 2017

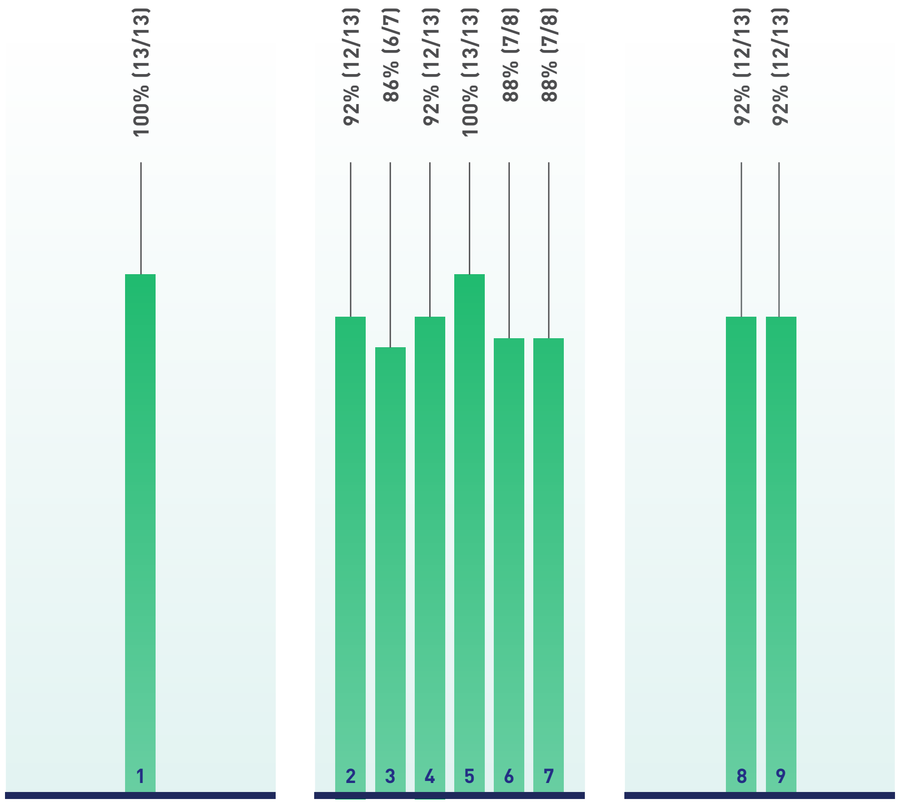
During the year, the Board met on 13 occasions which included a 2-day meeting focused on strategy. There were 6 scheduled meetings, with the remaining being ad-hoc meetings convened by the Board to deliberate on matters requiring the Board's urgent decision.



CORPORATE GOVERNANCE OVERVIEW
Leadership & Effectiveness

BOARD MEETING ATTENDANCE

The attendance of the Directors who served during the year ended 31 December 2017 at meetings of the Board is shown in the table below. The number of meetings a Director could attend in the year is shown in brackets.



Total Attendance:

Chairman

>>

1 Tunku Ali Redhauddin ibni Tuanku Muhriz

Total Attendance:

Non-Executive Directors

>>

2 Alexandra Schaapveld
3 VU Kumar *
4 Chan Chee Beng
5 Maureen Toh Siew Guat
6 Saiful Aznir bin Shahabudin #
7 Steven Leon Newman @

Total Attendance:

Executive Directors

>>

8 Leon Harland
9 Shaharul Rezza bin Hassan ^

Notes:

* Appointed as a director on 10 April 2017. Appointed as the AC Chairman on 30 May 2017.
\# Retired as a director on 30 May 2017 after the conclusion of the 2017 AGM.
@ Resigned as a director on 6 June 2017.
^ Resigned as a director on 28 February 2018.

To the extent that Directors are unable to attend scheduled meetings, or additional meetings called on short notice, they will receive the papers in advance and relay their comments to the Chairman for communication at the meeting. The Chairman, assisted by the Company Secretaries will follow up after the meeting in relation to both the discussions held and decisions taken.

THE ROLE AND BUSINESS OF THE BOARD

The Board is actively engaged in developing and measuring the Company's long-term strategy, performance and values. We believe that it adds a valuable and diverse set of external perspectives and that robust, open debate about significant business issues brings an additional discipline to major decisions.

The duties and responsibilities of the Board are stated in its TOR and Board Charter which includes setting the Company's strategic goals, ensuring the necessary financial and resources are in place for the Company to meet its goals, setting the Company's values and standards, and ensuring the obligations to shareholders and other stakeholders are understood and met.

A schedule of formal matters reserved for the Board's decision and approval is detailed in our Board Charter which is available on our website, at www.bumiarmada.com. The last date of review of our Board Charter was in February 2018.

The key responsibilities of the Board include:

- Overall leadership of the Company and setting the Company's values and standards.
- Determining the Company's strategy in consultation with management, reviewing performance against it, and overseeing management execution thereof.
- Major changes to the Company's corporate, capital, management and control structures.
- Approval of all transactions or financial commitments in excess of the authority limits delegated to the CEO and other executive management.

The Board receives timely, regular and necessary financial, management and other information to fulfil its duties. Comprehensive Board papers are circulated to the Board and Committee members at least one week in advance of each meeting and the Board receives regular reports from the CEO. In addition to meeting papers, a library of current and historical corporate information is made available to Directors electronically to support the Board's decision-making process. The Board has agreed to a protocol for access to information pertaining to the Company and for seeking independent professional advice necessary for the Board and Board Committee members individually or collectively, to discharge their duties effectively. Any expenses incurred in seeking independent professional advice are to be borne by the Company. Where the expenses exceed RM50,000, the Chairman's approval is required. All Directors have access to the advice and services of the Company Secretaries.

CORPORATE GOVERNANCE OVERVIEW
Leadership & Effectiveness

BOARD MEETING FOCUS DURING 2017

AREAS OF RESPONSIBILITY

- Identified principal risks relating to the business and operations and ensured the implementation of appropriate internal controls and mitigation measures with overview from the Risk Management Committee ("RMC");
- Deliberated on litigation cases involving the Group and the strategies in managing these cases;
- Maintained robust regulatory compliance at all times with overview from the Audit Committee ("AC"); and
- Strengthened the Company's Integrated Management Systems with completion of the accreditation process for OHSAS 18001:2007 (Occupational Health and Safety Management System), ISO 14001:2015 (Environmental Management System) and ISO 9001:2015 (Quality Management System) across all wholly-owned assets and operations; and
- Discussed on safety cases and matters at each Board meeting in demonstrating commitment to safety culture at the Company.

- Reviewed and approved the strategy and business plan of the Group for the FY2017 and FY2018 based on input from the various heads of department and insights on market outlook by an external consultant.
- Considered the strategy and business plans which were in line with the Company's vision and mission, reviewed the action plans, resource requirements and timelines for implementation of the plans;
- Monitored the progress of Project COMPASS, which is an integrated BMS aimed at improving work processes by standardising practices and systems across the Group;
- Discussed and approved the sustainability initiatives for FY2017 as recommended by the Sustainability Committee; and
- Reviewed and approved the enhanced core values of BAB, vision and mission.

- Reviewed and approved the budget for FY2018 with key assumptions based on the 2018 strategy and business plan;
- Reviewed proposals on new projects including JVs in line with the business plan as well as the respective project financing;
- Reviewed quarterly operational review reports;
- Reviewed related party transactions which include proposed JVs for potential projects;
- Reviewed and approved the quarterly financial results for the FY2017 and the financial year ended 31 December 2016 ("FY2016") of the Group and their release to Bursa Securities as recommended by the AC of the Board;
- Considered and approved the contents of the Company's 2016 Annual Report, which included the AC Report, the Corporate Governance Statement, Statement on Risk Management and Internal Control and Directors' Responsibility Statement;
- Approved the appointment of an external consultant to conduct the cost optimisation review exercise and reviewed its key findings; and
- Reviewed and approved the cost optimisation initiatives covering action plan, timelines and the related internal resources and budget.

- Ensured that there are programmes in place for succession planning for senior management with monitoring from the NC as well as participated in interviews of potential candidates for new independent directors and deliberated on the selection of the Chief Financial Officer ("CFO");
- Deliberated on the annual remuneration of staff including management for FY2017 as per the recommendation of the Remuneration Committee ("RC"); and
- Deliberated and approved the offer, grant and/or allotment of shares to the ED pursuant to the Management Incentive Plan ("MIP") as per the recommendation of the RC, as well as recommended the proposal to shareholders for approval.

- Ensured effective implementation of shareholders and stakeholders communication which enabled feedback received to be considered when making business decisions; and
- Ensured information used in communication material or statements is balanced and representative of the Company's performance.

BOARD ATTENDANCE

Directors are strongly encouraged to attend all Board and Committee meetings but in certain circumstances, such as due to pre-existing business or personal commitments, Directors may be unable to attend. In these circumstances, Directors receive relevant papers and, where possible, will communicate any comments and observations in advance of the meeting for raising as appropriate during the meeting. They are updated on any developments after the meeting by the Chairman of the Board or Committee, as appropriate. Individual attendance at Board and Committee meetings is considered, as necessary, as part of the formal annual review of their performance.

The following table sets out the attendance of the Company's Directors at Board and Board Committees' meetings during 2017:

		Attendance					
			Committee				
Name of Board Members	**Designation/Independence**	**Board**	**Executive**	**AC**	**RC**	**NC**	**RMC**
CHAIRMAN							
Tunku Ali	Chairman, Independent Non-Executive Director	13/13	-	-	-	6/6	-
NON-EXECUTIVE DIRECTORS							
Alexandra Schaapveld	Independent Non-Executive Director	12/13	-	4/5	6/6	6/6	-
VU Kumar *	Independent Non-Executive Director	6/7	-	3/3	4/4	4/4	2/2
Chan Chee Beng	Non-Independent Non-Executive Director	12/13	13/13	-	-	5/6	-
Maureen Toh Siew Guat	Non-Independent Non-Executive Director	13/13	13/13	5/5	6/6	-	5/5
Saiful Aznir bin Shahabudin #	Independent Non-Executive Director	7/8	-	3/3	3/3	3/3	-
Steven Leon Newman @	Independent Non-Executive Director	7/8	-	3/3	-	-	3/3
EXECUTIVE DIRECTORS							
Leon Harland	Executive Director/ Chief Executive Officer	12/13	13/13	-	-	-	-
Shaharul Rezza bin Hassan ^	Executive Director/Head of Offshore Marine Services	12/13	11/13	-	-	-	-

Notes:

* Appointed as a director on 10 April 2017. Appointed as the AC Chairman on 30 May 2017 and RMC Chairman on 5 June 2017.

Retired as a director on 30 May 2017 after the conclusion of the 2017 AGM.

@ Resigned as a director on 6 June 2017.

^ Resigned as a director on 28 February 2018.

CORPORATE GOVERNANCE OVERVIEW
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SUCCESSION PLANNING

The Board considers oversight of succession planning not only at Board and Management level but for all key positions throughout the business as one of its prime responsibilities, assisted by the NC. The Company has formal contingency plans in place for temporary absence of the CEO for health or other reasons.

BOARD EVALUATION

The Board undertakes a formal and objective annual evaluation to determine the effectiveness of the Board, its Committees and each Director. The assessment criteria cover the Board's duties and responsibilities (Part A), Board and Board Committees' composition and meeting processes (Part B) and observations by the EDs (Part C). Under Part B, the Board Committees are also assessed on whether they have performed their duties as per their respective TORs during the year. The Chairman also meets with each Director in one-on-one sessions for direct feedback.

The results of the assessment were presented to the NC and the Board and overall the Board and Committees have performed according to its TOR with areas for improvement. The NC and Board approved the Actionable Improvement Programme ("AIMP") that identified certain areas for improvement. The areas for improvement included ensuring sufficient reviews and monitoring of the capital budgets and strategic plans, drive strategy development towards achieving the Company's goals whilst balancing the risk and improved substance and time allocation for Board to make decision on strategies and marketing.

The AIMP sets out clear action plans and persons responsible for each plan and timelines which progress will be reviewed by the Board on half-yearly basis. An area that was identified needing improvement in 2017 was the periodic review of the development and succession plans for Key Senior Executives which the Board has seen improvements.

DIRECTORS' TRAINING AND INDUCTION

New Directors receive an induction programme and a range of information about Bumi Armada when they join the Board. This includes background information on Bumi Armada and details of Board procedures, directors' responsibilities and various governance-related issues, including procedures for dealing in Bumi Armada shares and their legal obligations as directors. The induction also typically includes a series of meetings with members of the Board, the Bumi Armada executive and senior management, presentations regarding the business on Bumi Armada's investor relations programme.

All Directors receive training in the form of presentations about the Company's operations, through Board meetings and by encouraging the Directors to visit local facilities and management as and when their schedule allows. The Company Secretaries monitor legal and governance developments and update the Board on such matters as agreed with the Chairman. The following table details both internal and external training programmes, briefings, conferences and presentations relevant to the Director individually or to the Directors collectively. The table additionally includes the professional training of the Company Secretaries.

Courses/ Seminars/ Programmes/ Workshops/ Conferences Attended	Date	Directors & Company Secretaries' Name	Company Sponsoring/ Organiser
A look in the future	10 January 2017	**AS**	ING
Market Risks	11 January 2017	**AS**	Société Générale
Developments in Asia	25 January 2017	**AS**	van der Laan Partners
Companies Act 2016 - Key Changes Affecting Directors	22 February 2017	**TA, MT, LH, RH, NM**	Bumi Armada Berhad
New Technologies	6 March 2017	**AS**	YLV Ventures
IFRS 9	13 March 2017	**AS**	Ernst & Young
Vessel visit to Armada Tuah 25 in Labuan	29 March 2017	**TA, AS, CCB, MT, RH, NM**	Bumi Armada Berhad
Best Practice Guide on AGMs for Company Secretary of Listed Issuers	30 March 2017	**NH**	Bursa Securities

Courses/ Seminars/ Programmes/ Workshops/ Conferences Attended	Date	Directors & Company Secretaries' Name	Company Sponsoring/ Organiser
Offshore Survival Skills Course	27 April 2017	**LH**	Bumi Armada Berhad
Offshore Technology Conference 2017	1-4 May 2017	**LH**	Offshore Technology Conference
Vessel visit to Armada Kraken FPSO	11 May 2017	**LH**	Bumi Armada Berhad
Board Dynamics	15 May 2017	**AS**	KPMG
Malaysian Code on Corporate Governance: A New Dimension	5 June 2017	**VU**	Securities Industry Development Corporation (SIDC)
AML/CFT Awareness Training – Financial Crime Risk and Management in Trade Finance	21 June 2017	**TA**	Bangkok Bank Berhad
Malaysian Code on Corporate Governance 2: Dealing with Issues and Expectations on Board Leadership and Effectiveness	3 August 2017	**NM**	SIDC
Member's Voluntary Winding Up & Strike Off Regime under Companies Act 2016	10 August 2017	**NH**	Malaysian Institute of Chartered Secretaries and Administrators (MAICSA)
UNICEF Malaysia: Lunch & Learn Talk	10 August 2017	**LH**	Bumi Armada Berhad
The FIDE Elective Programme: Current Issues in Corporate Governance	14-15 August 2017	**MT**	Bumi Armada Berhad
Transforming your Constitution to Conform to the Companies Act 2016	15 August 2017	**NH**	MAICSA
New Companies Act 2016	17 August 2017	**TA**	Bangkok Bank Berhad
Technical Briefing for Company Secretaries of PLCs (Enhancing Standard of Disclosures in Announcements & Circular to Shareholders)	17 August 2017/ 10 October 2017	**NM, NH**	Bursa Securities
Creating Stability Through Imbalance	27 September 2017	**TA, AS, CCB, MT, VU, LH, RH, NM**	Bumi Armada Berhad
Briefing on MFRS 16 Leases	28 September 2017	**TA, AS, CCB, MT, VU, LH, RH, NM**	Bumi Armada Berhad
Overview of Shell Strategy	28 September 2017	**TA, AS, CCB, MT, VU, LH, RH, NM**	Bumi Armada Berhad
Vessel visit to Armada Tuah 301 & Armada Tuah 25 in Labuan	3 October 2017	**LH**	Bumi Armada Berhad
Vessel visit to Bumi Pokachi Offshore Tug/Supply Ship in Russia	8-14 October 2017	**LH**	Bumi Armada Berhad
IFRS 9 Briefing	24 October 2017	**TA**	Bangkok Bank Berhad
Effective Board Performance Evaluation for Company Secretaries	31 October 2017	**NM**	Bursa Securities
Compliance – Bribery and Corruption Risks Awareness Session	16 November 2017	**MT, LH, RH, NM**	Bumi Armada Berhad
Offshore Installation Manager Seminar	5 December 2017	**LH**	Bumi Armada Berhad

AS - Alexandra Schaapveld
CCB - Chan Chee Beng
LH - Leon Harland
MT - Maureen Toh Siew Guat
RH - Shaharul Rezza bin Hassan
TA - Tunku Ali
VU - VU Kumar
NM - Noreen Melini binti Muzamli
NH - Noor Hamiza binti Abd Hamid

DEAR SHAREHOLDERS,

AS CHAIRMAN OF THE NC, I AM PLEASED TO PRESENT THE REPORT OF THE COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2017 WHICH HAS BEEN PREPARED BY THE COMMITTEE AND APPROVED BY THE BOARD.

The responsibilities of the Committee are summarised on page 67 and are set out in full in its TOR, which are available on the Bumi Armada website www.bumiarmada.com.

The NC is responsible for regularly reviewing the Board composition, including the skills, knowledge and experience required, taking into account the Group's businesses, strategic direction and diversity objectives. The Committee has overseen the development of an effective balance of background and experience on our Board in recent years.

In this context, the Committee undertook a formal process which reviewed suitable candidates for a new Independent Director. In conducting the search, the Committee placed particular focus on finding a candidate with the right fit and experience to add value to an already experienced Board. Thus, experience in upstream industries, geological expertise with understanding of reserves and reservoir risk management remain key criteria. During the year under review, the Committee met with a few shortlisted candidates and will continue to apply procedural assessments in view of appointing the right candidate.

Additionally, the Committee is conscious of the merits of diversity, including gender diversity, on the Board. In this regard, I am pleased to report that our current Board comprises 33% women.

The Committee is also responsible for reviewing corporate governance developments and in particular has reviewed the MCCG issued in April 2017.

The CA 2016 took effect on 31 January 2017 and has introduced some significant new provisions. The Company has taken an analysis of the status of compliance with the CA 2016 with input from an external legal advisor and appropriate action has been taken to ensure the Company's continued compliance.

The Committee's priorities for the next 12 months include Board renewal and developments in corporate governance and legislation, including the MCCG, the CA 2016, Bursa Securities MMLR and CG Guide.

Tunku Ali Redhauddin ibni Tuanku Muhriz
Chairman of the Nomination & Corporate Governance Committee

More Committee information:

Remuneration Committee ____ *pg.68*
Audit Committee ____ *pg.70*

THE COMMITTEE CONTINUES TO PLAY A VITAL ROLE IN ENSURING THE RIGHT INDIVIDUALS ARE APPOINTED TO THE BOARD AND MANAGEMENT AND BEST PRACTICES ON CORPORATE GOVERNANCE REMAINS THE FOUNDATION OF THE ORGANISATION.

2017 KEY ACTIVITIES

The Committee has assisted the Board in reviewing the selection, assessment and nomination of new Independent Directors, the annual evaluation of the Board and Board Committees, reviewed the succession planning and talent management for key positions and provided guidance on corporate governance matters affecting the Board and Company.

The NC deliberated on the following matters during 2017:

- reviewed the Board and Board Committees' composition and the eligibility, skills, competencies and experience of new candidates nominated for appointment to the Board and those seeking election/ re-election to the Board;
- reviewed the annual Board evaluation for FY2016 and proposed AIMP;
- discussed on talent review and succession planning for senior management and their direct reports and followed through on actions on succession planning for key management team;
- deliberated on the changes to the position of the Chief Financial Officer;
- commenced the search for new Independent Directors and deliberated and decided on the selection of a new Independent Director who has professional accounting qualification, and reviewed the profiles for a new Independent Director with experience in upstream industries;
- reviewed the TOR of the NC;
- set a timeline and facilitated the 2017 Board and Board Committees assessment process including assessing, reviewing, and reporting the findings and making the appropriate recommendations to the Board;
- assessed the training needs of Directors further to a formal analysis done and recommended the Directors' Training Plan 2017 which included the continued practice of briefing to Directors by reputable external experts on relevant topics and vessel visits; and
- reviewed policies, initiatives, measures and procedures to strengthen and give effect to matters pertaining to corporate governance, having regard to provisions of the MCCG and in line with best practices including a review of the Board Charter.

COMMITTEE EVALUATION

The annual evaluation of the Committee was undertaken together with the evaluation of the Board and other Board Committees. Based on feedback from Committee members as well as other Directors through a self-assessment questionnaire, it was concluded that the Committee has discharged its duties according to its TOR.

DIVERSITY AND INCLUSION

As a Committee we acknowledge the importance of diversity, including gender, both on the Board and throughout the organisation. The Board Diversity Policy ("Policy") was adopted by the Board in 2013 and last reviewed in November 2016. The Policy reiterates that the Board shall comprise members who collectively have the right mix of qualifications, skills and competencies and other complementary attributes that will best serve the needs of the Company. It identifies gaps in competencies, skills and diversity among members and takes the necessary steps to remedy them to ensure they can add value to the deliberations and decision-making at the Board and Board Committee levels. The Policy recommends and promotes gender and age diversity and aims to increase the representation of women candidates on the Board.

Our aim is for the Board to consist of individuals with diverse experience who can add real value to Board debates, thereby supporting the achievement of our strategic objectives. This includes diversity of industry skills, knowledge and experience in addition to gender and ethnicity. We noted with interest Malaysia's ambitions to have 30% representation of females on Boards, and are always mindful of the recommendations in the appointments we make. However, our overriding intent in any new appointment must always be to select on merit, in fulfilment of our role of ensuring the continued success of the Company.

CORPORATE GOVERNANCE OVERVIEW
Nomination & Corporate Governance Committee Report

RE-ELECTION OF DIRECTORS

The Board, on the recommendation of the Committee, is satisfied that Directors standing for re-election or election will continue to bring to bear their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions based on their performance thus far or their skills and competence.

NC AT A GLANCE

Committee Membership and Meeting Attendance

The NC members and the number of meetings they each attended during the year were as follows:

MEMBER	POSITION	COMMITTEE MEETINGS ATTENDED IN 2017
Tunku Ali	■ Independent NED ■ Chairperson	6/6
Alexandra Schaapveld	■ Independent NED ■ Member	6/6
VU Kumar *	■ Independent NED ■ Member	4/4
Chan Chee Beng	■ Non-Independent NED ■ Member	5/6
Saiful Aznir bin Shahabudin #	■ Independent NED ■ Member	3/3

* Appointed on 10 April 2017.
\# Retired on 30 May 2017.

The Chairman of the Committee is Tunku Ali, an Independent Non-Executive Director. All of the Committee members are non-executive and a majority of members are independent directors i.e. 3 out of 4 members are independent.

Roles and Responsibilities

The Committee's foremost priorities are to ensure that the Group has the best possible leadership and a clear plan for both Executive and NED succession. Its prime focus is, therefore, to concentrate upon the strength of the Board, for which appointments will be made on merit against objective criteria, selecting the best candidate for the post. The Committee advises the Board on these appointments, and also on retirements and resignations from the Board, and its other Committees.

The Committee will regularly review its succession planning based on the Board's balance of skills and overall diversity.

Process for Board Appointment

When considering Board appointments, the Committee will draw up a specification for a Director, taking into consideration the balance of skills, knowledge and experience of its existing Board members, the diversity of the Board, the independence of continuing Board members, together with the ongoing requirements and strategic development of the Group. The search process can then focus on appointing a candidate with a balance of skills that will enhance the Board.

The Committee will utilise the services of an independent executive search firm to identify appropriate candidates, ensuring that the search firm appointed does not have any other conflicts with the Group. A list of potential appointees will then be reviewed, followed by the shortlisting of candidates for interview, based upon the objective criteria identified at inception. Care is taken to ensure that all proposed appointees will have sufficient time to devote to the role and do not have any conflicts of interest. The Committee will recommend a preferred candidate and the members as well as other Directors will meet the candidate. Following these meetings, and assuming acceptance, the Committee will make a formal recommendation to the Board on the appointment. Wherever possible, the Committee will arrange for all Directors to meet the preferred candidate. Other than the assistance from an executive search firm, the sources for candidates include the Malaysian Directors' Academy.

The NC terms of reference can be found at www.bumiarmada.com

AT BUMI ARMADA, WE AIM TO OPERATE A REMUNERATION STRUCTURE THAT IS BOTH SIMPLE AND TRANSPARENT, WHICH WILL DELIVER VALUE TO SHAREHOLDERS IN THE MEDIUM TO LONG-TERM.

2017 ACTIVITIES

The determination of the remuneration of Directors is a matter for the Board as a whole based on the recommendation of the RC. Individual Directors do not participate in decisions regarding their own remuneration packages.

The RC dealt with the following matters during 2017:

- deliberated on the evaluation of performance of EDs for 2016 and recommended the proposal to the Board;
- reviewed and recommended the proposal on the MIP for allotment of shares to EDs which was approved by the shareholders at the Annual General Meeting ("AGM") in May 2017;
- setting of 2017 KPIs for key management team;
- reviewed the broad parameters and criteria for employee increments and bonuses for FY2017; and
- assessment of talent review for key positions and aligned them towards the Company's strategy and structure including continuing with current practice of giving high potential talents the exposure to the Board by making presentations.

RC AT A GLANCE

Committee Membership and Meeting Attendance

The RC members and the number of Committee meetings they each attended during the year are as follows:

MEMBER	POSITION	COMMITTEE MEETINGS ATTENDED IN 2017
Alexandra Schaapveld	▪ Independent NED ▪ Chairperson	6/6
VU Kumar *	▪ Independent NED ▪ Member	4/4
Maureen Toh Siew Guat	▪ Non-Independent NED ▪ Member	6/6
Saiful Aznir bin Shahabudin #	▪ Independent NED ▪ Member	3/3

* Appointed on 10 April 2017.
\# Retired on 30 May 2017.

The Chairman of the Committee is Alexandra Schaapveld, an Independent NED. All of the Committee members are non-executive and a majority of members are independent directors i.e. 2 out of 3 members are independent.

Roles and Responsibilities

The RC is charged with the following primary responsibilities:

- recommend to the Board the policy and framework for Directors' remuneration as well as the remuneration and terms of service of the EDs;
- evaluate the annual performance and reward of the EDs;
- review Management remuneration policies and proposals; and
- review and endorse broad parameters and criteria for the determination of eligibility and basis and criteria for allocations and grant of options under the Company's MIP.

The RC's TOR is posted on BAB's website.

The RC terms of reference can be found at www.bumiarmada.com

OVERVIEW OF OUR REMUNERATION POLICY

The objective of the Group's policy on Directors' remuneration is to attract, retain and incentivise Directors with the right experience, expertise and calibre needed to manage the Group successfully. In this regard, the RC is responsible to review and recommend to the Board policy and framework for Directors' remuneration as well as the remuneration and terms of service of the EDs.

Bumi Armada, as a Malaysian based company that competes globally, needs to attract the right talent, including directors from a global base and would benefit from having directors who have international experiences. One way to achieve this is by offering competitive remuneration packages.

In the case of NEDs, their remuneration reflects their experience, expertise and the level of responsibility and duties undertaken, as well as the roles they are to play on the Board and Board Committees. The Board may draw advice from independent consultants in determining remuneration.

The policy on remuneration of directors is stated under the Explanatory Note 3 to the Notice of the 22nd AGM and posted on BAB's website. Briefly, the NEDs' remuneration comprises fees and meeting allowances. The Board Chairman receives a monthly car allowance.

The remuneration of the EDs is structured so as to link rewards to individual responsibilities and to corporate and individual performance. The EDs' remuneration package comprises an all-in fixed component which includes a base salary, benefits-in-kind/ emoluments such as company car, driver, health insurance premium coverage, and a variable component which includes short-term incentives in the form of a performance-based bonus and long-term incentives in the form of performance-based shares allotment. The EDs are not entitled to receive any fees and meeting allowances for Board or Board Committee meetings that they attend.

The payment of directors' fees and benefits requires the approval of shareholders at a general meeting in line with the CA 2016. The Company's Memorandum and Articles of Association will be proposed to be amended at the forthcoming AGM to be in line with the CA 2016.

BAB has 2 share based incentive plan for employees, the Employee Share Option Scheme ("ESOS") and the MIP. Under the By-Laws governing the ESOS, the total number of new shares which may be issued under options granted pursuant to ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any time during the subsistence of the ESOS. In addition, the total number of shares which may be issued under options granted to the EDs and senior management shall not exceed in aggregate 50% of the total number of shares to be issued under the ESOS ("ESOS Permissible Allocation").

Under the By-Laws of the MIP, the total number of shares which may be made available under the MIP shall not when aggregated with the total number of new shares allotted and issued under the ESOS exceed 10% of the issued and paid-up share capital of the Company (excluding treasury shares) at any time during the duration of the MIP. In addition, the total number of shares which may be made available under the MIP to the EDs and senior management shall not exceed in aggregate 50% of the total number of shares to be issued under the MIP and ESOS ("Total Permissible Allocation").

Since the commencement of the ESOS and the MIP up to 31 December 2017, the options granted under the ESOS and shares under the MIP which have been offered to the EDs and senior management were 12.58% of the Total Permissible Allocation and 6.29% of the issued and paid-up share capital of the Company.

The Company is seeking shareholders' approval on the offer and grant of shares under the MIP to the ED at the forthcoming AGM.

REMUNERATION OF DIRECTORS

The details of Directors remuneration (both Executive and Non-Executive) is shown under Note 8 of the Company's audited financial statements for the FY2017 on pages 129 to 130 of this Annual Report.

OUR PRIORITY IS TO DELIVER EFFECTIVE GOVERNANCE THAT ALLOWS US TO ENSURE THE APPROPRIATENESS OF THE GROUP'S FINANCIAL REPORTING.

DEAR SHAREHOLDERS,

ON BEHALF OF THE AUDIT COMMITTEE ("AC"), I AM PLEASED TO PRESENT OUR ANNUAL AUDIT COMMITTEE REPORT.

I assumed the role as AC Chairman following the retirement of the previous AC Chairman, Saiful Aznir bin Shahabudin upon the conclusion of the 21st Annual General Meeting on 30 May 2017.

Firstly, I would like to thank Saiful for his guidance and contribution to the organisation over more than 10 years in terms of overseeing the infrastructure build up for internal governance relating to audit and risk. Thank you to Steven Newman as well for his contribution who had resigned from the AC in June 2017. I also assumed the role as RMC Chairman following Steven's resignation as the previous RMC Chairman. I appreciate all the valuable thoughts and insights that they shared with me which has assisted me in focusing on key risk and governance areas of the organisation.

As the AC, we assist the Board of the Company in fulfilling their statutory and fiduciary responsibilities including under the CA 2016, the MMLR and the CG Guide. In particular, the CG Guide has set out the following as the key roles and responsibilities of the AC:

- **Overseeing financial reporting**
- **Assessing the internal control environment**
- **Evaluating the internal audit process**
- **Evaluating the external audit process**
- **Reviewing conflict of interest situations and related party transactions**

In addition to the above, the AC also monitors the Group's management of financial risk processes along with its accounting and financial reporting practices, reviewing the Group's business processes and ensuring the efficacy of the Group's system of internal controls. The AC has focused on the financial performance and internal control environment of the Group in what has been a challenging year both due to external and internal environments. The Group has been on a journey of transformation and improvement and the AC has been ensuring that such transformation and improvement are properly implemented and monitored and that there is full accountability for action plans by management.

My role as AC Chairman includes acting as a key contact between AC members and Board members, as well as key management, the Internal Audit Department ("IAD"), the Compliance department and the EAs. Since taking over I have held more than 30 meetings with various key management to ensure that key matters are being highlighted and actions to address them are progressing and to understand and assess the main areas in the Group that need the guidance and the focus of the AC. I also meet the Head of Internal Audit on a regular basis to deliberate on matters arising from internal audits, investigative reviews as well as to decide on the most effective way that we can enhance the state of governance and internal controls in the organisation.

During the year, as part of the journey for continuous improvement, together with IAD, we have implemented an internal control monitoring mechanism which tracks all highlighted internal control issues arising from audit reports or any other platform that brings these issues to our knowledge. The data from this mechanism is used by the Heads of the various Business Units ("BUs"), the CEO, the IAD and the AC to drive a stronger culture of control and governance throughout the organisation and I expect to see further positive impact from this initiative in 2018. In addition to that, the AC has also spent a lot of time reviewing the newly released enhanced Code of Business Conduct & Ethics ("Code") as well as the Speak Up Policy and the implementation of an independent hotline for any complaints. Whilst the state of governance and internal controls in the Group have improved, there is much more work to be done. Finally, I would like to record my appreciation to my fellow AC members, Alexandra and Maureen, who have provided significant input and efforts to the AC, and the Management who have been supportive and receptive of the AC's recommendations and actions.

Uthaya Kumar Vivekananda
Chairman of the Audit Committee

CORPORATE GOVERNANCE OVERVIEW
Audit Committee Report

ROLES AND RESPONSIBILITIES

The AC is governed by its own TOR, which was approved by the Board on 18 June 2011, and is subject to annual review. The TOR was reviewed and amended in February 2017 to reflect the changes in line with the amendments to the MMLR, the MCCG and the CG Guide.

The TOR is available on the Company's website at www.bumiarmada.com.

The function of the AC is to assist the Board in fulfilling its oversight responsibilities.

The AC has been tasked with reviewing the following:

1 THE SYSTEM OF INTERNAL CONTROL AND MANAGEMENT OF ENTERPRISE RISK

- Review systems of risk management
- Review systems of internal controls

2 BAB GROUP'S FINANCIAL REPORTING PROCESS

- Review financial statements
- Review other accounting, audit and financial matters
- Review related party transactions
- Review conflict of interest situations and internal investigations

3 THE AUDIT PROCESS

Internal Audit

- Review independence of internal auditors
- Review internal audit plans
- Review internal audit reports
- Review internal audit departments performance
- Appointment/Termination of Head of Internal Audit or senior internal audit staff
- Take cognisance of Internal Auditors resignation
- Approve the internal audit charter

External Audit

- Appointment, resignation and dismissal of external auditors
- Review independence of external auditors
- Review external audit plans
- Conduct of external audits
- Review external audit results
- Review recommendations of external auditors
- Review performance of external auditors

4 THE GROUP'S PROCESS FOR MONITORING COMPLIANCE WITH LAW AND REGULATIONS AND ITS OWN CODE OF BUSINESS CONDUCT & ETHICS

- Review the process for monitoring compliance with legal, regulatory and statutory requirements

5 OTHER MATTERS

- Speak Up/Whistleblowing arrangements
- Group's statement on Internal Control
- Efficiency and efficacy of operations of the Group and any other matters which would improve governance
- Other matters as deemed appropriate or as defined by the Board

AC AT A GLANCE

Committee Membership and Meeting Attendance

The AC members at the end of 2017 and the number of meetings they each attended during the year were as follows:

MEMBER	POSITION	COMMITTEE MEETINGS ATTENDED IN 2017
VU Kumar *	Independent NED Chairperson	3/3
Alexandra Schaapveld	Independent NED Member	4/5
Maureen Toh Siew Guat	Non-Independent NED Member	5/5
Saiful Aznir bin Shahabudin #	Independent NED Member	3/3
Steven Leon Newman @	Independent NED Member	3/3

* Appointed as a member on 10 April 2017 and as AC Chairman on 30 May 2017.
\# Retired on 30 May 2017.
@ Resigned on 6 June 2017.

The AC presently comprises three members, all of whom are NEDs and majority are independent. The AC Chairman is Mr Uthaya Kumar Vivekananda, an Independent Non-Executive Director. He also chairs the Risk Management Committee.

The current composition of the AC complies with Paragraph 15.09(1) of the MMLR which requires all members to be NEDs, with a majority of them being independent and at least one member fulfilling the requisite qualification under Paragraph 15.09(1)(c) of the MMLR.

The role of the AC Chairman includes:

- setting the meeting agenda with input from Management and EAs;
- reporting to the Board on the key deliberation and decisions of the AC;
- maintaining ongoing dialogue with Management and internal and external auditors; and
- setting the tone for the AC discussions and deliberations in encouraging open discussion during meetings to facilitate effective decision making.

The AC is governed by its own TOR, which was approved by the Board on 18 June 2011, and is subject to annual review. An internal review of the TOR was conducted in February 2017 including ensuring its compliance with the MMLR and the MCCG.

Based on the review, the TOR is in compliance with the relevant requirements and hence no changes were proposed to the TOR and the TOR remains unchanged.

The TOR is available on the Company's website at www.bumiarmada.com.

Recent and Relevant Financial Experience

The AC members have a wide range of necessary skills and experience as well as being financially literate to enable the AC to discharge its duties as per its TOR.

The NC and Board assess the independence of the AC members during the Board Annual Evaluation exercise including evaluating whether the members had demonstrated objectivity and independence in expressing their views, and constructively deliberate on issues tabled at the AC meetings.

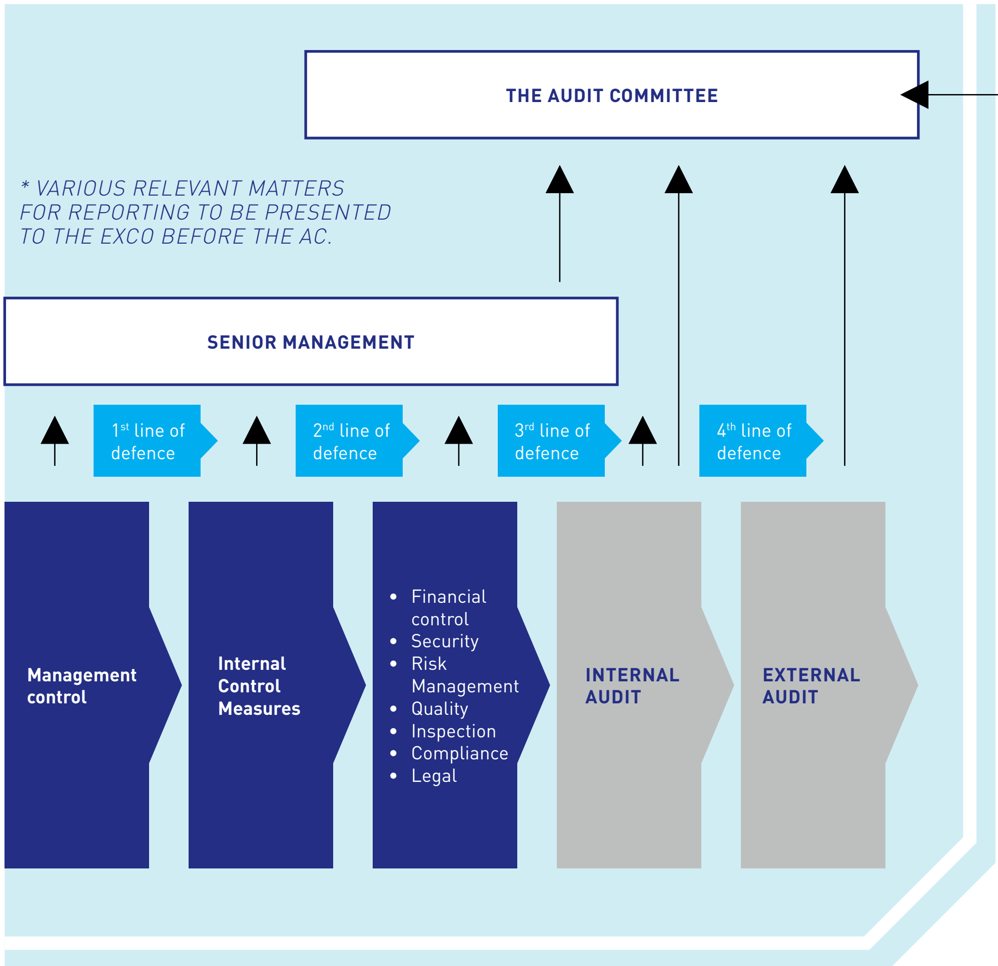
In dealing with conflict of interest situations, all AC members declare any matter that they have an interest in and abstain from deliberation and decision making on the said matter. The declaration by the AC member is recorded in the minutes of meeting.

In addition to briefings organised by the Company to the AC on relevant developments in accounting and auditing standards, practices and rules, the AC members undergo relevant training programmes.

CORPORATE GOVERNANCE OVERVIEW
Audit Committee Report

THE AUDIT COMMITTEE REPORTING FRAMEWORK

An Audit Committee Reporting Framework has been developed during the year to ensure that there are clear lines of accountability via our various lines of defence. The Reporting Framework and the matters that are reported via this framework to the AC has been mapped to the TOR of the AC to ensure that all areas of responsibility are covered and to enhance the quality of reporting.



Quarterly reporting to the Audit Committee:

1. Finance report on consolidated results of the Group
2. External Auditors report
3. Internal Auditors report
4. Finance controls and compliance report
   - Financial reporting process
   - IT controls
   - Limits of Authority
   - Contractual arrangements – avoidable loss
   - Cash flow, debt, financing & treasury matters
   - Departures from procurement process
   - Tax compliance
5. Joint venture management report
6. Risk Management – finance process and financials
7. Compliance & General Counsel report
8. Related Party Transactions
9. CEO/ CFO representation

The Agenda of all AC meetings is developed according to the matters listed above and presentations are done by the management responsible for the respective area.

SUMMARY OF THE WORK DONE BY THE AC FOR FY2017

Financial Reporting

- Improvements in the quarterly reporting process including format changes and enhanced efficiency via combined fourth quarter and annual reporting.
- Implemented an early warning process with the EAs to ensure no surprises.
- Improvements in the financial close process between management and the EAs resulting in earlier reporting dates.
- Reviewed the quarterly results for announcements to Bursa Securities before recommending the same for approval by the Board. This was done upon being satisfied that the reporting has complied with the applicable approved MFRS issued by the Malaysian Accounting Standards Board ("MASB"), MMLR and other relevant regulatory requirements.
- Reviewed the Company's annual and quarterly management accounts.
- Reviewed the audited financial statements of the Group prior to submission to the Board for the Board's consideration and approval upon the AC being satisfied that, inter alia, the audited financial statements were drawn up in accordance with the provisions of the CA 2016 and the applicable approved MFRS issued by MASB.

- The AC also reviewed the status of accounting provisions and estimates, changes in accounting policies and significant judgemental accounting matters affecting its interim and audited financial statements.
- The AC has initiated changes to the presentation of the financial statements in the annual report to enhance the readability for shareholders by introducing a preface to the statements prior to the presentation of the actual accounts and the notes to the accounts.

The AC reviewed significant accounting and auditing matters with a focus on the following:

Delay in Armada Kraken and Armada Olombendo in achieving final acceptance	The Armada Kraken and Armada Olombendo vessels are progressing towards acceptance. Management is currently in discussion with the charterers to address the matters relating to project delivery and the achievement of final acceptance. Management expect that acceptance of these two vessels will be achieved by Q2 2018. For the Armada Kraken FPSO, as this vessel 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 thus the loan has been reclassified to current liability. The AC had many discussions with management and the EAs on the matter and are satisfied with the treatment of the issue.
Liquidity position of the Group	The liquidity position of the Group and the underlying assumptions for the Group's cash flow forecast for the next 12 months have been presented and reviewed by the AC in detail. In addition, the Group also has an existing Euro Medium Term Note ("EMTN") programme and expects to raise this by Q3 2018. The AC has considered the funding plans for the Group to meet its obligations that are due in the next 12 months and agree that the assessments and plan of management seem reasonable.
Recoverability of trade receivables	The Group has a high level of total gross receivables. Management has applied judgement in arriving at the impairment figure that has been applied against the total receivables. Based on presentation and information that has been provided to the AC by management coupled with discussions with the EAs, the AC is satisfied with the assessment of trade receivable recoverability.
Recoverability of amount in relation to the Armada Claire litigation	The material litigation is still on going. Management in consultation with external counsel and technical experts have considered the facts of the case at present and in doing so evaluated the probability of receiving the compensation claims and the estimated amount receivable. Management has concluded that there is no impairment needed on these amounts. The AC has discussed this issue in depth with management and the EAs and is satisfied with this conclusion.
Impairment assessment of vessels	The AC has assessed the assumptions by management in arriving at projected cash flows for the vessels in the OMS business as well as a FPSO vessel that was temporarily suspended from operations during the year. The vessels carrying amounts were also compared to the fair value amount provided by an independent valuer and the AC is satisfied with management's conclusion that no further impairment apart from that already provided for is needed.
Recoverability of amounts due from subsidiaries and cost of investments in subsidiaries	As at 31 December 2017, the Company's investments in subsidiaries and amount due from subsidiaries amounted to RM3.9 billion and RM1.0 billion respectively. The Group is currently undergoing an internal restructuring/ realignment exercise of its structure in order to streamline business and operations. Management presented to the AC key assumptions based on contractual and estimated revenue that were used in establishing future cash flows of these entities. The EA has also evaluated these assumptions and cash flows. Based on these reviews and representations the AC is satisfied with the reasonableness of the residual cash flows.

Governance & Internal Controls

- Reviewed the effectiveness of the system of internal controls, taking account of the findings from internal and EA reports as well as the reports of any investigative or special reviews.
- Reviewed and suggested improvements to the Group's contractual governance process.
- Improved process for forensic reporting and fraud reviews.
- Reviewed improvements on the procurement process and tracking the progress of these improvements.
- Implementation of a JV Governance Framework that is still in process to dictate the manner in which we deal with JVs as well as our JV partners.
- The management and the Company Secretary also presented to the AC for its review the status and changes in material litigation, law and regulations, compliance with loan covenants and regulatory updates where applicable.
- Implementation of the new and improved BAB Code and Speak Up Policy.
- Reviewed speak-up reports as presented by the Head of Compliance.
- Reviewed and made recommendations to the Board on proposed related party transactions to be entered into by the Group.
- Reviewed the Statement on Risk Management and Internal Controls ("SORMIC"), which was supported by an independent review by our EAs.

Internal Audit

- Developed the AC reporting framework and revamped the AC agenda to ensure that all critical areas are deliberated and presented by the responsible management personnel on a quarterly basis to the AC.
- Reviewed the annual internal audit plan for the year including its scope, basis for assessment and actions taken and accountability assigned for actions to the relevant parties. In reviewing the audit plan, consideration was also given to the risk ratings of the various auditable areas proposed in the plan.
- Reviewed and deliberated on reports of all audits that were conducted by the IAD.
- Provided oversight and guidance for all forensic, fraud or speak up investigation reviews led by the IAD.
- Reviewed all corrective actions on audit findings identified by the IAD via reporting done from the Internal Audit Monitoring Mechanism developed by IAD during the year. This included the monitoring of all action items until resolution and closure.

External Audit

- Reviewed the EAs' audit strategy and scope for the quarterly and statutory audits of the Company's financial statements for FY2017.
- Reviewed with the EAs the results of the statutory audit and the audit report.
- Reviewed and endorsed the proposed fees of the EAs.
- Reviewed and approved the non-audit services provided by the EAs while ensuring that there was no impairment of independence or objectivity. This included monitoring the fee of the total non-audit work carried out by the EAs so as not to jeopardise their independence status.
- Reviewed the performance of the EAs and their independence.

THE CURRENT STATE

BAB has been on a journey of transformation and improvement and this has extended to its state of governance and controls within the Group. In the past 5 years and more, the Group was heavily focused on growing the business and being competitive in the market. Apart from that, key management was very stretched with the conversion activities that was simultaneously on going. With the level of activity in the organisation having reached more manageable levels and with the various changes that have occurred in key management roles, the focus of management and the AC has significantly moved towards ensuring that the state of governance and internal controls within the organisation is improved and that accountability and transparency in terms of areas requiring attention and the actions needed to address gaps are forefront. A few key initiatives in line with this has been the internalising of the IAD under the supervision of the Head of IAD who was hired in 2016, the hiring of a new Head of Compliance in 2017 and improvements in the manner of tracking issues to closure throughout the organisation. One key enabler of this has been the Internal control and governance tracking dashboard that has been developed by the IAD with the close guidance and supervision of the AC.

The data from this mechanism is used by the Head of the various BUs, the CEO, the IAD and the AC to drive a stronger culture of control and governance throughout the organisation.

Due to the initiatives above and the efforts that have been extended by the AC, IAD and management, there has been improvements noted to the state of governance and internal controls within the organisation. However, further enhancements should still be undertaken to ensure the highest level of governance and internal controls within the Group.

INTERNAL AUDIT

The internal audit process for the Group is conducted by its IAD which has been established by the AC. The IAD is independent of the activities it audits and audits are performed with impartiality, proficiency, and due professional care. Internal Audit Reports are tabled at the AC meeting. The AC will review, assess and approve the internal audit plans and programmes and provides guidance to the IAD as and when necessary. The AC also reviews and monitors the responsiveness of the management to significant audit findings and the recommendations of the IAD. To ensure that management effectively close out all significant audit findings in a timely manner, the AC has directed that part of the management's annual key performance indicators include the proper close out of key audit findings.

The IAD attempts to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the various processes and controls within the Group. The IAD maintains its impartiality and proficiency and due professional care by having its plans and reports directly under the purview of the AC.

The Audits conducted for the BAB Group during the financial year under review were:

AUDITS CONDUCTED

1. TARGETED VENDOR REVIEWS – AGENTS, BROKERS, MANNING
2. ANGOLA OPERATIONS
3. INFORMATION TECHNOLOGY
4. HUMAN RESOURCES – PERSONAL INCOME TAX
5. SURABAYA OPERATIONS
6. COMPASS PROJECT
7. MONITORING MECHANISM DEVELOPMENT AND ISSUES TRACKING AND RESOLUTION

Apart from the audits that are listed above, there were ad-hoc reviews and investigative reviews that were conducted by IAD throughout the year. An outcome from the planned audit and ad-hoc/ investigative reviews performed were findings around the areas of supply chain process governance and controls, documentation and contract management, financial process improvements and inventory management. These areas are all being monitored closely via the monitoring mechanism and improvements have already been noted.

The reports from any reviews performed by the IAD are also forwarded to the auditee's management and shared with the Head of that BU, the CEO and CFO. Management is responsible for ensuring that corrective actions are taken within the stipulated time frame and all outstanding/open items are reported.

The IAD adopts the main standards and principles outlines in the International Professional Practices Framework of The Institute of Internal Auditors and this has been incorporated in the practical IAD methodology that is used to guide the ways of working of the IAD.

The IAD is staffed by 5 personnel and headed by the Head of Internal Audit. These personnel come from a diverse background of audit, engineering and finance. The IAD undertakes to ensure that the staff are competent and adequately equipped in carrying out their duties and responsibilities by providing them with the relevant training.

Total costs incurred in FY2017 for the Group's internal audit function amounted to RM3.7 million.

EXTERNAL AUDIT

During FY2017, the AC assessed the EA's performance, independence, objectivity and terms of engagement before recommending its reappointment and remuneration. The AC Chairman together with management did an evaluation on the EA's performance and effectiveness which was coordinated by the Company Secretary. The assessment which covered independence, objectivity and professional scepticism, financial stability, risk and audit strategy, communication and interaction, audit finalisation and level of knowledge, capabilities and experience and sufficiency of resources was conducted in March 2017. In this current cycle, this evaluation was performed by the whole AC.

In addition, the AC also reviewed the EA's representation on its quality control procedures with respect to engagement performance which included the involvement of a quality review partner, access to the EA's accounting technical support on complex accounting matters, periodic assurance quality reviews by the EA's Global Assurance Quality Review team, internal guidance on accounting standards interpretation and application and International Standards of Auditing guidelines.

During the year, the AC together with the EA, the Head of IA and the Finance department have made improvements to the manner in which the financial close process is managed and executed as well as taken action to ensure that the management of the audits of the Group are done centrally by the EA so that the lines of accountabilities are clear.

The AC also holds private sessions with the lead engagement partner from the EA every quarter, without the presence of management. These sessions allow the AC and the EA to focus on areas that might not have been specifically addressed as part of the audit and where the EA can provide additional confidential comments to the AC. Some of the matters discussed include the EA's assessment of the tone at the top, ethical values and integrity of management, quality of financial management and reporting, existence of pressure to meet aggressive financial targets and profitability expectations and cooperation from that various levels of management and IA.

The AC remains satisfied with the level of independence of the EA and is of the view that they have not been impaired by any event or services that give rise to conflict of interest.

MOVING FORWARD – THE AC'S KEY FOCUS FOR 2018

For FY2018, the key priorities of the AC will continue to be focused on the integrity of the Group's financial accounting and reporting, including all the key financial indicators taking into consideration the challenging environment that the Group continues to operate in. This will include close monitoring of the financials arising from the key operating vessels of the Group and any new potential business opportunities. The AC will also continue to focus on the robustness, rigour and quality of the external and internal audit processes and the closure of all outstanding audit issues and thus the continued enhancement of the level of governance and internal controls within the Group.

In 2018, the AC will continue on its journey to instil a strict control consciousness, risk and governance awareness culture and mindset throughout the organisation and this will be done via various implementations that have already commenced namely the monitoring mechanism, the discussion and presentation of internal controls gaps and action tracking at all management meetings and at the monthly BU reporting meeting, and the inclusion of risk and governance as key KPIs for all key management team members.

The Board encourages and supports constructive communication with all investors and stakeholders and recognises the importance of timely dissemination of information to the investor community and shareholders. The Board also recognises the importance of communicating its business strategies, updates on the progress of the Group's current business initiatives as well as its financial performance during the year.

In addition to the required timely announcements and public statements made to Bursa Securities, the Company issues media releases and conducts analyst briefings in conjunction with the release of the Group's quarterly and annual financial results.

The Company maintains a corporate website at www.bumiarmada.com which provides access to corporate information about the Group, including the Company's corporate profile, Directors' profiles, senior management, share and dividend information, financial and annual reports, announcements, press releases and investor presentations.

The Company's Annual Report provides a comprehensive report of the Group's operations, business and financial performance as well as corporate information.

At the AGM, all Directors attend and are allocated responsibility to respond to questions that may be raised by shareholders in accordance with their Board or Board Committee roles. Directors are also encouraged to have direct interaction with the shareholders before and after the AGM.

The Group's Investor Relations function plays an important role in providing a direct communication channel to engage with shareholders, investors and the investment community broadly, both in Malaysia and internationally.

The Company has an Investor Relations Policy in place providing for the following:

- Timely, transparent, consistent and credible information on corporate events, strategies, trends and financial data to the investing public;
- Attending to shareholders or investor enquiries or requests for information;
- Attendance at investor presentations, conferences or other forums or meetings to ensure that the Company's businesses and strategies are clearly and equally understood by as wide an investor base as possible; and
- Ensuring that information provided and distributed by the Company to the investing public is in accordance with the regulatory requirements and in accordance with best practices.

The Investor Relations unit has frequent one-on-one and group meetings, both domestically and internationally with analysts, investors and potential investors throughout the year to provide constant communications and updates with the investment community. During 2017, apart from the quarterly financial results briefings, the Company met analysts and investors at conferences and meetings in Malaysia, Singapore, Hong Kong, Thailand, UK and USA.

Investors may direct their queries regarding the Group to Jonathan Duckett, Senior Vice President, Investor Relations, Communications & Sustainability, at his email address: jonathan@bumiarmada.com.

VISIT BUMIARMADA.COM

- Investor relations information
- Company announcements and shareholder presentations
- Past announcements and presentations on historical financial performance
- Share price data
- Calendar of events
- Information about our businesses

INVESTOR ENGAGEMENT

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide this statement on Risk Management and Internal Control which outlines the nature of risk management and internal controls within the Bumi Armada Berhad Group for the financial year ended 31 December 2017.

The statement is made pursuant to Paragraph 15.26(B) of the MMLR of Bursa Securities where the board of directors of public companies are required to publish a statement about the state of internal controls.

BOARD'S RESPONSIBILITIES

The Board acknowledges the importance of having sound risk management and strong internal controls. In this respect the Board discharged its responsibilities and managed this via Board Committees namely the RMC and the AC. These Committees report to the Board who provides oversight on their performance.

The Group has in place an ongoing process for identifying, evaluating, monitoring and managing all significant risks faced by the Group and continues to take measures towards enhancing the adequacy and effectiveness of the risk management and internal control system.

There is a system of internal controls that is being applied by the Group. This system whilst addressing the inherent and identified gaps only provides reasonable and not absolute assurance against material misstatement or losses or the occurrence of unforeseeable circumstances.

RISK MANAGEMENT

Risk Management Committee

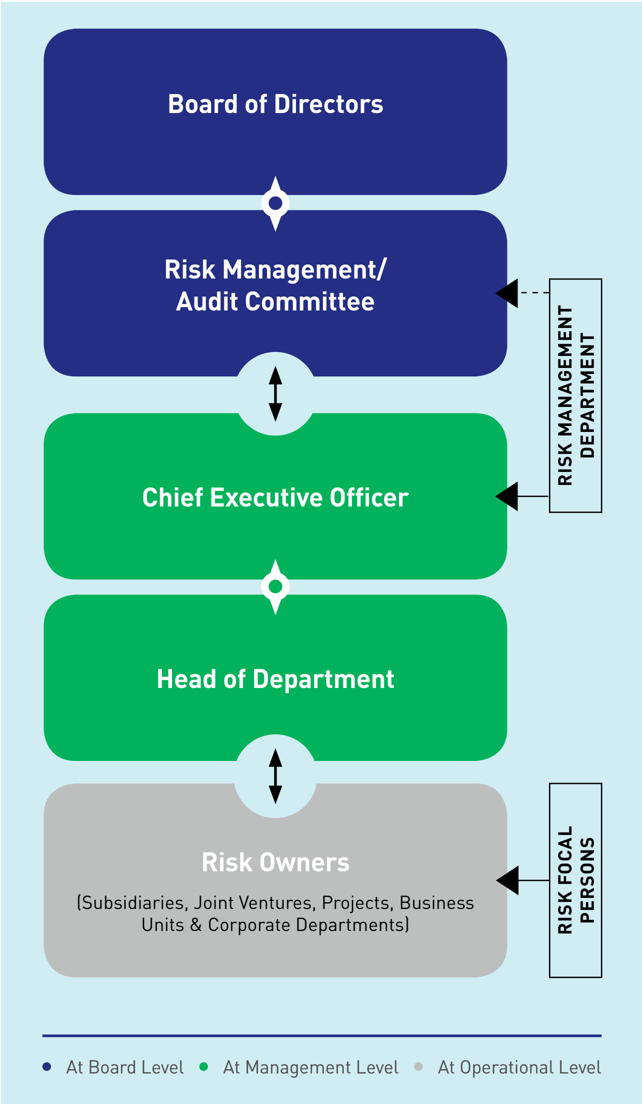
The RMC is cognisant of the fact that its role in providing risk oversight sets the tone and culture towards managing key risks that may impede the achievement of the Group's business objectives within an acceptable risk profile. The RMC primarily ensures that there is a Risk Management Framework which identifies significant risks and addresses them.

This Risk Management Framework includes all the necessary policies and mechanisms to manage and monitor the overall risk exposure of the Group including the need to establish a risk awareness and response culture. Additionally, the RMC reviews the effectiveness of the Risk Management Framework and the results of risk assessments of the various business units within the Group.

The Group has a Risk Management function which reports to the CEO and assists the RMC in discharging its responsibilities and in particular improving the Enterprise Risk Management of the Group.

The BAB Group's ERM organisation structure allows risk information flow for effective oversight of risk management at all levels. Risks are reviewed at various levels namely the various shore base operations including the JVs, Business Units ("BUs") and the corporate departments and then at the CEO level from a collation of Enterprise Risks standpoint before it is deliberated at the RMC and Board levels.

The BAB Group's ERM organisation structure is as depicted below:



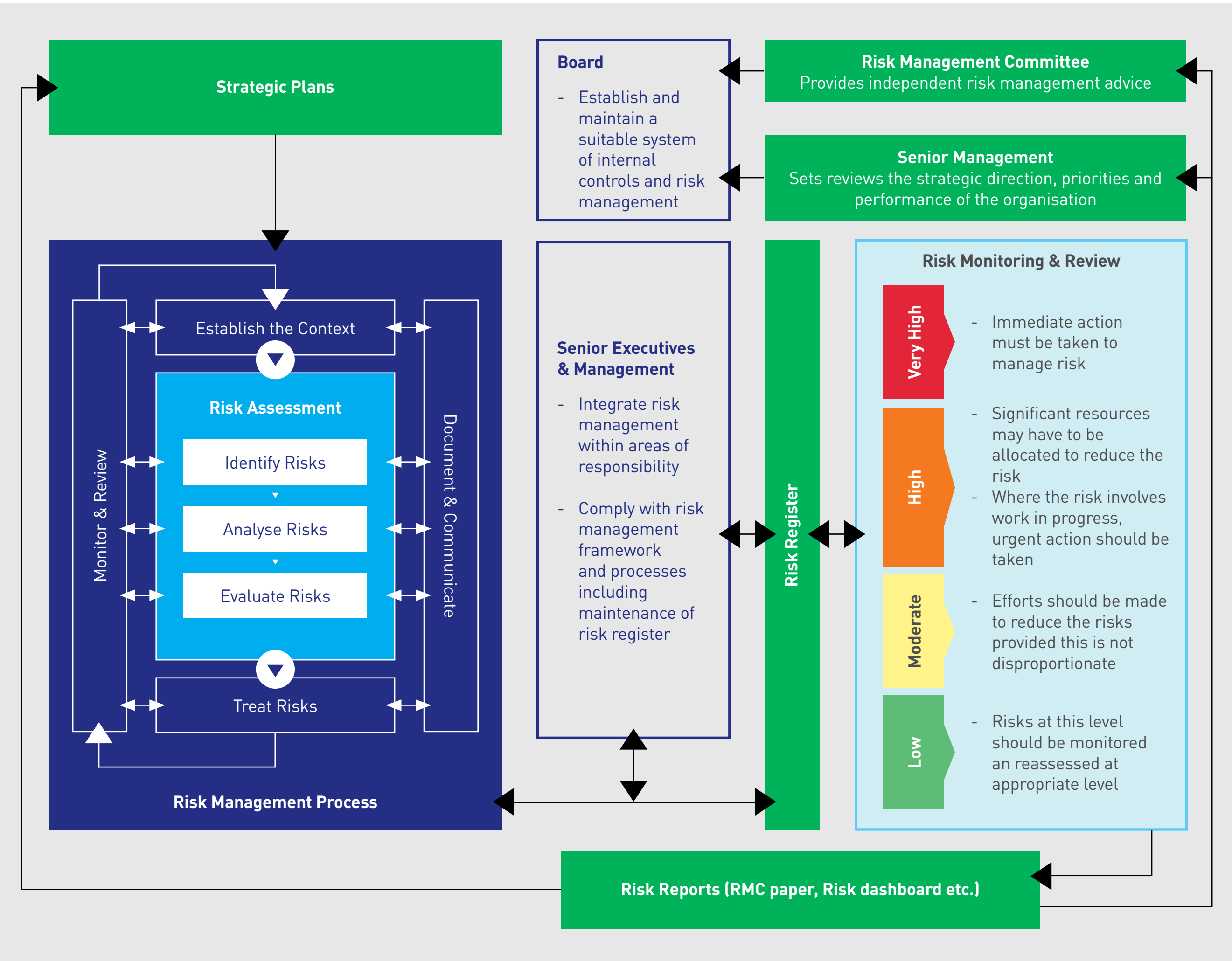
Enterprise Risk Management Framework

The Group has a risk management framework that is integrated and embedded into the day-to-day business activities and management decision making of the various BUs and functions of the Group. The framework also aims to provide a consistent approach for identifying, evaluating and managing the significant risks faced by the Group and facilitating a reasonably accurate perception of the acceptable risks. Managing risks is a shared responsibility and is integrated within the Group's governance, business processes and operations.

The BAB ERM Framework as endorsed by the RMC contains the following key elements:

- Risk Representatives in each BU to spearhead the coordination of risk management activities. These Risk Representatives are responsible for ensuring the timely updating of risks, controls, issues and action plans within their own BUs. Their updates are then independently validated by the Risk Management Department.
- Specified roles and responsibilities at each level of management in the Group in relation to Risk Management.
- Mechanisms, tools and techniques for managing risks in the Group.
- Guidance on risk reporting. Risk reports are prepared for the RMC and include an assessment of risk, actions to mitigate the risk and its status.

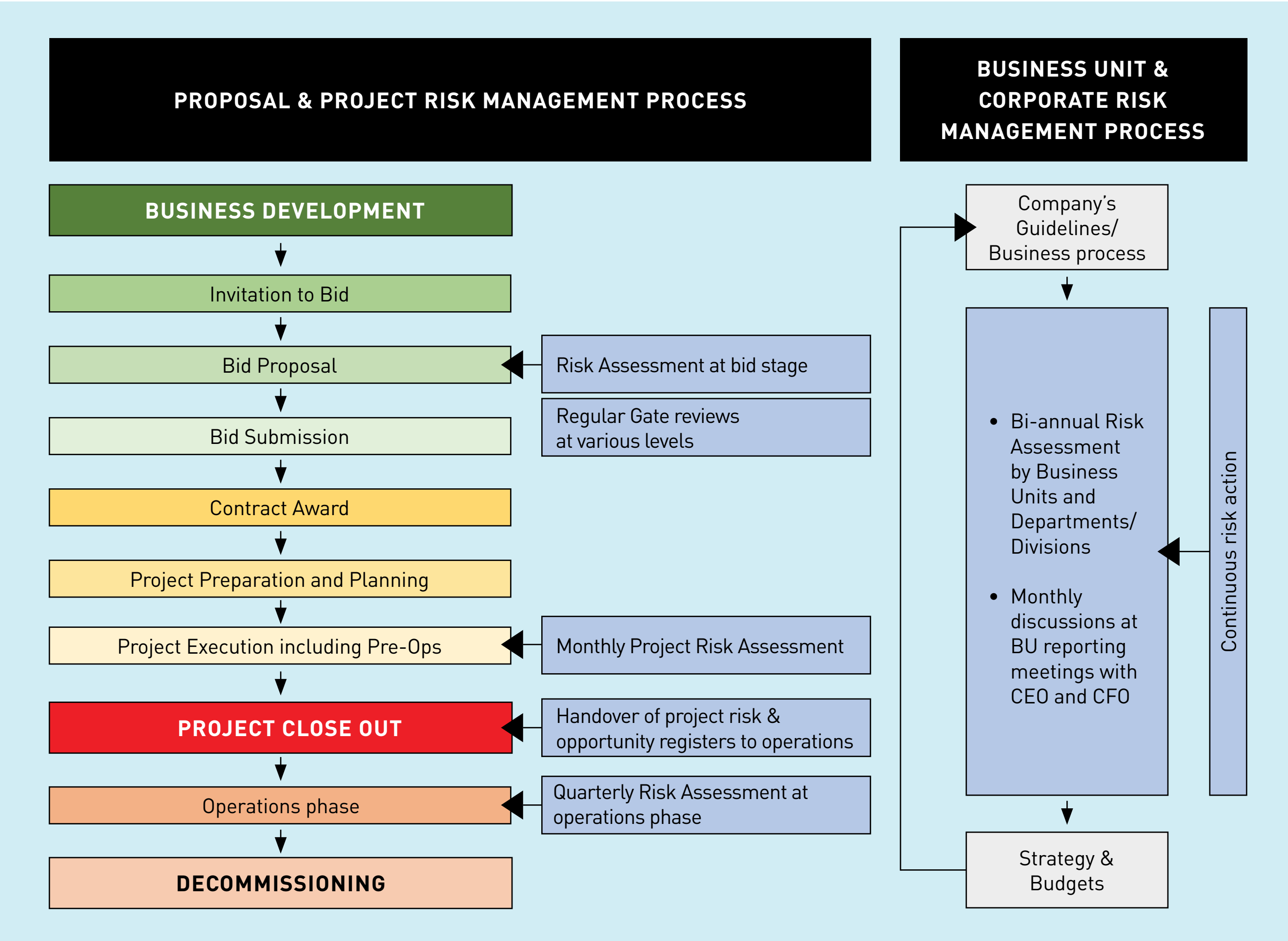
The BAB ERM framework and an overview of how the steps in the Group's ERM process interrelate to the Group's planning, reviewing and reporting cycle; risk governance components of the Framework; and the actions required from the risk monitoring and reviewing process are as depicted below:



Management's Responsibilities

Management is responsible for implementing the approved frameworks, policies and procedures on risk management and internal control. Management acknowledges their responsibility to identify and evaluate the risks faced and to monitor the achievement of business goals and objectives within the risk appetite parameters as discussed and approved by the Board. In line with these, key Management responsibilities would include setting the right examples through behaviours and actions, encourage, reinforce the importance of good business behaviours and apply the required rules and regulations.

An overview of the ERM requirements for the BUs, Corporate functions and Projects is as depicted below:



Key Risk Management Activities for FY2017

The following key activities pertaining to risk management were undertaken during the FY2017:

- Enhanced the method of determining the top enterprise risks and related mitigation actions and status which resulted in ensuring that risks were evaluated from a top-down as well as a bottom-up approach to ensure that focus was given to the key areas;
- Enhanced risk reviews on capital projects to comprehend and assess top project risks;
- Simplified spreadsheet where risks, mitigation and action plans are captured to ensure that they are easily usable by the business users;
- Setting up risk dashboards and risk quantification for the two main BUs as a pilot;
- Presentation and discussions on key risks monthly at the BU meetings for the two key business units; and
- Assessment of risk transfer mechanisms, such as insurance products.

The RMC also focused on material significant risks some of which have unfortunately arisen as these risks have been realised. An overview of our specific current material risks is as summarised below.

CONTEXT	RISK	CURRENT STATE & MITIGATION
Safety, security, reliability and integrity in the delivery of projects and operations are key to our success	Our operations are subject to high levels of HSSEQ standards as well as licences and certifications as required to provide our services. Any failure to maintain these may result in the cancellation of current contracts as well as fines and penalties being imposed. In addition, in the industry and conditions in which we operate it is imperative that stringent safety standards are abided by as any lapse in control in these areas could lead to negative impact on human and/or the environment.	In the year 2017, the Group experienced one fatality which was thoroughly investigated and reviewed. The Group has a Corporate HSSEQ plan in place, aimed at minimising HSE incidents and complies with the applicable HSE standards. In addition, the Group has dedicated HSE teams at the operational BUs that set stringent safety standards to be followed on all our vessels. The Group is in the process of enhancing the oversight and management of HSSEQ from the Corporate level as well as to improve on the integration between the activities of Corporate HSSEQ and the HSSEQ functions of the BUs.
Having the right people in the right positions is key for future growth	The Group's strategy, obligations for the contracted work scopes and growth must be supported by a competent and dynamic workforce. The absence of key talent and resources with the correct skill set could hinder the potential of the company achieving its objectives. In addition, with the various changes in key management, this would also pose a risk to the commitment to the Group and in the attainment of the strategy.	The Group is working on various people initiatives at the same time in order to ensure that there is a stream of good talent to steer the Company into the future. There are various plans organisation wide in the areas of talent development, localisation and retention. In addition, the Group has also a succession plan that has been embedded across the organisation to ensure that the talent pipeline is maintained.
Acceptance of key vessels	The acceptance of our 2 vessels namely Armada Kraken and Armada Olombendo has been delayed exposing BAB to financial, contractual and reputational risks.	Both our Armada Kraken and Armada Olombendo vessels are progressing towards acceptance. Management is currently in close and active discussion with the charterers to address the matters relating to project delivery and the achievement of final acceptance. Management expects that acceptance of these two vessels will be achieved by Q2 2018.
Liquidity position of the Group is key to continued successful operations	The lack of liquidity could potentially impact the ability of the Group to meet its repayment obligations of its borrowings as well as impact its ability to meet operational cost obligations. It would also restrict the ability of the Group to bid for new projects which would require additional funding.	The Group has an existing EMTN programme of up to USD1.5 billion. The Group expects to raise the EMTN by Q3 2018. At the same time, the Group is exploring various other options to improve its liquidity position including cost transformation initiatives. In addition, the Group closely monitors its cash flows and forecasts cash needs in detail for the next 12 months.
Recoverability of trade receivables needs focus	The Group's gross receivables is at a high level. Failure to collect these amounts could potentially lead to a risk of shortfalls in estimated future cash flows as well as potential impairment.	Management has been in constant communication with customers and are focused on ensuring that the receivables are collected in a timely manner.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTEXT	RISK	CURRENT STATE & MITIGATION
Our future growth depends on our ability to identify and secure future projects	Unsuccessful bids and pursuits with regards to FPSO tenders will impede the delivery of our strategy and put the growth of the Group at risk.	Our commercial team is in constant engagement with the various oil majors where there is an expectation of an opportunity for a new FPSO. In tandem with this all available bids are also put through a stringent stage gate review process to address the risks and the ability of BAB to respond effectively.
Recoverability of amounts in relation to termination of Armada Claire contract	The risk of an adverse judgement or outcome would result in a negative monetary impact on the Group.	The material litigation is still on going. Management in consultation with external counsel and technical experts have considered the facts of the case at present and in doing so evaluated the probability of receiving the compensation claims and the estimated amount receivable. At this stage, management has concluded that these amounts are recoverable.

An overview of other general material risks is as summarised below:

CONTEXT	RISK	CURRENT STATE & MITIGATION
Legal and Contractual requirements in our contracts are key drivers	Our charter contracts are broadly in line with industry practice. Key terms of these charter contracts would include key milestones on the construction and delivery schedules, as well as operational performance of the facilities. Failure to meet any key contract terms will expose the Group to potential penalty payments, liquidated damages and in a worst case termination of contract. Any termination of a major contract will have an adverse impact on our Group's financial position as well as on our loan covenants.	The Group is in the process of establishing "Golden Contracting Rules" which would set out the guiding principles to be adopted for contracts. Any deviations from these rules will require Board approval. The Group Legal Department will monitor all charter contracts to ensure that we are compliant with our contractual obligations. In addition, the Group is also in the process of developing model templates based on these contracting rules to be used in future contracts.
Access to capital, capital allocation and management of financial risks underpin our business performance	The Group is heavily geared and is exposed to treasury and financial risks including liquidity, changes in interest rates, fluctuation in foreign exchange and credit risk. Our ability to meet our current debt obligations depends on our ability to generate sufficient revenue and cash flow from our operations. Insufficient liquidity to meet financial commitment and fund growth opportunities could have a material adverse effect on our operations and financial performance. In addition, our financing costs could be affected by interest rate fluctuations or deterioration of our credit rating. We are also exposed to credit risk as our counterparties could fail or be unable to meet their obligations under contractual arrangements.	The Group very closely monitors our debt and repayment obligations. Cash flows are regularly reviewed by Management and the Board to ensure debt can be serviced and future funding requirements can be met. The Group also closely monitors our compliance with existing debt covenants. The Group has the EMTN, which may be utilised as appropriate, for future funding requirements. Detailed due diligence is done on counterparties prior to entering into major contracts.
A high level of operational performance and excellence is critical to our success	The success of our operations is dependent on the operating efficiency and reliability of our vessels in terms of vessel performance, people capability as well as HSSEQ performance. The compromise of any of these could have an adverse impact to the Group both monetarily and reputationally.	We have a proven track record of operational performance across the fleet with high uptimes. Our HSSEQ statistics are also very positive in comparison to the industry averages. Our operations team has been strengthened to ensure that we have capable and experienced resources within the Group that endeavour to ensure that the operations and maintenance of our vessels as well as the vessels that are held in joint-venture are performed at high standards and meet contractual and regulatory requirements.

CONTEXT	RISK	CURRENT STATE & MITIGATION
Project Execution	During the project execution phase, the Group is subject to a number of contractual and project execution risks such as delays in construction, cost overruns, wrong design or engineering and the inability to meet the delivery performance requirements of our contracts.	In 2017, the Group strengthened our capabilities in our project management and engineering, and established an experienced project team that can ensure the smooth reliable implementation and delivery of projects. The project status is continuously monitored with regards to schedule, budgets, contractual obligations and quality controls. Monthly project reviews are held between Project Managers and Management to highlight risks and issues that have arisen, so that they can be dealt with in a timely manner. We have implemented robust processes which are applied at a very early stage where proposals are made and where schedules and budgets are developed. After contract award, the project team works accordingly and follows through until the end of contract, where lessons learnt are identified and recorded as feedback for any future contracts. From a cost perspective, there is a strong focus on the comparison of forecast and budgeted costs as well as the management of contingencies and risks. The supply chain support to projects has also been enhanced to ensure that all vendor engagement and appointments are done via the approved supply chain processes. The project control function forms an integral part of the project team and encompasses planning, cost control and cost accounting.
Compliance and integrity are key virtues to be upheld in the way we conduct business	A lack of robust policies and procedures and compliance education could expose the Group and the principal officers of the Group to compliance issues.	The Group has launched a refreshed Compliance program and has hired a new Head of Compliance during the year. The Compliance programme includes the development and introduction of a detailed Code as well as a Speak Up policy that has been rolled out throughout the organisation.
Our business relies on a variety of information technology systems	Cyber risk and data security breaches could lead to loss of sensitive data and reputational damage for the Group and may compromise the integrity, reliability and availability of data.	The Group has been embarking on a cyber security improvement program which includes upgrades to the overall IT security programme to ensure that controls are in place to mitigate any potential data breach vulnerabilities.

PLANS FOR 2018

In addition to a focus on the process for continuous improvement, the biggest challenge will be to enhance and instil a risk awareness culture made difficult by the constant change to key management. The RMC is cognisant of this challenge and is taking steps to address this. A few of the improvements expected in 2018 are:

- Focus on initiatives to create risk awareness and a risk response culture within the Group;
- Development of a risk review calendar to ensure a structured approach across all BUs;
- Closer monitoring of mitigations and actions coming out of risk reviews and ensuring that this is tracked to closure; and
- Refined risk reporting processes to Management and the Board to include focus on the top 10 ERM risk and periodic presentations by the business owners of those risk areas as to what mitigation plans were in place to manage the top risks.

INTERNAL CONTROL ENVIRONMENT

Board

The Board meets at least once a quarter, in order to maintain its full and effective oversight of the overall governance of the Group. In arriving at any decisions, based on recommendations by Management, thorough deliberations and discussion by the Board is a prerequisite. The Board reviews all significant issues arising from changes in the business or operating landscape of the Group which may result in significant risks.

Audit Committee

The AC comprises wholly of Non-Executive Directors, the majority of whom are Independent Directors. The AC assists the Board in fulfilling the Board's responsibilities by focusing on the integrity of the Group's financial reporting process, management of governance, financial risks, internal control systems, external and internal audit processes, compliance with legal and regulatory matters as well as the Code. The detailed activities of the AC are detailed in the AC Report.

Internal Audit

The Board recognises that the internal audit function is an integral part of the governance process of the Group. The Internal Audit ("IA") function provides independent assurance on the adequacy and effectiveness of the internal control systems implemented by the Group and reports its findings directly to the AC. The IA function reviews the Group's system of internal controls, its operations and selected key activities based on the risk assessment and in accordance with the annual audit plan that is approved by the AC. In line with the Board and AC's recognition of the importance of the IA function, in FY2017, the IA function is now fully resourced internally and the outsourced model of the past is no longer relevant.

The AC receives and reviews all IA reports including the agreed actions that are to be taken in order to mitigate and close the highlighted control gaps. All issues raised and action plans to close gaps are monitored via the monitoring mechanism that has been developed until closure and the status is reported on a quarterly basis to the AC. The key activities of the IA function are as set out in the AC report section of this annual report.

External Auditors

The EAs provide the AC with a report on the internal controls environment of the Group during the 3rd quarter and the 4th quarter of the year under review. The EAs are also continuously challenged by the AC to provide value added recommendations around the area of internal controls and potential enhancements that could heighten the level of governance in the Group.

Organisation Structure

The organisation structure of the Group defines the formal lines of responsibility and the lines of accountability of our Management. The structure also defines the lines of authority that is in place to assist in implementing the Group's strategies and day-to-day business activities. The Group has a management team that meets bi-weekly to discuss pertinent issues. There is also an Executive Committee ("EXCO") which serves in an advisory capacity to the CEO in accomplishing the vision, mission, strategies and objectives that have been set for the Group.

Budgeting, Monitoring & Reporting

The various BUs and departments in the Group collaborate closely to prepare the Company's budget on an annual basis. The budget is then subject to a review process by CFO, CEO and the relevant management team members prior to submission to the AC and the Board for approval. The Company's approved budget is then monitored on a monthly basis against the actual performance of the Company. A reporting system which highlights significant variances against the budget is in place to track and monitor performance. On a quarterly basis, the results are presented to and reviewed by the AC and Board to enable them to gauge the Group's overall performance against the budget and prior periods.

Limits of Authority ("LOA")

A documented LOA with clear lines of accountability and responsibility serves as a tool of reference to identify the appropriate approving authority at various levels of management including matters that require the approval of the EXCO and the Board. The LOA is reviewed and updated periodically to reflect business, operational and structural changes and needs. The LOA was updated in this financial year.

Business Management Systems

Throughout FY2017, the Group has been on the implementation journey of a BMS which aims to enhance the effectiveness and efficiency of various processes in the organisation towards the path of improved operational excellence. This new integrated system will assist to harmonise and standardise practices across the Group and further increase overall business effectiveness. This initiative will also improve reporting via dashboards trackers that are being developed.

Health, Safety, Security, Environment and Quality

The Corporate HSSEQ Department is responsible for setting the overall direction on HSSEQ implementation within the Group and drives strategies and monitors performance to ensure HSSEQ risks are managed to as low as reasonably practicable. During the year, the Group recorded one fatality and two Lost Time Injury ("LTI") incidents. The fatality has been viewed very seriously and investigations were conducted and corrective actions have been taken appropriately.

The overall management of Group security falls under the purview of the Head of HSSEQ. It is the policy of the Company to ensure the protection of all Company related interests against negative security incidents that have the potential to adversely impact the Group's personnel, assets and the business. Such protective activities are conducted in a manner commensurate with international best practice and statutory compliance. The systems and processes adopted promote compliance with local regulations and respect for local cultures. Ultimately, the Company considers security a major business enabler, facilitating operational integrity and business continuity across the Group's global portfolio.

Project Sales Tender Evaluation and Approval Policy

The Group has in place a Tender Evaluation and Approval Policy to ensure that all tenders participated in by the Group for potential contracts and projects with clients have been reviewed and evaluated for appropriate balance in risk and reward and is consistent with the Group's strategy and risk profile. The policy provides guidelines to mitigate risks and unplanned events which would jeopardise the successful execution and financial outcome of projects. All proposed tenders are required to be comprehensively and thoroughly reviewed by Management at various phases via a gate review process in order to make an early assessment of the merits of submitting a tender, assigning appropriate management resources setting accountabilities, procuring timely approvals, and ensuring optimum project outcome. The Company's LOA specifies the various authority levels for approval, with the Board having the ultimate responsibility.

Code of Business Conduct & Ethics and Speak Up policy

In FY2017, the Group embarked on revising the Code as well as the Speak Up policy. These revised documents are accessible to all employees of the Company as well as to the public via the Group's intranet and official website at www.bumiarmada.com respectively. The Code places significant importance in upholding the principle of discipline, good conduct, professionalism, loyalty and integrity that are critical to the success and well-being of the Group. The Code includes policy statements on the standards of behaviour and ethical conduct expected of each individual to whom the Code applies. The Group also expects that contractors, sub-contractors, consultants, agents and representatives and any other entity or person performing work or services for or on behalf of any of the companies in the Group to comply with the Code. The Code also expressly prohibits improper solicitation, bribery and other corrupt activity not only by employees and directors but also by any third party that is performing work or services for or on behalf of any of the companies in the Group.

In line with the Code, the Group has also revised the Speak Up Policy which provides a confidential and secure avenue for employees and the public to disclose any improper conduct committed or about to be committed in accordance with procedures as provided under the Policy. The Group has also implemented an independent external speak-up hotline to receive any complaints.

ASSURANCE FROM MANAGEMENT

The CEO and Acting CFO have provided their assurance to the RMC, the AC and the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group, for FY2017 and up to the date of approval of this statement. Based on Management's assurance as well as input from the relevant assurance providers, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively. There will also be continuous improvement in this area and the systems and processes of the Group, as appropriate.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the EAs have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountants. RPG 5 (Revised 2015) does not require the EAs to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

For the year under review, and up to the date of approval of this Statement, based on inquiry, presentations during the year and information and assurance provided by the CEO and Acting CFO, the Board is of the view that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects. There were no significant internal control weaknesses that have not been reported based on the risk management and internal control system of the Group and the internal control procedure of the Group will continue to be reviewed in order to improve and strengthen the system to ensure adequacy, integrity and effectiveness to safeguard the Group's assets and shareholders' investments.

This statement is made in accordance with a resolution of the Board of Directors dated 22 March 2018.

DIRECTORS' RESPONSIBILITY STATEMENT

Directors of the Company are required to prepare financial statements for each financial year in accordance with the requirements of the Companies Act 2016, Malaysian Financial Reporting Standards and the International Financial Reporting Standards, and to lay these before the company at its annual general meeting. In addition, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires that a listed issuer prepares the annual audited financial statements on a consolidated basis.

Directors are also responsible to ensure that the financial statements provide a true and fair view of the financial position of the Group and the Company as at the financial year ended 31 December 2017 and of their financial performance and cash flows for the said financial year.

In preparing these financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable; and
- appropriately prepared the financial statements on a going concern basis.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Incorporated on pages 89 to 199 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2017.

This Statement is made in accordance with a resolution of the Board of Directors dated 22 March 2018.

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):

	Denominated in currencies other than functional currencies					
At 31 December 2016	**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:

		Impact on profit/(loss) before taxation [Increase/(Decrease)]	
Currency	**Strengthened by**	**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
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

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

2017	Note	Attributable to Owners of the Company										
		Number of shares	Share capital	Share premium	Foreign exchange reserve	Share option reserve	Hedging reserve	Other reserves	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total equity
		32	32	35(a)	35(b)	35(c)	35(d)	35(e)				
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	Attributable to Owners of the Company									Non-controlling interests	Total equity
		Number of shares	Share capital	Share premium	Foreign exchange reserve	Share option reserve	Hedging reserve	Other reserves	Retained earnings/ (Accumulated losses)	Total		
		32	32	35(a)	35(b)	35(c)	35(d)	35(e)				
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

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 %	Group's effective interest 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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

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

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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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

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	Total vessel costs [1] Dry-docking RM'000	Total vessel costs [1] Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
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

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

NOTES TO THE FINANCIAL STATEMENTS
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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

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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):				
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

NOTES TO THE FINANCIAL STATEMENTS
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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

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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 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

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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31 December 2017

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

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

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.

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.

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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

NOTES TO THE FINANCIAL STATEMENTS
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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

NOTES TO THE FINANCIAL STATEMENTS
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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

NOTES TO THE FINANCIAL STATEMENTS
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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.

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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.

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.

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.

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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		Fair value	
	2017 RM'000	2016 RM'000	2017 RM'000	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		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	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.

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.

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.

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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.

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.

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.

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.

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

5 Other Information

ADDITIONAL COMPLIANCE INFORMATION

1. **Non-Audit Fees**

   The amount of non-audit fees incurred for services rendered by the Company's External Auditors to the Company and its subsidiaries for the financial year ended 31 December 2017 was RM0.5 million.

2. **Material Contract**

   There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

Issued Shares : 5,866,269,344 ordinary shares
Voting Right : One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS BASED ON THE RECORD OF DEPOSITORS

	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
Size of Shareholdings	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	463	5	6,963	120	0.00	0.00
100 - 1,000	1,469	19	957,836	10,922	0.02	0.00
1,001 - 10,000	9,379	87	50,139,113	489,178	0.85	0.01
10,001 - 100,000	5,481	127	181,269,692	5,261,982	3.09	0.09
100,001 - 293,313,466*	892	198	2,359,363,927	730,481,611	40.22	12.45
293,313,467 and above**	2	0	2,538,288,000	0	43.27	0.00
Total	17,686	436	5,130,025,531	736,243,813	87.45	12.55

* Less than 5% of Issued Shares
** 5% and above of Issued Shares

ANALYSIS BY CATEGORY OF SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS

	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
Category of Shareholders	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Individual	13,626	151	300,504,124	15,724,853	5.12	0.27
Banks/Finance Companies	28	0	964,478,950	0	16.44	0.00
Investment Trusts/ Foundation/Charities	1	0	270,000	0	0.00	0.00
Other Types of Companies	148	3	2,432,233,806	153,200	41.46	0.00
Government Agencies/ Institutions	3	0	975,000	0	0.02	0.00
Nominees	3,880	282	1,431,563,651	720,365,760	24.41	12.28
Total	17,686	436	5,130,025,531	736,243,813	87.45	12.55

ANALYSIS OF SHAREHOLDINGS

as at 30 March 2018

DIRECTORS' INTERESTS

Directors' direct and deemed Interests in the issued shares and options over unissued shares in the Company and in its related corporations as at 30 March 2018 are set out below:

1. In the Company - Issued Shares

	Direct		Deemed	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Tunku Ali Redhauddin ibni Tuanku Muhriz	20,000[1]	Negligible	-	0.00
Alexandra Schaapveld	900,000[2]	0.02	-	0.00
Chan Chee Beng	2,511,200[3]	0.04	-	0.00

[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.

2. In the Company - Unissued Shares

	No. of Unissued Shares	
Name	Direct	Deemed
Leon Harland	14,964,300[1]	-

[1] These relate to grants over unissued shares of the Company, granted pursuant to the Company's Management Incentive Plan.

ANALYSIS OF SHAREHOLDINGS
as at 30 March 2018

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The direct and deemed interests of the Substantial Shareholders in the shares of the Company as at 30 March 2018, based on the Register of Substantial Shareholders of the Company are set out below:

	Direct		Deemed	
Name	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Objektif Bersatu Sdn. Bhd.	2,048,288,000	34.92	-	0.00
Employees Provident Fund Board	356,994,480	6.09	-	0.00
AmanahRaya Trustees Berhad - Amanah Saham Bumiputera	490,000,000	8.35	-	0.00
Saluran Abadi Sdn. Bhd.	-	0.00	360,002,600[1]	6.14
Farah Suhanah binti Ahmad Sarji	-	0.00	360,002,600[2]	6.14
Mutu Saluran Sdn. Bhd.	-	0.00	2,048,288,000[3]	34.92
Usaha Tegas Sdn. Bhd.	-	0.00	2,048,288,000[4]	34.92
Pacific States Investment Limited	-	0.00	2,048,288,000[5]	34.92
Excorp Holdings N.V.	-	0.00	2,048,288,000[6]	34.92
PanOcean Management Limited	-	0.00	2,048,288,000[6]	34.92
Ananda Krishnan Tatparanandam	-	0.00	2,048,288,000[7]	34.92

Notes:

[1] *Deemed interest by virtue of its shareholdings in the Saluran Abadi Sdn. Bhd. ("SASB") subsidiaries, Karisma Mesra Sdn. Bhd., Wijaya Baiduri Sdn. Bhd. and Wijaya Sinar Sdn. Bhd. (collectively, "SASB Subsidiaries") pursuant to Section 8 of the CA 2016. The Shares held via the SASB subsidiaries are held under discretionary trusts for Bumiputera objects. As such, SASB does not have any economic interest in the Shares held by the SASB subsidiaries, as such interest is held subject to the terms of discretionary trusts.*

[2] *Deemed interest by virtue of her shareholding in SASB pursuant to Section 8 of the CA 2016. However, she does not have any economic interests in the Shares held via SASB Subsidiaries as such interest is held subject to the terms of discretionary trusts for Bumiputera objects. See Note (1) above for SASB deemed interest in the Shares.*

[3] *Deemed interest by virtue of its shareholding in Objektif Bersatu Sdn. Bhd. pursuant to Section 8 of the CA 2016.*

[4] *Usaha Tegas Sdn. Bhd. ("UTSB") is deemed to have an interest in all of the Shares in which Mutu Saluran Sdn. Bhd. ("MSSB") has an interest, by virtue of UTSB being entitled to exercise 100% of the votes attached to the voting shares of MSSB. See Note (3) above for MSSB's deemed interest in the Shares.*

[5] *Pacific States Investment Limited ("PSIL") is deemed to have an interest in all of the Shares in which UTSB has an interest, by virtue of PSIL being entitled to exercise 99.999% of the votes attached to the voting shares of UTSB. See Note (4) above for UTSB's deemed interest in the Shares.*

[6] *The shares in PSIL are held by Excorp Holdings N.V. which is in turn held 100% by PanOcean Management Limited ("PanOcean"). See Note (5) above for PSIL's deemed interest in the Shares. 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 is deemed to have an interest in the Shares, it does not have any economic or beneficial interest over such Shares, as such interest is held subject to the terms of the discretionary trust.*

[7] *TAK is deemed to have an interest in the Shares, by virtue of his deemed interest in PanOcean. See Note (6) above for PanOcean's deemed interest in the Shares. Although TAK is deemed to have an interest in the Shares, he does not have any economic or beneficial interest over such Shares, as such interest is held subject to the terms of the discretionary trust referred to in Note (6) above.*

ANALYSIS OF SHAREHOLDINGS
as at 30 March 2018

TOP 30 SECURITIES ACCOUNT HOLDERS BASED ON THE RECORD OF DEPOSITORS

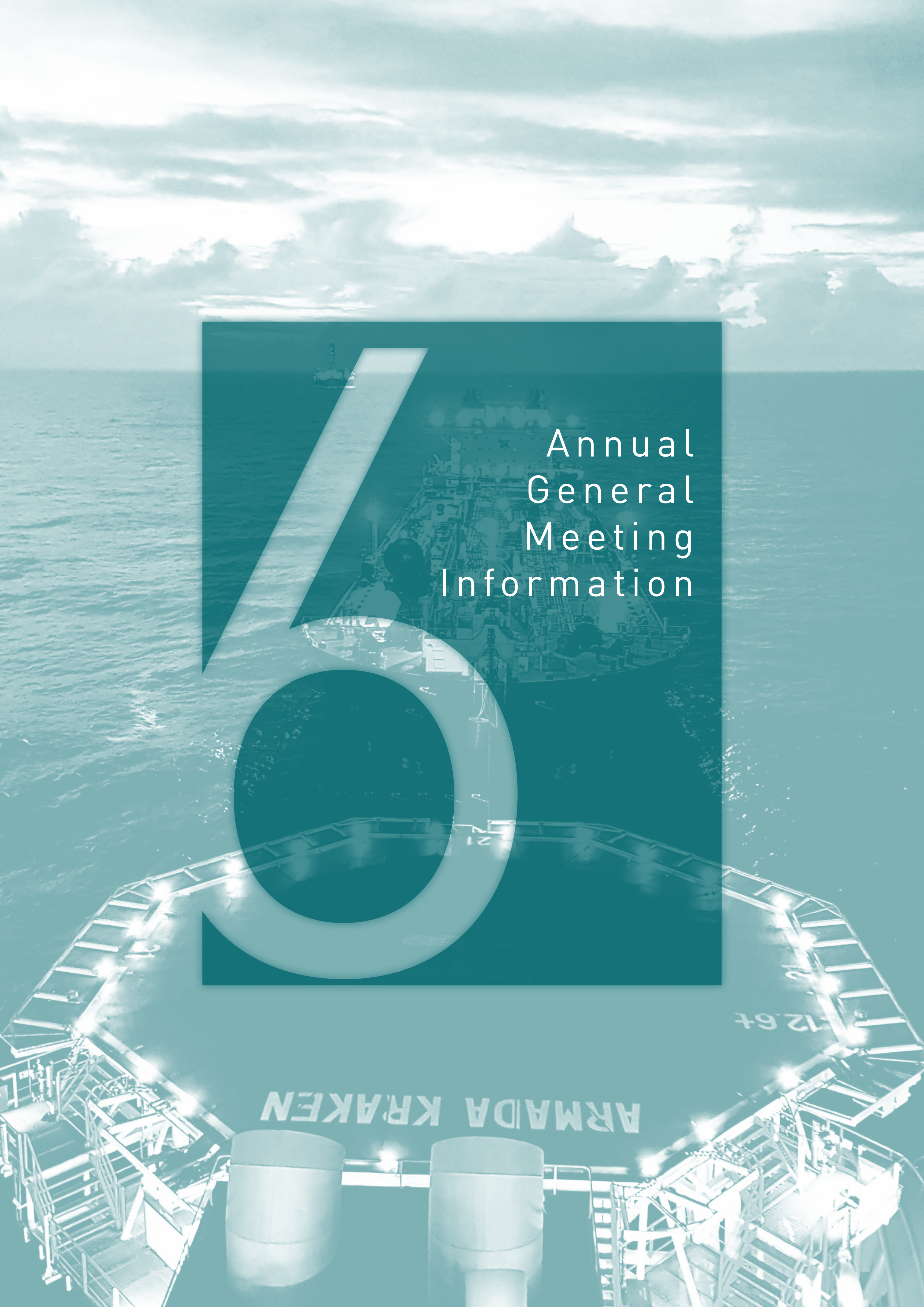
No.	Name	No. of Issued Shares	% of Issued Shares
1.	Objektif Bersatu Sdn. Bhd.	2,048,288,000	34.92
2.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	490,000,000	8.35
3.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	280,673,680	4.78
4.	Karisma Mesra Sdn. Bhd.	236,278,650	4.03
5.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	164,608,400	2.81
6.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for AIA Bhd.	157,909,300	2.69
7.	AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	128,369,800	2.19
8.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Ombak Damai Sdn. Bhd. (PBCL-0G0080)	123,116,300	2.10
9.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for Citibank New York (Norges Bank 14)	120,958,150	2.06
10.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt AN for Citibank New York (Norges Bank 9)	83,356,400	1.42
11.	Wijaya Sinar Sdn. Bhd.	78,759,550	1.34
12.	Kumpulan Wang Persaraan (Diperbadankan)	75,452,500	1.29
13.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for Asia Discovery Emerging Companies Master Fund Pte. Ltd.	67,500,000	1.15
14.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Vanguard Emerging Markets Stock Index Fund	66,742,528	1.14
15.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	65,000,000	1.11
16.	Lembaga Tabung Haji	51,962,800	0.89
17.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Vanguard Total International Stock Index Fund	47,130,187	0.80
18.	Wijaya Baiduri Sdn. Bhd.	44,964,400	0.77
19.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	40,258,000	0.69
20.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Aberdeen)	38,396,900	0.65
21.	AmanahRaya Trustees Berhad AS 1Malaysia	33,471,500	0.57

ANALYSIS OF SHAREHOLDINGS
as at 30 March 2018

No.	Name	No. of Issued Shares	% of Issued Shares
22.	CIMB Group Nominees (Tempatan) Sdn. Bhd. Yayasan Hasanah (AUR-VCAM)	32,500,000	0.55
23.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	30,000,000	0.51
24.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Malaysia ESG Opportunity Fund	29,797,100	0.51
25.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)	27,598,700	0.47
26.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	27,336,700	0.47
27.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	27,072,500	0.46
28.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Commerce Trustee Berhad – Kenanga Growth Fund	26,289,400	0.45
29.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	25,619,100	0.44
30.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	25,451,600	0.43

GLOSSARY OF TECHNICAL AND OTHER TERMS

Term	Description
AC	Audit Committee
Board	Board of Directors
BAB	Bumi Armada Berhad
BAN	Bumi Armada Navigation Sdn Bhd
BMS	Business Management System
BU	Business Unit
EBITDA	Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment
EPS	Earnings Per Share
ERM	Enterprise Risk Management
EMTN	Euro Medium Term Note
EXCO	Executive Committee
ED	Executive Director
EA	External Auditor
FPO	Floating Production and Operation
FPSO	Floating Production Storage Offloading
FSU	Floating Storage Unit
FEED	Front End Engineering and Design
FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
GHG	Green House Gas
HSSEQ	Health Safety Security Environment and Quality
HCML	Husky CNOOC Madura Ltd
IAD	Internal Audit Department
IMO	International Marine Organisation
JV	Joint Venture
LOA	Limits of Authority
LNG	Liquified Natural Gas
LTI	Lost Time Injury
Lukoil	LUKOIL Nizhnevolzhskneft
MMLR	Main Market Listing Requirements
MASB	Malaysian Accounting Standards Board
MCCG	Malaysian Code on Corporate Governance 2017
MFRS	Malaysian Financial Reporting Standards
MIP	Management Incentive Plan
NC	Nomination & Corporate Governance Committee
NED	Non-Executive Director
OMS	Offshore Marine Services
OSV	Offshore Support Vessel
O&G	Oil and Gas
OPEC	Organisation of Petroleum Exporting Countries
PwC	PricewaterhouseCoopers PLT
RC	Remuneration Committee
RMC	Risk Management Committee
SC	Subsea Construction
TOR	Terms of Reference
TRIFC	Total Recordable Incident Frequency Rate
UNICEF	United Nations Children Emergency Fund



6 Annual General Meeting Information

NOTICE OF ANNUAL GENERAL MEETING

Date/Time : Wednesday, 30 May 2018 at 2.30 p.m.
Venue : Ballrooms 1 & 2, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia.

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting ("22nd AGM") of Bumi Armada Berhad ("Bumi Armada" or the "Company") will be held at 2.30 p.m. on Wednesday, 30 May 2018 at Ballrooms 1 & 2, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia for the following purposes:

AS ORDINARY BUSINESS

1. To consider the audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors therein.
   (Please see Explanatory Note 1)

2. To re-elect Tunku Ali Redhauddin ibni Tuanku Muhriz who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers himself for re-election as a Director of the Company. **Resolution 1**
   (Please see Explanatory Note 2)

3. To re-elect Chan Chee Beng who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers himself for re-election as a Director of the Company. **Resolution 2**
   (Please see Explanatory Note 2)

4. To approve the payment of fees and benefits to the Non-Executive Directors up to an amount of RM4.5 million from 31 May 2018 until the conclusion of the next Annual General Meeting ("**AGM**") of the Company to be held in 2019. **Resolution 3**
   (Please see Explanatory Note 3)

5. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration for that year. **Resolution 4**
   (Please see Explanatory Note 4)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

6. Authority to issue new ordinary shares pursuant to Section 75 and Section 76 of the Companies Act 2016 ("**CA 2016**") and the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). **Resolution 5**

   "THAT, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the CA 2016, to issue and allot shares in the Company, at any time, to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit including in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force and that the Directors be and are hereby further authorised to make or grant offers, agreements or options in respect of shares in the Company including those which would or might require shares in the Company to be issued after the expiration of the approval hereof provided that the aggregate number of shares to be issued pursuant to this approval does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue in force until the conclusion of the next AGM of the Company, subject always to the CA 2016, the Memorandum and Articles of Association ("**M&A**") or the new Constitution of the Company, the MMLR and the approvals of all relevant regulatory bodies being obtained (if required)."
   (Please see Explanatory Note 5)

7. Proposed offer, grant and/or allotment in respect of ordinary shares in the Company to Leon Andre Harland, Executive Director/Chief Executive Officer pursuant to the Company's Management Incentive Plan ("**MIP**"). **Resolution 6**

"THAT authority be and is hereby given to the Directors of the Company to:

(i) make and/or award offers and grants to Leon Andre Harland, Executive Director/Chief Executive Officer of the Company, at any time and from time to time, commencing from the date of the shareholders' approval ("**Approval Date**") and expiring at the conclusion of the AGM of the Company commencing next after the Approval Date or the expiration of the period within which the next AGM of the Company is required to be held ("**Mandate Period**") pursuant to the MIP, comprising such number of ordinary shares of the Company ("**Bumi Armada Shares**") equivalent to an amount of up to RM4,837,500 divided by the 5-day volume weighted average market price of the Bumi Armada Shares preceding the date of the offer as traded on Bursa Securities (rounded up to the nearest 100 Bumi Armada Shares), subject always to the terms and conditions of, and/or any adjustments which may be made pursuant to the provisions of the By-Laws of the MIP;

(ii) issue and allot to him, such number of new Bumi Armada Shares (whether during or after the Mandate Period) in respect of such Bumi Armada Shares comprised in the offers and grants made and/or awarded to him during the Mandate Period; and

(iii) take all such actions that may be necessary and/or desirable to give effect to this resolution and to execute, sign and deliver on behalf of the Company, all such documents as they may deem necessary, expedient and/or appropriate, with full powers to assent to any condition, modification, variation and/or amendment thereto as the Directors of the Company may deem fit and in the best interest of the Company."
(Please see Explanatory Note 6)

8. To approve a new Constitution. **Special Resolution 1**

"THAT approval be and is hereby given for the alteration of the Company's existing M&A and replacing it entirely with a new Constitution as set out in **Appendix A** with immediate effect AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."
(Please see Explanatory Note 7)

By Order of the Board
Noreen Melini binti Muzamli
(LS0008290)
Noor Hamiza binti Abd Hamid
(MAICSA 7051227)
Joint Company Secretaries

Kuala Lumpur
27 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Instructions for Appointment of Proxy

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend, participate, speak and vote for him/her subject to the following provisions:

   (i) save as provided for in Note 2, the CA 2016 and any applicable law, each member shall not be permitted to appoint more than two (2) proxies; and
   (ii) where a member appoints more than one proxy, the appointment shall be invalid provided that he/she specifies the proportion of the member's shareholdings to be represented by each proxy.

2. For the avoidance of doubt and subject always to Note 1, the CA 2016 and any applicable law:

   (i) where a member of the Company is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee shall be made separately or in one instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting;
   (ii) where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

4. The instrument appointing a proxy shall:

   (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

5. The instrument appointing a proxy must be deposited at the office of the **Company's Share Registrars, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia**, no later than 29 May 2018 at 2.30 p.m., otherwise, the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Faxed copies of the duly executed form of proxy are not acceptable.

6. The resolutions put to the votes at the 22nd AGM shall be determined by poll. A proxy may vote on a poll. If the form of proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy may exercise his discretion as to whether to vote on such matter and if so, how. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting and the instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

7. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

Members Entitled to Attend

8. For the purpose of determining members who shall be entitled to attend the 22nd AGM, only the Company's members whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Depository Sdn Bhd on 23 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend on their behalf.

EXPLANATORY NOTES

1) Audited Financial Statements and the Reports of the Directors and Auditors thereon

The audited Financial Statements and the Reports of the Directors and Auditors therein for the financial year ended 31 December 2017, will be laid before the Company at the 22nd AGM for consideration of the members pursuant to the CA 2016. There is no requirement for the members to approve them and hence, the matter will not be put forward for voting.

2) Re-election/Election of Directors

Pursuant to Article 113 of the Company's Articles of Association ("**Articles**"), at least 1/3 of Directors should retire by rotation or if that number is not a multiple of three, then the number nearest to 1/3 should retire. Further, pursuant to Article 120 of the Articles, any Director of the Company appointed by the Board of Directors (**"Board"**) pursuant to Article 120 shall not be taken into account in determining the Directors who are to retire by rotation. Presently, we have six Directors on the Board. Accordingly, two Directors will be up for retirement by rotation pursuant to Article 113 at the 22nd AGM. YAM Tunku Ali Redhauddin ibni Tuanku Muhriz and Mr Chan Chee Beng, who are both Non-Executive Directors ("**NEDs**"), are due for retirement at the 22nd AGM, and being eligible, they have offered themselves for re-election as Directors of the Company.

The performance of both the Directors was assessed based on the Board Annual Evaluation exercise for 2017. Additionally, Mr Chan Chee Beng was also assessed following a one-on-one session with the Board Chairman, while the Board Chairman was assessed at a one-on-one session with the Senior Independent Director. The assessment exercise included the evaluation of the Directors' contribution and performance.

In respect of the independence of YAM Tunku Ali Redhauddin ibni Tuanku Muhriz, an Independent Director, he has provided his annual declaration and confirmation on his independence in January 2018. In addition, he has demonstrated his independence and objectivity in discharging his duties as the Board Chairman.

Further to such assessment exercise, the Board is satisfied that the Directors standing for re-election have performed their duties as per the Board Charter, demonstrated the qualities as outlined in the Guidance for Practice 5.1 of the Malaysian Code on Corporate Governance 2017 and has the character, experience, integrity, competence and time to effectively discharge their role as Directors. In this regard, the Board is assured that the Directors standing for re-election will continue to bring to bear their knowledge, experience and skills and contribute effectively to the Board's discussions, deliberations and decisions.

Based on the above, the Board approved the Nomination & Corporate Governance Committee's ("**NC**") recommendation that the Directors who retire in accordance with Article 113 of the Articles are eligible to stand for re-election. The retiring Directors had abstained from deliberations and decisions on their proposed re-election at the respective NC and Board meetings.

Both the Directors offering themselves for re-election have consented to the same.

For details of the Directors who are standing for re-election, YAM Tunku Ali Redhauddin ibni Tuanku Muhriz and Mr Chan Chee Beng, please refer to the Directors' Profiles on pages 46 and 47 of the Annual Report 2017.

3) Directors' Remuneration

Section 230(1) of the CA 2016 provides amongst others, that the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 22nd AGM for the fees and benefits payable to the Directors.

At the Company's AGM in May 2017, the shareholders had approved the payment of fees and benefits to the NEDs up to an amount of RM6.0 million from 31 January 2017 until the conclusion of the next AGM in 2018. The payment of remuneration to the NEDs for the said period did not exceed RM4.0 million. The details of the remuneration of Directors for the financial year ended 31 December 2017 are disclosed on pages 129 to 130 of the Annual Report 2017.

The NEDs fees and benefits comprise fees, meeting allowances and other emoluments payable to the Chairman and members of the Board and Board Committees. The NEDs' current remuneration framework is as set out below which came into effect on 1 July 2014 and has not been revised since:

Description	Chairman	NEDs
(i) Director fee		
• Monthly fixed allowance	RM36,667	RM15,000
• Board Committees (Audit and Executive Committees)	RM10,000	RM6,000
• Board Committees (Risk Management, Remuneration, Nomination & Corporate Governance Committees)	RM4,000	RM2,500

Description	Board Chairman	NEDs (based in Malaysia)	NEDs (based outside Malaysia)
(ii) Meeting allowance[1] (per meeting day)			
• For meetings in Malaysia	RM3,500	RM2,000	USD1,000
• For meetings outside Malaysia	USD1,500	USD1,000	USD1,000
(iii) Other benefits			
• Monthly car allowance	RM12,000	-	-

[1] The meeting allowance includes the allowance for travel days to attend meetings.

The proposed amount of RM4.5 million for the payment of fees and benefits for the period from 31 May 2018 to the next AGM comprise the estimated total fees of RM3.5 million and estimated total benefits of RM1.0 million. The proposed amount of RM4.5 million has taken into account the potential appointment of up to 3 new directors to the Board in 2018.

4) Re-appointment of Auditors

Messrs. PricewaterhouseCoopers PLT, the auditors of the Company have expressed their willingness to continue in office as auditors of the Company for the financial year ending 31 December 2018. The Board has approved the Audit Committee's recommendation that they be retained after taking into account relevant feedback on their experience, performance and independence following a formal assessment.

5) Authority to issue ordinary shares pursuant to Section 75 and Section 76 of the CA 2016 and the MMLR

Proposed Resolution 5 is to seek a renewal of the general authority pursuant to Section 75 and Section 76 of the CA 2016 and the MMLR for the issue and allotment of new ordinary shares in the Company.

As at 10 April 2018, the Company has not issued any new shares pursuant to the previous mandate.

Proposed Resolution 5, if passed, would enable the Directors to issue and allot new ordinary shares up to an amount not exceeding ten per centum (10%) of the Company's issued share capital from time to time. This will, among others, provide them the flexibility to raise funds, including but not limited to further placement of shares for purposes of funding future investment project(s), working capital and/or acquisitions without convening a general meeting which will be both time and cost consuming. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Should there be a decision to issue and allot ordinary shares after the said authority has been given, the Company will make the appropriate announcement on the purpose and/or utilisation of proceeds arising from such issuance and allotment.

6) Proposed offer, grant and/or allotment in respect of ordinary shares in the Company to Leon Andre Harland, Executive Director/ Chief Executive Officer pursuant to the Company's MIP

Proposed Resolution 6 is to seek authority in respect of the proposed offer, grant and/or allotment in respect of ordinary shares in the Company under the MIP to Leon Andre Harland, Executive Director/ Chief Executive Officer.

On 23 May 2016, we had obtained your approval for the authority to offer, grant and/or allot shares to employees and Executive Directors who fulfil the criteria of eligibility for participation in the MIP.

The details on the proposed offer, grant and/or allotment in respect of ordinary shares under the Company's MIP to Leon Andre Harland are set out in the Circular to the Shareholders dated 27 April 2018 which accompanies this Notice of AGM. The Executive Director will abstain from voting on the proposed Resolution 6 and will ensure that persons connected to him abstain from doing so.

7) Approval for a new Constitution

The Company intends to alter its existing M&A and replacing it in its entirety with a Constitution to be in line with the provisions of the CA 2016 and the MMLR. Detailed information regarding the proposed Constitution is set out in Appendix A of this Notice of AGM.

FORM OF PROXY

BUMI ARMADA BERHAD (370398-X)
(Incorporated in Malaysia)

*I/*We, ______________________ [FULL NAME IN BLOCK LETTERS] [COMPULSORY] *NRIC No.(new and old)/ *Passport No./ *Company No. ______________ [COMPULSORY]

of ______________________________ [ADDRESS] and telephone no. ______________

being a member of Bumi Armada Berhad (the "Company"), hereby appoint ______________________ [FULL NAME IN BLOCK LETTERS] [COMPULSORY]

*NRIC No./*Passport No. ______________ [COMPULSORY] of ______________________ [ADDRESS]

and/or ______________________ [FULL NAME IN BLOCK LETTERS] [COMPULSORY] *NRIC No./ *Passport No. ______________ [COMPULSORY]

of ______________________________ [ADDRESS]

or failing *him/*her, THE CHAIRMAN OF THE MEETING as *my/*our *proxy/*proxies to vote for *me/*us and on *my/*our behalf at the **Twenty-Second Annual General Meeting of the Company to be held on 30 May 2018 at 2.30 p.m. at Ballrooms 1 & 2, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia** and at any adjournment thereof.

*I/*We indicate with an "X" in the spaces below how *I/*we wish *my/*our vote to be cast:

No.	Resolutions	For	Against	Abstain
	Ordinary Resolutions			
1	To re-elect Tunku Ali Redhauddin ibni Tuanku Muhriz who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers himself for re-election as a Director of the Company.			
2	To re-elect Chan Chee Beng who retires by rotation in accordance with Article 113 of the Company's Articles of Association, and who being eligible, offers himself for re-election as a Director of the Company.			
3	To approve the payment of fees and benefits to the Non-Executive Directors up to an amount of RM4.5 million from 31 May 2018 until the conclusion of the next Annual General Meeting of the Company.			
4	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration for that year.			
5	To authorise the Directors to allot and issue new ordinary shares pursuant to Section 75 and Section 76 of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.			
6	To offer, grant and/or allotment in respect of ordinary shares in the Company to Leon Andre Harland, Executive Director/ Chief Executive Officer pursuant to the Company's Management Incentive Plan.			
	Special Resolution 1			
7	To approve the alteration of the existing Memorandum & Articles of Association by replacing it with a new Constitution of the Company as per Appendix A.			

Subject to the above stated voting instructions, *my/*our *proxy/*proxies may vote or abstain from voting on any resolutions as *he/*she/*they may think fit.

If appointment of proxy by an individual or a corporation is under hand ______________ Signed by *individual member/*officer or attorney of member/*authorised nominee of ______________ (beneficial owner)	No. of shares held: ______________ Securities Account No.: ______________ (CDS Account No.) (Compulsory) Date:	The proportions of *my/*our holding to be represented by *my/*our *proxy/*proxies are as follows: **First Proxy** No. of shares: ______________ Percentage: ______________ **Second Proxy** No. of shares: ______________ Percentage: ______________
If appointment of proxy by a corporation is under seal The Common Seal of ______________ was hereto affixed in accordance with its Articles of Association in the presence of:- ______________ ______________ Director *Director/*Secretary in its capacity as *member/*attorney of member/*authorised nominee of ______________ (beneficial owner)	Seal No. of shares held: ______________ Securities Account No.: ______________ (CDS Account No.) (Compulsory) Date:	

* *Delete if inapplicable*

NOTES :

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend, participate, speak and vote for him/her subject to the following provisions:

   (i) save as provided for in Note 2, the Companies Act 2016 ("CA 2016") and any applicable law, each member shall not be permitted to appoint more than two (2) proxies; and
   (ii) where a member appoints more than one proxy, the appointment shall be invalid provided that he/she specifies the proportion of the member's shareholdings to be represented by each proxy.

2. For the avoidance of doubt and subject always to Note 1, the CA 2016 and any applicable law:

   (i) where a member of the Company is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee shall be made separately or in one instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting;
   (ii) where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

4. The instrument appointing a proxy shall:
   (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

5. The instrument appointing a proxy must be deposited at the office of the **Company's Share Registrars, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia**, no later than 29 May 2018 at 2.30 p.m., otherwise, the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Faxed copies of the duly executed form of proxy are not acceptable.

6. A proxy may vote on a poll. If the form of proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy may exercise his discretion as to whether to vote on such matter and if so, how. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to participate, speak and vote at the meeting and the instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

7. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

8. **Personal Data Privacy**

   By submitting the duly executed form of proxy, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for all matters relating to or in connection with the AGM (including any adjournment thereof) and for the Company's (or its agents') compliance with any applicable laws, rules or regulations and guidelines (collectively the "Purposes"); and (ii) warrants that the member has obtained the prior consent of its proxy(ies) and/or representatives for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

This flap for sealing

STAMP

THE SHARE REGISTRARS OF
BUMI ARMADA BERHAD
(Company No.:370398-X)

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1st fold here

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