

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Bumi Armada Berhad (“Bumi Armada” or the “Company”) is committed to maintaining a high standard of corporate governance and ensuring controls, systems and processes exist throughout Bumi Armada and its subsidiaries (the “Group”) to safeguard the Group’s assets and reputation and enable sustainable performance. The Board recognises that transparency, accountability, integrity and corporate performance are essential for good corporate governance.

With the introduction of the 2012 Malaysian Code on Corporate Governance (“2012 Code”) in 2012, the Company continued with its initiatives to achieve good governance.

This Statement is prepared pursuant to Paragraph 15.25 of the Main Market Listing Requirements (“MMLR”) and describes the manner in which Bumi Armada has applied the Principles having regard to the Recommendations under the 2012 Code.

1. ESTABLISHMENT OF CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and Management

The Board has collective responsibility for the direction and management of the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value whilst taking into account the interests of other stakeholders. In order to discharge that responsibility, it has to provide the requisite leadership and ensure it has laid the necessary governance structures to have effective control of the Company and stewardship over its assets.

The Executive Directors are directly responsible for the day-to-day management of the business and operations, procuring new business and for the commercial and corporate performance of the Company within the parameters of good governance. Non-Executive Directors play a vital check and balance role by challenging and scrutinising Management recommendations and proposals in an objective manner and bringing independent judgment to the decision making process at the Board and Board Committee levels. They are also involved in initiating measures that promote good governance practices.

In conjunction with the Company assuming listed company status in 2011, the Board adopted the following responsibilities as a primary premise for effective discharge of its fiduciary and leadership functions, which have been maintained in the 2012 Code with some modifications:

- *Reviewing and adopting a strategic plan for the Group* - The Board ensures that the right strategic guidance is given to Management. It also debates and challenges the plan against enterprise, business and project risks and stakeholder objectives;
- *Overseeing the conduct of the Group's businesses to evaluate whether they are being properly managed* - Vigilance and monitoring of the performance of the Group at regular intervals, and the addressing of issues on a timely basis ensure the Board discharges its corporate accountability function and safeguards stakeholder interests;
- *Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks* - The mutual dichotomy of balancing risk and reward is recognised by the Board in the pursuit of shareholder value enhancement, hence there is a need to institutionalise an enterprise wide system of identification, mitigation and management of risks in a deliberate manner;
- *Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing key management* - The Board acknowledges that succession planning is essential for the sustainability and continued success of the organisation. Besides having programmes to identify, source and develop talent of the right calibre for key positions at senior and middle management levels for future succession. The Board is also focused on planned succession at the helm of the Company for longer term;
- *Developing and implementing an investor relations programme or shareholders' communications policy for the Group* - As the Board is accountable to the shareholders and other stakeholders, the Board places importance on how information and decisions which will impact them are disseminated and communicated. A formalised policy to govern the manner, mode and channels of communication with them provides guidance to the Board and Management in this regard; and
- *Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines* - The Audit Committee plays a significant role in ensuring the internal audit function is effective in providing the necessary comfort and assurance in the areas of internal controls, financial disclosures and compliance, appropriate accounting policies and treatment of applicable standards and corporate accountability.

The Board has delegated specific responsibilities to various Board Committees, including the Audit, Nomination & Corporate Governance (referred to herein as Nomination), Remuneration and Risk Management Committees which operate within their respective approved terms of reference. These Committees assist the Board in making informed decisions through focused and in-depth deliberations on selected issues within their respective purview. The final decision on all matters, however, lies with the entire Board after considering recommendations by these Committees except to the extent that certain matters are delegated by the Board to the said Committees.

In order for the Company to run smoothly, the Board has also delegated some of its authority to certain levels of Management including the Chief Executive Officer ("CEO"), within the prescribed limits of authority. Such delegation is made pursuant to the Company's Articles of Association ("Articles"). Decisions and approvals beyond such limits are vested with the Board. In the course of 2013, a comprehensive review of authorities delegated to the Board Committees and Management was undertaken to ensure that these are clearly defined and to mitigate overlaps. The review was also aimed towards ensuring the authorities met current best practices in corporate governance.

1.2 Division of Roles and Responsibilities between the Chairman and the CEO

There is a distinct division of roles and responsibilities between the Independent Non-Executive Chairman of the Board and the CEO. The Chairman has a non-executive role while the CEO who is also an Executive Director has executive functions. Further details on the separation of the roles and responsibilities of the Chairman and CEO are set out in Section 3.4 of this Statement.

In the context of reinforcing independence and recognising the provisions of the 2012 Code, Tunku Ali Redhaudin ibni Tuanku Muhriz ("Tunku Ali"), an Independent Non-Executive Director was appointed as Chairman of the Board to succeed Dato' Sri Mahamad Fathil bin Dato' Mahmood ("Dato' Sri Mahamad Fathil"), who is non-independent upon the conclusion of the Company's 2013 Annual General Meeting ("AGM").

1.3 Ethical Standards Through a Code of Ethics

Since 2006, the Company has had a Code of Ethics ("COE") in place, covering business ethics, conflicts of interest and gifts and entertainment. Following a review by the Nomination Committee in 2013, the Board has endorsed the COE. The COE sets out policies prescribing the standard of ethical corporate culture and business conduct required of every employee as well as clearly prohibiting or restricting others (such as participation either directly or indirectly with competitors, acceptance of cash gifts and dealings with confidential information). Employees are required to declare that they have received, read and understood the provisions of the COE and agree and abide by it. Failure to comply with the COE may constitute misconduct that could lead to the Company initiating appropriate disciplinary action.

To reinforce the standards prescribed in the COE, the Board (in 2012), established a Whistle Blowing Policy and Procedure to promote responsible corporate conduct across the Group. A Whistle Blowing Committee attends to all whistle blowing complaints received and presents reports on such complaints received and the outcome of preliminary investigations on the merits of the complaints and further investigations on a quarterly basis to the Audit Committee.

Separately, the Board has adopted a Code of Business Conduct and Ethics specifically applicable to Directors that establishes a standard of ethical behaviour and values to uphold the spirit of responsibility for managing a company. Amongst others, it governs handling of conflicts of interest, dealings in securities, confidential and Company's information.

1.4 Strategies that Promote Sustainability

Bumi Armada is committed to being a good global corporate citizen. It believes sustainability is about balancing growth with corporate responsibility, conserving resources for future generations by minimising carbon footprint activities amongst others that may have a negative impact on the environment. It also believes in driving efficiency, productivity and returning value to its stakeholders in a variety of ways. The Group acknowledges that the environmental, social and governance ("ESG") aspects of business underpin sustainability. It focuses on four key areas: fuel efficiency, environmental conservation, local content and capacity development.

In 2012, the Company published its second Biennial Corporate Social Responsibility ("CSR") Report that covers and explains the ESG aspects and the strategies that promote sustainability for the period 2010-2011. The 2010-2011 CSR Report is available on the Company's website. Bumi Armada was included in the Dow Jones Sustainability Index for Emerging Markets (DJSI Emerging Markets), which was launched on 21 February 2013 by RobecoSAM, the investment specialist focused exclusively on 'Sustainability Investing'. This index tracks the performance of leading companies from 20 developing economies in response to the evolving needs of the global investment community where CSR is increasingly associated with good governance and well-managed companies. The Company is currently in the process of preparing its 2012-2013 CSR Report which once finalised will be made available on the Company's website. Further details are set out in the CEO's Message incorporated in the 2013 Annual Report of Bumi Armada.

1.5 Board Members' Access to Information and Advice

The Board has agreed to a protocol for access to information pertaining to the Company and for seeking independent professional advice (subject to approval of the Chairman where the expenses exceed RM50,000.00) 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 borne by the Company.

1.6 Support of Company Secretaries

All Directors have access to the advice and services of the Joint Company Secretaries who ensure that proper processes and procedures are in place and adhered to for the effective functioning of the Board. This include setting the agenda, convening, facilitating proper conduct and recording proceedings and decisions of the Board and Board Committees. They advise the Board on various matters including Directors' duties, disclosure obligations, compliance with companies and securities laws, regulatory requirements and corporate governance initiatives. They also ensure statutory records of the Company are properly maintained and relevant disclosures, submissions and filings are made on a timely fashion to the regulators on behalf of the Company and the Board.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

1.7 Board Charter and Schedule of Matters Reserved for the Board

The Board's role is to provide strategic leadership of the Company within a framework of effective and prudent controls which enables risks to be assessed and managed. Its role is to provide leadership and direction to Management and promote an ethical and performance based culture that drives value creation and accountability and contributes towards high quality decision making. It also considers initiatives and measures that strengthen governance in the various activity streams within the Group.

Nevertheless, a comprehensive review was recently undertaken to streamline, redefine and provide clarity to the roles, responsibilities and powers of the Board and matters reserved to it, separate from the Board Committees and Management. A Schedule of Matters Reserved for the Board has been developed and is undergoing review. Setting of business strategy, approval of annual business plan and budget including annual capital and operating expenditure, approval of major new projects and the capital and operating expenditure related to such projects, acquisitions and disposals of strategic investments and joint ventures, borrowings, capital restructuring and annual and quarterly financial statements vest with the Board.

In line with Principle 1 of the 2012 Code, a Board Charter which has also been developed is expected to be adopted in the course of 2014 after factoring in all feedback. The Board Charter constitutes the terms of reference within which the Board will operate, subject to the provisions of relevant legislations, regulations, governance codes and the Company's Articles. Directors serving and coming on board, shall be clear as to the role and responsibilities of the Board, the Board Committees and the different categories of Directors as well as the process for scheduling, calling and convening of Board meetings, principal matters reserved for the Board and reference on induction and training of Directors among others.

2. STRENGTHEN COMPOSITION OF THE BOARD

2.1 Nomination Committee

The Board recognises that the quality of the composition of Board membership with an appropriate mix of skills, competencies and expertise is fundamental to how policies and strategies are shaped and how quality decisions are made.

In this regard, the Nomination Committee, was re-designated early last year as the Nomination & Corporate Governance Committee ("Nomination Committee"). This Committee has its own Terms of Reference. The Nomination Committee is charged with the following primary responsibilities and making the appropriate recommendations to the Board:

- formulating the nomination, selection, election and succession policies for members of the Board and Board Committees;
- reviewing the optimum size and composition of the Board having regard to the mix of skills, independence and diversity, and formalising a transparent procedure for proposing new nominees to the Board and Board Committees;
- assessing the effectiveness of the Board as a whole and the contribution of each individual Director and member of each Board Committee;
- overseeing Board induction and training; and
- reviewing policies, procedures, measures and initiatives that promote good corporate governance practices in line with Malaysian and international standards as deemed suitable for the Group.

The Nomination Committee comprises three Non-Executive Directors, two of whom are Independent Directors.

The Nomination Committee met six times in 2013 to:

- review the Board composition to identify competency, skills and diversity gaps;
- review and recommend the Board Diversity Policy and targets to achieve the diversity gaps as well as the measures to be taken;
- formulate and introduce the Board and Board Committee assessment criteria for 2012;
- set a timeline and facilitate the 2012 Board and Board Committees assessment process including assessing and reporting the findings and making the appropriate recommendations to the Board;
- follow through and monitor every quarter on the implementation of the recommendations from the 2012 assessment;
- initiate the 2013 Board and Board Committee assessment process (through an independent external Human Resource consultant firm);
- review and establish a selection criteria for new appointees to the Board and Board Committees;
- review new candidates to the Board, chairmanship of the Board and changes to the composition of the Board and Board Committees arising from retirement of a Director;
- initiate actions for a succession planning at top management level;
- assess and make recommendations on the training needs of Directors;

- review policies, initiatives, measures and procedures to strengthen and give effect to matters pertaining to corporate governance having regard to the provisions of the 2012 Code and in line with global best practices. These include review and recommendation of the Code of Ethics for employees, adoption of the Code of Business Conduct and Ethics for Directors, adoption of the Board Diversity Policy and setting of targets to address diversity skills among others; and
- review the terms of reference of the various Board Committees to clearly define their roles and to be reconciled with the review authorities and delegations under the revised Limits of Authority for Management and the requirements of the 2012 Code.

2.2 Criteria for Recruitment and Annual Assessment of Directors

As recommended by the Nomination Committee, a Board Diversity Policy was adopted by the Board in 2013, taking into account the provisions under the 2012 Code. The Policy was developed to enhance the selection process of candidates to the Board. The Policy reiterates that the Board should comprise members who collectively having 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 which can add value to the deliberations and decision making at the Board and Board Committee levels and provides a competitive edge to the Company in achieving its corporate and strategic objectives, in turn enhancing shareholder value.

Measurable objectives, targets and timelines have been set to address the gaps. Persons selected must be fit and proper for the roles they are expected to play. Whilst the Policy recommends and promotes gender and age diversity and increasing the representation of women candidates, the Board is also looking for a candidate with engineering qualification and offshore oil and gas experience. Additional Independent Director is the other target.

In early 2013, the Board appointed Tunku Ali as an additional Independent Non-Executive Director. Tunku Ali, 37, brings significant investment and global client service exposure, to the Board. The appointment of Ms Maureen Toh Siew Guat ("Ms Maureen Toh") to the Board in April 2014 has enabled the Board to increase its representation of women on the Board.

The Board's selection process entails the following steps:

- identifying the attributes needed on the Board and the vacancies to be filled;
- determine resultant and desired size of the Board;
- drawing up specifications for the positions to be filled;
- initiate search for the candidates (both through internal and external means);
- shortlisted candidates to be met by the Chairman and the Nomination Committee and other Board Members;
- deliberations and recommendation by the Nomination Committee to the Board; and
- Board is responsible for the appointment.

The appointed candidate will participate in an induction programme for familiarisation and to have a better understanding of the Group's operations and functional areas. This will include meeting with the other Board members. The Nomination Committee also reviews the Directors who are subject to re-election/election at the AGMs to ensure they will continue to contribute.

Heading to the 2014 AGM, of the four Directors who are of equal seniority for retirement pursuant to Articles 113 of the Company's Articles, Mr Andrew Philip Whittle ("Mr. Andrew Whittle") and Mr Lim Ghee Keong ("Mr. Lim") are not seeking re-election whilst Mr Hassan Assad Basma and Ms. Alexandra Elisabeth Johanna Maria Schaapveld ("Ms Alexandra Schaapveld") will submit themselves for re-election.

The Board had designated Mr Andrew Whittle, the chair of the Nomination Committee as the Senior Independent Non-Executive Director to whom concerns may be conveyed. Given his notification that he does not intend to seek re-election as a Director at the 2014 AGM, the Board will look into filling this position.

In respect of 2012, the Board adopted an internally developed criteria and templates for assessment of the Board, Board Committees and independence of Independent Directors, as recommended by the Nomination Committee. For the Board and Board Committee assessment in respect of 2013, the Board has, on the recommendation of the Nomination Committee, engaged an independent Human Resource consultancy firm ("independent consultant") to formulate an assessment criteria and undertake the said assessment. A preliminary report has been presented by the independent consultant to the Nomination Committee and the Board and there will be continuing discussions on the findings and recommendations.

2.3 Remuneration Policies and Procedures

i) Remuneration Committee Composition and Responsibilities

The Remuneration Committee comprises three Non-Executive Directors, majority of whom are independent.

The Committee 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 Executive Directors;

CORPORATE GOVERNANCE STATEMENT (Cont'd)

- evaluate the annual performance and reward of the Executive Directors;
 - review Management remuneration policies and proposals; and
 - review and endorse broad parameters and criteria for determination of eligibility and basis and criteria for allocations and grant of options under the Company's Employee Share Option Scheme ("ESOS" or "Scheme").
- (The day-to-day functions relating to the implementation of the Scheme and the exercise of options are handled by the Management level ESOS Management Committee with its own remit.)

ii) Remuneration Policy and Procedure

The objective of the Group's policy on Directors' remuneration is to attract, retain and incentivise Directors of the experience and calibre needed to manage the Group successfully. The remuneration of the Executive Directors ("EDs") is structured so as to link rewards to individual responsibilities and to corporate and individual performance.

In the case of Non-Executive Directors, their remuneration shall be commensurate with experience, expertise and level of responsibility and duties undertaken and role played by them in the Board and Board Committees. The Board may draw advice from consultants in determining remuneration.

The EDs remuneration package comprises and 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. The EDs are also incentivised in the form of options to purchase the Company's shares under the Company's ESOS. EDs are not entitled to receive any meeting allowance for Board or Board Committee meetings they attend.

In the course of 2013, the Remuneration Committee initiated a review by an independent consultant of the Policy and Procedure for Directors remuneration which was confirmed to be in line with best practices.

The consultant was also engaged to benchmark a proposed revision in Non-Executive Directors remuneration (including benefits), against companies in similar industry in Malaysia, Singapore, the UK and US and of a similar size as well as to the remuneration practices of other listed companies within the Usaha Tegas group (the single largest shareholder of the Company).

Following the review, the Board approved a revision in the Non-Executive Directors remuneration in order to rebalance the fees according to the roles and responsibilities undertaken by Directors on the Board and Board Committees, to align the fees to companies in similar industry in Singapore, UK and US and having regard to the complexities and global nature of the Company's business.

Non-Executive Directors remuneration comprises fees, meeting allowance and contribution by the Company to the employee provident fund or payment in lieu thereof (in the case of the overseas Directors).

Directors also have the benefit of Directors' and Officers Liability Insurance in respect of liabilities arising from when acting in their capacity of Directors and Officers of the Company.

The Articles of the Company provide that unless otherwise determined by an ordinary resolution of the Company in a general meeting, the total fees of all Directors in any year shall be a fixed sum not exceeding in aggregate RM3,000,000 and divisible among the Directors as they may agree, or failing agreement, equally. Any increase in Non-Executive Directors' remuneration above the cap provided in the Company's Articles shall be approved at a general meeting of the Company. The aggregate fees paid to the Non-Executive Directors as at the end of 2013 does not exceed the aforementioned fee cap.

The determination of the remuneration of the Directors is a matter for the Board as a whole based on the recommendation of the Remuneration Committee. Individual Directors do not participate in decisions regarding their own remuneration packages. During 2013, the Remuneration Committee met six times. The meetings were attended by all members and the Committee dealt with the following matters:

- deliberations and recommendation on evaluation of performance of EDs for 2012;
- setting of KPIs for EDs for 2013;
- review of broad parameters and criteria for employee increments and bonuses and grant of options under the Company's ESOS;
- determination of actual number of options to be granted to the EDs pursuant to shareholder's authority in 2012;
- determination of maximum options to be granted to EDs for which shareholder's authority was procured in 2013; and
- initiating review of Directors remuneration policy and procedure and Non-Executive Directors' remuneration.

With regard to the options, under the By-Laws governing the Scheme, the total number of new shares which may be issued under options granted pursuant to the Scheme shall not exceed in aggregate 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 Directors and members of senior management of the Group shall not exceed in aggregate 50% of the total number of shares to be issued under the Scheme.

During the financial year and since the commencement of the Scheme, options representing 6.31% and 31.70% of the total number of shares as at 31 December 2013, that may be issued under the Scheme to Directors and members of senior management, respectively have been granted to and accepted by our Executive Directors and senior management.

iii) Remuneration Package

The details of Directors remuneration (both Executive and Non-Executive) is shown under Note 12 of the Company's audited financial statements for the financial year ended 31 December 2013 ("FY 2013"). The aggregate remuneration of Directors for FY 2013 analysed into the appropriate bands of RM50,000 is as follows:

Range of remuneration	Executive Directors*	Non-Executive Directors
RM200,001 - RM250,000	-	1
RM250,001 - RM300,000	-	2
RM300,001 - RM350,000	-	2
RM350,001 - RM400,000	-	2
RM400,001 - RM450,000	-	1
RM2,400,001 - RM2,450,000	1	-
RM11,200,001 - RM11,250,000	1	-

* Remuneration paid to EDs includes salaries and bonuses, as well as other benefits and incentives. Non-Executive Directors' remuneration includes fixed fees and meeting allowances.

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

On the recommendation of the Nomination Committee, the Board has adopted a policy and procedure and criteria for the assessment of independence of Independent Directors. An assessment of the independence of the Independent Directors as at the end of 2013 was undertaken early this year, which re-affirmed their independence. The policy and procedure also provides for assessment to be undertaken when new members are to be appointed to the Board in an independent capacity, prior to their appointment. Confirmation is also required for disclosures for regulatory purposes. However, Independent Directors are expected to inform the Board any time when circumstances arise which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interest of the Company. The policy and criteria will be reviewed from time to time.

Based on the re-affirmation of independence, Ms Alexandra Schaapveld, will be offering herself for re-election at the 2014 AGM. She has served for a period of 2 years and 10 months on the Board.

3.2 Tenure of Independent Directors

A limit of nine years service is provided for under the criteria for independence as prescribed under the 2012 Code. None of the Independent Directors has served nine years on the Board.

Although long tenure may incline towards or be perceived as compromising independence, the Board will review its position and criteria from time to time to ensure that Independent Directors who have the necessary knowledge, skills and competencies and exercise independent and objective judgement, 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.

3.3 Shareholder's approval for re-appointment of Independent Directors who have served for nine years

If the Board is satisfied that an Independent Director meets the qualifications in the preceding paragraph and intends to retain him on the Board, the approval of shareholders will be procured to allow for the continued service beyond 9 years, as required. However, the Board will consider the demands of local and global standards of governance in this regard, before making any such recommendation. The Director concerned will abstain from any deliberations at the Board or Board Committee levels on his proposed retention.

3.4 Separation of positions of Chairman and CEO

There is a distinct division of roles and responsibilities of the Chairman of the Board and the CEO. The positions of Chairman and CEO are held by separate individuals, for check and balance. The current Chairman Tunku Ali who assumed the position in June 2013, is an Independent Non-Executive Director.

The Chairman is responsible for creating the conditions necessary for overall Board and individual Directors effectiveness, drawing on their respective knowledge, experience and skills.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

His role includes:

- providing leadership at Board level;
- setting the tone for 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 that obligations to its shareholders and other stakeholders are understood and met;
- reviewing the organisational structure including the composition of Board Committees to see 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 ensuring timely flow of high quality supporting information;
- together with the Board and based on the work of Board Committees, determining the nature and extent of risk appetite of the Company;
- ensuring there is a proper selection and assessment process and training programmes for Directors;
- together with the other Board Members monitoring the implementation of Board decisions and directions and performance of Management; and
- presiding over shareholder meetings and representing the Company at certain key events.

The CEO, who is an Executive Director, on the other hand has overall responsibilities:

- for 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 businesses and enhancing the capital value of the Group;
- to work with and advise the Board in defining the strategic, corporate and commercial objectives of the organisation, 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
- for providing leadership to Management and having direct oversight for the financial performance, and organisational effectiveness which encompasses human resource developments, investor relations and building of brand equity, striving for operational excellence, supporting health, safety, environment and quality performance initiatives as well as commitment to corporate social responsibility.

The annual KPIs set for the CEO are recommended by the Remuneration Committee and approved by the Board.

3.5 Composition of the Board

There were changes to the Board during 2013 with a view to strengthening independence. Tunku Ali was appointed to the Board in January 2013 and succeeded Dato' Sri Mahamad Fathil as Chairman of the Board after the conclusion of the Company's AGM in June 2013. At the same time, the Board also saw the retirement of Dato' Ahmad Fuad bin Md Ali ("Dato' Fuad"), a Non-Independent Non-Executive Director. After the conclusion of the 2013 AGM on 18 June and up to 31 December 2013, the Board comprised 9 Directors, with 4 Independent Non-Executive Directors, 3 Non-Independent Non-Executive Directors and 2 Executive Directors.

In the meantime, the Company has announced the appointment on 23 April 2014 of Ms Maureen Toh, a Non-Independent Non-Executive Director to replace Mr Lim as a nominee of our substantial shareholder, Usaha Tegas Sdn Bhd.

Mr Lim and Mr Andrew Whittle (an Independent Non-Executive Director), who are due to retire at the 2014 AGM of the Company, have notified the Board that they will not be seeking re-election. Simultaneously, Dato' Sri Mahamad Fathil has notified the Company of his intention to vacate his seat after seeing through the transition at the helm of the Board. Their cessation as Directors will take effect from upon the conclusion of the 2014 AGM. Taking these changes into account presently, Independent Directors constitute and will constitute more than 30% of the Board numbers on the Board, satisfying the requirement under the MMLR that at least one-third of the Board be comprised of Independent Directors. The appointment of Ms Maureen Toh also goes towards addressing certain identified diversity gaps at the Board level.

The Independent Directors provide an effective check and balance in the functioning of the Board. They play a pivotal role in corporate accountabilities as they provide unbiased and independent views, advice, opinions and judgement at Board and Board Committee deliberations, with regard to the interest of minority shareholders and other stakeholders. None of the Non-Executive Directors participate in the day-to-day management of the Group.

The Independent and Non-Executive Directors play key roles in the various Board Committees viz, the Audit, Risk Management, Nomination and Remuneration Committees in shaping and contributing ideas and essential feedback towards the development and strengthening of the governance structures and foundations of the Company.

Together, the Directors act in the best interest of the Company and believe that the current Board composition fairly reflects the interests of its shareholders to provide the effective leadership, strategic direction and necessary governance to the Bumi Armada Group. These Directors bring to the Board a wide and varied range of business, commercial, financial

and technical experience for the effective management of the Group's businesses. The Directors' profiles are presented on pages 28 to 31 of this Annual Report.

4. FOSTER COMMITMENT

4.1 Time commitment

All Directors have demonstrated their commitment to the business of the Board and Board Committees by making time for meetings and key events, towards discharging their roles and responsibilities and fiduciary duties as Directors of the Company. Commitment to the time necessary to carry out their duties as Directors is a condition and term of their appointment.

Directors are aware of the limits of directorships they can have in public limited companies quoted on Bursa Securities ("PLC"). While Directors notify the Company Secretaries as and when they are appointed to other directorships, the Company Secretaries also obtain updates of the other directorships of Directors every quarter to monitor compliance with the limit. Save for two Directors who hold directorships in at least one other PLC, none of the Directors hold directorships in other PLCs. However certain Directors hold directorships in public companies that are not quoted on Bursa Securities as well as in public or public listed companies that are incorporated outside Malaysia or quoted on other Exchanges. Details of such directorships are disclosed in their Profiles.

Board and Board Committee meetings are scheduled at the onset of the calendar year and an annual Schedule of Meetings with an indication of the key business items for each meeting is circulated to all Directors.

The Board meets at least five times a year, with additional meetings convened when decisions on urgent matters are required between scheduled meetings. Due notice is given to all Directors of all meetings while special unscheduled meetings may be subject to shorter notice periods. Normally, Board Committee meetings are held at least one day before the scheduled Board meetings, to allow the Committees to properly deliberate on matters and report to the Board.

During the financial year ended 31 December 2013, the Board met eight times and the record of attendance of each Director at the Board meetings of the Company is set out below:

Name	No. of Meetings Attended	Percentage of Attendance (%)
Tunku Ali (appointed wef 17 January 2013)	7/7*	100
Dato' Sri Mahamad Fathil	8/8	100
Dato' Ahmad Fuad bin Md Ali (ceased wef 18 June 2013)	6/6*	100
Saiful Aznir bin Shahabudin	8/8	100
Alexandra Schaapveld	8/8	100
Andrew Whittle	8/8	100
Chan Chee Beng	8/8	100
Lim Ghee Keong	8/8	100
Hassan Assad Basma	8/8	100
Shaharul Rezza bin Hassan	8/8	100

* Total number of meetings held subsequent to appointment or prior to cessation.

All Directors have complied with the minimum 50% requirement on attendance at Board meetings as provided for in the MMLR.

4.2 Training

The Directors are fully cognisant of the importance and value of enhancing their knowledge and expertise to keep abreast of latest developments and changes:

- in the industry in which the Group operates;
- in the area of their respective competencies; and
- in economic, financial, regulatory, corporate and governance fields.

This is to add value to their contributions in their deliberations, discussions and decisions at Board and Board Committee levels. The Directors also feel it is important to develop a better understanding of the business of the Group through visits to the Group's vessels and operating sites where the Group operates from.

All Directors have attended and completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities within the stipulated time frame as imposed under the MMLR save for Ms Maureen Toh who will be attending the MAP in the course of 2014.

In the course of 2013, the Directors have also attended and participated in various briefings at Board or Board Committee meetings, conferences and other programmes covering topics on finance, governance, corporate and global business and industry developments, which they have individually or collectively considered as relevant and useful in the discharge of their duties.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

The Directors are also kept up-to-date with market developments and related issues through Board discussions and meetings with the CEO, Chief Financial Officer ("CFO") and other Senior Management members of the Bumi Armada Group as well as the External and Internal Auditors of the Company.

The Company Secretaries facilitate the organisation of internal training programmes and Directors' attendance at external programmes, and keep a complete record of the training received or attended by the Directors. The training records are tabled for review of the Nomination Committee on a quarterly basis which assists the Board on the assessment and determination of the training needs of the Board.

The following internal and external training programmes, briefings, presentations etc were attended by Directors in 2013 as relevant to them in the discharge of their duties as Directors of the Company:

• Leadership Practices for Building an Agile and Sustainable Talent Pool	25 February 2013	CCB
• 4th Annual FPSO 2013 Conference - IBC Asia (Overseas)	8-11 April 2013	TA, HB
• 5th Annual OSV 2013 Conference (Overseas)	8-11 April 2013	HB
• Importance of Self Control and Board Evaluations (Overseas)	16 May 2013	AS
• Briefing on Duties, Rights and Liabilities of Public Listed Company ("PLC") Directors (Part 1 - covering landmark amendments under the Companies Act, 1965 ("CA") Impact of prescriptions under the CA, how the Bursa Securities LR and 2012 Code interpret the framework under the CA (Board accountability.)	20 May 2013	TA, DSF, HB, RH, SA, AS, AW
• Ship Valuation	21 May 2013	TA, DSF, CCB, LGK, HB, RH, SA, AS, AW
• Oil Field Reserve Profile	21 May 2013	TA, DSF, CCB, LGK, HB, RH, SA, AS, AW
• Introduction to Master Limited Partnership	21 May 2013	TA, DSF, CCB, LGK, HB, RH, SA, AS, AW
• Australian Petroleum Production & Exploration Association (APPEA) Annual Conference (Overseas)	26-29 May 2013	AW
• 17 th Asia Oil and Gas Conference 2013	9-11 June 2013	TA, HB, RH
• Tomorrow's Economy (Overseas)	20 June 2013	AS
• MAICSA * Annual Conference 2013	2-3 July 2013	SA
*Malaysian Association of the Institute of Chartered Secretaries and Administrators		
• Briefing on Duties, Rights and Liabilities of PLC Directors (Part 2 - covering governance and disclosure, compliance against performance, and governance guidelines.)	19 August 2013	TA, DSF, HB, RH, AS, AW
• Boards and Strategy - Where are we?	27 August 2013	HB, RH
• Duties & Responsibilities of Directors and Financial Services Act, 2013	28 August 2013	TA
• Breakfast Session with Board Chairmen (Organised by Bursa Malaysia)	11 September 2013	AW
• 14 th Annual FPSO Congress 2013	17-18 September 2013	HB
• The Emerging World in 2025 (Overseas)	28 October 2013	AS
• Banking in Emerging Markets - Seizing Opportunities, Overcoming Challenges (Country Report)	30 October 2013	TA
• AMLATF ** Act 2001: The Law Compliance & Case Studies	30 October 2013	TA
**Anti-Money Laundering and Anti-Terrorism Financing Act		
• Briefing on Duties, Rights and Liabilities of PLC Directors (Part 3 - covering offences under the CMSA, Rules on Dealings by Directors during Closed Periods, Personal criminal liability on Directors for non-compliance-trend in Malaysian legislation, Corporate Disclosure Guide & Policy.)	19 November 2013	TA, DSF, CCB, LGK, AS, AW
• MIA*** Conference 2013	26-27 November 2013	SA
*** Malaysian Institute of Accountants		

AS - Alexandra Schaapveld
 AW - Andrew Whittle
 CCB - Chan Chee Beng
 DSF - Dato' Sri Mahamad Fathil
 HB - Hassan Basma

LGK - Lim Ghee Keong
 RH - Rezza Hassan
 SA - Saiful Aznir
 TA - Tunku Ali

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board is committed to providing a balanced, clear and understandable assessment of the financial position, performance and prospects of Bumi Armada Group in the disclosures made to the shareholders and the regulatory authorities.

The Board, assisted by the Audit Committee, oversees the Group's financial reporting process, compliance with applicable accounting standards and the quality of its financial reporting. The details of the membership of the Audit Committee and the qualifications and experience of the members can be found on pages 15 and 28 to 31 of the Annual Report respectively.

The External Auditors provide a quarterly report to the Audit Committee which among others highlights any changes to the reporting regime and any new applicable accounting standards ("AAS") and provide their views on the application of the AAS and report any area where there is divergence of views with Management. Differences in views are then properly debated and resolved with the Audit Committee as an independent arbiter.

A statement by the Directors of their responsibilities in preparing the financial statements is set out on page 74 of this Annual Report.

5.2 Assessment of suitability and independence of external auditors

The Board maintains a formal and transparent professional relationship with the Group's auditors, both internal and external, through the Audit Committee. The role of the Audit Committee in relation to both auditors is described in the Terms of Reference of the Audit Committee which is available on the Company's website.

The External Auditors are required to declare their independence annually to the Audit Committee as specified by By-Laws issued by the Malaysian Institute of Accountants. This is also specified in the TOR of the Audit Committee. The External Auditors have provided that declaration in the annual audit plan presented to the Audit Committee. The Audit Committee also makes its own assessment of their suitability and independence in connection with the recommendation to retaining them as auditors. Such assessment is based on:

- their professionalism;
- their objectivity and independence in relation to the audit and non-audit services rendered by them; and
- as well as on the Audit Committee's interaction with them at the Audit Committee meetings and at meetings with them in the absence of Management.

A set of Policies and Procedures on Independence of External Auditors including a framework for engaging them in the provision of non-audit services, together with a Checklist on their performance and independence developed in 2013 has been recently adopted by the Board and applied by the Audit Committee in making its recommendation on whether the auditors should be retained.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

The Board has ultimate responsibility for establishing a sound framework to manage risks.

The Company enhanced its resources and intensified its activities to strengthen its risk management process. A Management level Risk Management Sub-Committee ("RMSC") under the purview of the CEO spearheaded risk management activities across the Group. Besides implementing an Enterprise Risk Framework, the RMSC undertook various initiatives towards embedding a risk based approach to the activities of the various business and support units. The RMSC presents its Risk Management Reports on a quarterly basis to the Board level Risk Management Committee ("RMC"). The CEO has a standing invitation to the RMC meetings. A corresponding report by the RMC is also presented to the Audit Committee.

The RMC comprises 3 members with majority Independent Directors. It was reconstituted during 2013, with Mr Lim replacing Dato' Fuad as its chairman following his retirement and with Ms Alexandra Schaapveld being appointed as an additional member. The RMC met three times in 2013 to monitor and oversee the adequacy and soundness of the Enterprise Risk Management ("ERM") Framework and project (new and on-going) related risk assessment process encompassing identification, assessment, rating and mitigation measures. The chairman of the RMC reports to the Board on a quarterly basis, on matters of concern or significant risk exposures and other highlights dealt with at the RMC meetings on a quarterly basis. The risk management activities are more specifically articulated in the Statement on Risk Management and Internal Control incorporated in the 2013 Annual Report.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

6.2 Internal audit function

The Board acknowledges its overall responsibility for the Group's system of internal control and its effectiveness, adequacy and integrity to safeguard shareholders' investment and the Group's assets.

As previously reported, on the recommendation of the Audit Committee, the Board approved the outsourcing of the internal audit function to an external audit firm in 2012. The internal audit function reports directly to the Audit Committee. This initiative enables the review of the internal control systems by an independent party and goes towards providing the Board and stakeholders further corporate assurance. In addition, the CFO has responsibility to ensure the finance team under him has put in place the necessary processes and controls for an effective, reliable and efficient financial reporting system. Various measures were taken towards this end in the course of 2012 and 2013 and the Audit Committee is kept updated of these measures.

The Statement on Risk Management and Internal Control set on pages 68 to 71 of this Annual Report provides an overview of the state of internal controls within the Group.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Board understands the need for timely and accurate disclosures in compliance with the MMLR and for proper procedures and processes to be in place in ensuring the maintenance of confidentiality and proper handling of material price sensitive information, prior to them being announced to Bursa Securities. While various procedures and processes are in place to govern different corporate activities including timely disclosure of the quarterly and annual results, a comprehensive set of policies and the requisite procedures towards meeting compliance under the MMLR, the CA and the Capital Market and Services Act, 2007 have been developed and are pending formal approval.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Board believes that constructive and effective investor relations are essential in enhancing shareholder value and recognises the importance of timely dissemination of information to shareholders and other stakeholders as widely as possible for equal and fair access. Such information is communicated through the Annual Reports, Circulars to shareholders, general meetings notices, various disclosures and announcements to Bursa Securities, including quarterly and annual results. Disclosure to Bursa Securities are made via the Bursa Link as well as through press releases. For ease of access, such information, reports and announcements are also uploaded immediately onto the corporate website of the Company at www.bumiarmada.com. More items and sources of information will be identified for accessing via the Company's website going forward to reach a wider audience.

8. STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

The AGM is the principal forum for dialogue with all shareholders which also offers the Company an opportunity to explain the business and financial performance and operations of the Company. Shareholders' attendance and participation at the AGM is encouraged through several means.

Notice of the Company's AGM is advertised in mainstream newspapers on the date on which they are despatched to shareholders. The Notice accompanies the Annual Report in electronic form, an abridged version of the Annual Report and other relevant documents. 23 clear days notice was given for the 2013 AGM, which is more than the minimum number of days of notice required to be given. This year, we expect to maintain or increase the notice period, allowing shareholders sufficient time to make arrangements to attend the meeting.

When the AGM Notice is despatched, it will also incorporate detailed advice and instructions on members' entitlement to attend the meeting to appoint proxies and the address for lodgement of Proxy Forms. An Administrative Guide that is sent together with the AGM Notice and Proxy Form also provides pertinent information on the venue of the meeting, parking, directions to the registration and meeting halls and the registration process, to facilitate their attendance.

While the Company's Articles were amended in 2012 to accept electronic lodgement of Proxy Forms, the Company has been exploring with its Share Registrars the mechanics of such lodgement. The Company will allow the electronic lodgement of Proxy Forms as soon as the facility is available but such means will not be available this year. A proxy need not be a member. The provisions of Section 149 of the Companies Act, 1965 prescribing certain qualifications for proxies are not applicable. In addition, the Company's Articles also allow exempt authorised nominees for multiple beneficial owners in one omnibus account to appoint multiple proxies.

Members present in person or by proxy or via a corporate representative or attorney have the right to attend, speak and vote at the meeting both on a show of hands and/or a poll, pursuant to its Articles. The Chairman also explicitly mentions the members' and proxies' voting rights and their right to demand a poll during the meeting.

Shareholders are encouraged and given sufficient opportunity to enquire about the Group's activities and prospects as well as to communicate their expectations and concerns at this forum.

8.2 Encourage Poll Voting

No poll was demanded on any resolutions tabled at the 2013 AGM. The Board will consider and determine whether any resolutions at such meetings should be submitted to a poll particularly if they are of a substantive nature and after consulting counsel. Where resolutions are to be taken on a poll, the Company will consider providing facilities for votes on such poll to be cast via electronic means for more expeditious verification and counting of votes.

8.3 Effective communication and proactive engagement

The Group values dialogues and effective communication with shareholders and investors and constantly strives to improve transparency that enables the Board to convey information about the Group's performance, corporate strategy and other matters affecting shareholder interests subject to any limits prescribed under the MMLR or other relevant laws. The Board believes that a constructive and effective relationship with all investors is essential in enhancing shareholder value and recognises the importance of timely dissemination of information to the investor community and shareholders.

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

The Company's annual report provides a comprehensive report of the Group's operations and financial performance.

In addition at the last two AGMs, the CEO gave a presentation to give an overview and explain the operational and financial performance of the Group, its corporate strategies, trends and the outlook for the future. This precedent will be continued for future AGMs. Directors 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.

Further, apart from announcements and public statements required by Bursa Securities, the Company issues press releases and conducts media and analysts briefings in conjunction with the release of the Group's half yearly and annual financial results announcements. 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 these briefings.

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 in place an Investor Relations Policy which deals with the following:

- to provide timely, transparent, consistent and credible information on corporate events, strategies, trends and financial data to the investing public;
- to attend to shareholders or investor enquiries or requests for information;
- attendance at investor presentations, conferences or road-shows 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;
- ensure that information provided and distributed by the Company to the investing public is in accordance with the regulatory requirements and in accordance with the best practices; and
- execute its function with integrity and responsibility to all shareholders and stakeholders of Bumi Armada.

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 with the investment community. The Investor Relations Activities undertaken in 2013 are as follows:

Forum	Total
Investors Conferences/Forums/Road shows	12
Direct one-on-one Meetings*	>150
Teleconferences hosted*	10

* with analysts and investors

COMPLIANCE STATEMENT

The Principles and Recommendations of the 2012 Code have been considered in making this Statement, and the Board is pleased to note that in most circumstances, compliance with the Code has been met. Nonetheless, the Board recognises that there are still areas for further enhancement towards full compliance and efforts are continuing in this regard.

This Statement is made in accordance with a resolution of the Board of Directors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

In accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the 2012 Malaysian Code on Corporate Governance by the Securities Commission, the Board of Bumi Armada (the “Board”) is pleased to provide the following statement that is prepared in accordance with the “Statement on Risk Management and Internal Control – Guidance for Directors of Listed Issuers” which outlines the nature and scope of the Group’s internal control and risk management during the financial year ended 31 December 2013.

BOARD’S RESPONSIBILITY

The Board in discharging its responsibilities is fully committed to maintaining a sound internal control environment to safeguard shareholders’ investments and the Group’s assets.

The Board has overall responsibility for the Group’s system of internal control and its effectiveness, as well as reviewing its adequacy and integrity. The system of internal control covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance matters. This system is designed to manage risks that may impede the achievement of the Group’s business objectives rather than to eliminate these risks. Therefore, the system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The Management is responsible for implementing the risk management framework, policies and procedures on risk and internal control.

The Group continues to take measures towards enhancing the adequacy and effectiveness of the risk management and internal control system. The ongoing process of identification, evaluation and management of significant risk has been in place during the financial year under review.

There are two (2) committees at the Board level that assist to oversee the Group’s risk management and internal control systems and procedures as follows:

- Audit Committee
- Risk Management Committee

Summarised below are the main features of the Group’s risk management and internal control system.

1. Risk Management

Risk Management Committee

The Risk Management Committee (“RMC”) with its own terms of reference was established in line with good practice, to enable the Board to closely monitor areas of risk exposure even at the project proposal stage. Its primary responsibilities include:

- to assess, improve and monitor Group-wide Enterprise Risk Management Framework (“ERMF”);
- to create a risk-awareness culture which will ensure greater understanding of the importance of risk management and ensure that its principles are embedded in key operational processes and all projects; and
- the identification, assessment, monitoring and management of risks associated with the operations of the Group at the appropriate strategic and policy levels.

Given the Board’s recognition of the importance of risk management, the RMC is supported by the Risk Management Sub-Committee (“RMSC”) and the Commercial and Risk Management Department (“CRM”). The RMSC and CRM are tasked with leading the drive to embed risk management processes at all levels within the Group.

Enterprise Risk Management Framework

The Group has in place an Enterprise Risk Management Framework (“Framework”) with the aim of providing a consistent approach for identifying, evaluating and managing the significant risks faced by the Group and facilitating a reasonably accurate perception of acceptable risk by all employees. Risk management is continuously embedded within the system of internal control and business environment and is periodically reviewed and updated. Managing risks is a shared responsibility and is integrated within the Group’s governance, business processes and operations.

1. Risk Management (Cont'd)

Enterprise Risk Management Framework (Cont'd)

The Framework as endorsed by the Risk Management Committee contains the following key elements:

- Risk Representatives in each operating unit 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 units. Their updates are then independently validated by CRM;
- Specified roles and responsibilities of each level of management in the Group in relation to Risk Management;
- Mechanisms, tools and techniques for managing risks in the Group; and
- Guidance on risk reporting. Quarterly risk reports are prepared and include an assessment of risk, an evaluation of effectiveness of the controls in place and the requirements for further controls.

Key Risk Management Activities for the Financial Year 2013

Key activities pertaining to risk management undertaken during the financial year were as follows:

- The current state of the Framework was reviewed during the year by independent risk consultants to enhance existing practices. The recommendations were incorporated into the enhanced Framework endorsed by the Board;
- A top-down review of enterprise level risks was conducted as part of the annual exercise to update to ensure that the risk implications of any changes in strategy were identified, assessed and documented;
- Risk assessments were performed for all major projects and proposals;
- Risk assessments were undertaken for each business and support unit to identify and/or update enterprise level and operational level risks. The results of these assessments were incorporated in the reporting to the RMC;
- Implementation of a computerised risk management system during the year to standardise and facilitate risk documentation, monitoring of action plans and reporting. Training sessions were undertaken to familiarise relevant Risk Representatives with the system; and
- Continued initiatives to create awareness within the Group.

2. Internal Control Environment and Structure

The key elements of the Group's control environment include:

• Organisation Structure

Besides the aforementioned Risk Management Committee, the Board is also supported by a number of Board committees that have been established, to assist it in the execution of its governance and other responsibilities namely the Audit, Nomination & Corporate Governance, Remuneration and Executive Committees. Each Committee has clearly defined terms of reference.

Responsibility for implementing the Group's strategies and day-to-day businesses is delegated to Management. The organisation structure sets out clear segregation of roles and responsibilities, lines of accountability and levels of authority to ensure effective and independent stewardship.

• Budgeting and Reporting Process

A detailed budgeting and reporting process has been established. Comprehensive budgets are prepared and submitted by the operating and support services units to the Group Finance Department, which consolidates these into a Group Budget ("Budget") and presents it to the Board on a yearly basis. Upon approval of the Budget, the Group's performance is then tracked and measured against the approved Budget on a regular basis. 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 Board to enable them to gauge the Group's overall performance compared to the approved Budgets and prior periods.

• Limits of Authority

The Limits of Authority ("LOA") sets out the authorisation limits for various levels of the Group's Management and staff and also those requiring Executive Committee and Board approvals to ensure accountability, segregation of duties and control over the Group's financial commitments. The LOA is reviewed and updated periodically to reflect business, operational and structural changes and needs.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

2. Internal Control Environment and Structure (Cont'd)

- **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 Bumi Armada for potential contracts and projects with the field operator ("Client") have been reviewed and evaluated for appropriate balance in risk and reward and are 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 projects in the Group are required to be comprehensively and thoroughly reviewed by Management at various project phases in order to make an early assessment of the merits of submitting a tender, assigning appropriate management resources and setting accountabilities, procuring timely approvals and ensuring maximum project outcome. The LOA specifies the various authority levels for approval, with the Board having the ultimate responsibility.

- **Documented Policies and Procedures**

Policies and procedures relating to finance, procurement, human resources, information system, project, health, safety, environment, quality management for operating units within the Group have been established and are revised as needed to meet changing business and operational needs.

- **Whistle Blowing**

The whistle blowing policy is accessible to all employees through the Group's intranet. The policy encourages and enables complainants to report any wrongdoing by any person in the Group to designated person so that appropriate action can be taken.

The Company also provides contact details on its website at www.bumiarmada.com for external parties to report any concerns or wrongdoings by any person in connection with the Group's business, systems, employees or contractors.

All concerns raised via the whistle blowing channel is treated with strict confidentiality. The policy also includes provisions to safeguard the confidentiality of the whistleblower, with no detriment to the whistleblower if he or she acts in good faith.

- **Procurement**

The Group Procurement procedures provide the guidelines to govern procurement and tender bidding process, the technical and commercial evaluation of bids and the subsequent award to successful bidders. Specific Tender Committees with cross functional representation have been established to provide check and balance, oversight and approval for the various categories of procurement as stipulated in the LOA.

- **Vessel Operations**

The respective operating units and country locations are responsible for identifying, tracking and monitoring compliance with all class requirements and maritime regulations in respect of all vessels located in various countries of operations.

- **Quality Management System**

The Group has implemented a comprehensive Quality Management System which fully complies with ISO 9001:2008 Quality Management Systems – Requirements. The Group operates an audit and compliance program encompassing OSV, T&I and FPSO fleets as well as corporate and project groups as required.

- **Health, Safety, Security and Environment ("HSSE")**

The Corporate HSSE Department is responsible for setting the overall direction on HSSE implementation within the Group and also drives strategies and monitors performance to ensure HSSE risks are managed to as low as reasonably practicable. During the year, the Group recorded three Loss Time Injury ("LTI"). The LTIs have no material financial impact to the Group for the financial year ended 31 December 2013.

- **Audit Committee**

The Audit Committee comprises non-executive members of the Board, the majority of whom are independent directors. The Audit Committee evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. It also reviews internal control issues identified by internal auditors, external auditors and Management on a quarterly basis. Throughout the financial year, the Audit Committee members are updated on Malaysian Financial Reporting Standards, as well as regulatory requirements, in addition to key matters affecting the financial statements of the Group.

2. Internal Control Environment and Structure (Cont'd)

- **Audit Committee (Cont'd)**

The Audit Committee also reviews and reports to the Board on the engagement of the external auditors, their independence and the audit plan, including the nature, approach, scope of the plan as well as other external audit matters as appropriate. The current composition of the Audit Committee consists of members who bring with them a wide range of knowledge, expertise and experience both from within the same industry and from other backgrounds as well. They continue to meet regularly and have full and unimpeded access to the internal and external auditors as well as all employees of the Group. The Audit Committee also reviewed and approved the Internal Audit Plan during the financial year. Other activities of the Audit Committee during the financial year are disclosed in the Audit Committee Report.

- **Internal Audit**

The Internal Audit function of the Group is outsourced to an external advisory firm, reporting directly to the Audit Committee. The outsourced Internal Audit function provides an independent review over key processes, monitoring the compliance of policies and procedures, evaluating the adequacy and effectiveness of internal control and risk management systems, and highlighting significant findings and corrective measures in respect of any non-compliance to the Audit Committee.

Internal audit reports are presented to the Audit Committee during its quarterly meetings. Findings together with recommendations are presented to Management. Follow-up reviews in respect of previous audits are performed to ensure Management action plans are carried out effectively.

REVIEW OF EFFECTIVENESS

The Board reviews the effectiveness of the risk management and internal control systems through the Group's actual versus planned performance and other key financial and operational performance indicators to determine if the underlying risk management and internal control systems continue to be effective.

Specific transactions, projects or opportunities are raised and discussed with the Board when required. This allows the Board to determine if new risks have arisen that need to be addressed or action plans and internal controls need to be enhanced to improve results.

The Board does not have formal oversight over the risk management and internal control systems of its joint ventures, as the Board does not have any direct control over their operations. Notwithstanding this, the Company's interests are safeguarded through representations on the boards of the joint ventures and through monitoring controls. These representations and monitoring controls provide the Board with information to assess the performance of the Group's investments.

CONCLUSION

For the year under review, and up to the date of approval of this Statement, based on inquiry, information and assurance provided by the Chief Executive Officer and Chief Financial Officer, 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 failures or weaknesses that would have resulted in material losses, contingencies or uncertainties requiring separate disclosure in the Annual Report. The internal control procedures will continue to be reviewed in order to improve and strengthen the system to ensure ongoing adequacy, integrity and effectiveness so as to safeguard the Group's assets and shareholders' investments.

This Statement is made in accordance with a resolution of the Board of Directors dated 16 April 2014.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

The Board of Directors of Bumi Armada Berhad ("Bumi Armada" or the "Company") is pleased to present the Audit Committee Report for the financial year ended 31 December 2013, pursuant to Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

COMPOSITION AND ATTENDANCE

The Audit Committee (the "Committee") comprises four members, all of whom are Non-Executive Directors ("NEDs") with three being independent NEDs.

The members and details of attendance of each member at the Committee's meetings during 2013 are set out below:

Name	Status	Independent	Meetings Attended
Saiful Aznir bin Shahabudin	Chairman, Independent Non-Executive Director	Yes	5 out of 5
Alexandra Schaapveld	Independent Non-Executive Director	Yes	5 out of 5
Andrew Philip Whittle	Independent Non-Executive Director	Yes	5 out of 5
Chan Chee Beng	Non-Executive Director	No	5 out of 5

TERMS OF REFERENCE

The Committee is governed by its own terms of reference ("TOR"), which was approved by the Board on 18 June 2011 and which are subject to annual review. The TOR is available on the Company's website at www.bumiarmada.com.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

During the financial year ended 31 December 2013, the Committee undertook the following activities:

- Reviewed the quarterly financial results and annual audited financial statements before recommending for the Board's consideration and approval;
- Reviewed the Statement on Risk Management and Internal Control, Corporate Governance Statement, Audit Committee Report and Directors' Responsibility Statement and recommended their approval by the Board for inclusion in the Company's 2012 Annual Report;
- Reviewed the External Auditors' scope of work and audit plan for financial year 2013 and their proposed fee;
- Reviewed and discussed the External Auditors' audit reports and areas of concern and recommended solutions to address the concerns;
- Reviewed the suitability and independence of the External Auditors in recommending them to be retained, subject to shareholders' approval;
- Reviewed the Internal Auditors Reports and the status of past internal audit recommendations;
- Reviewed and considered the need for the Company to procure Shareholders' Mandate for the recurrent related party transactions contemplated between the period from the Company's Annual General Meeting in 2013 including the renewal of the previous year's mandate for the Provision of Financial Assistance by the Company and/or its subsidiaries to Bumi Armada Navigation Sdn Bhd and for the interest income receivable therefrom;
- Reviewed proposed related party transactions of the Bumi Armada Group;
- Reviewed and recommended the Company's revised Limits of Authority for adoption by the Board;
- Reviewed the quarterly Operational Audit reports;
- Reviewed the quarterly Whistle Blowing Committee reports;
- Reviewed and agreed to the amendments made to Bumi Armada Group's FPSO Depreciation Policy for Board's consideration and approval;
- Verified the allocations of the options granted in 2012 under the Company's 2011 Employee Share Option Scheme ("ESOS") to ensure that they were in compliance with the criteria for allocation of options;
- Reviewed the quarterly Risk Management Committee reports which included the risk profiles of the business units and support functions as assessed by the Management level Risk Management Sub-Committee; and
- Reviewed the TOR of the Committee to reassess its adequacy compared against the provisions of the MMLR and the 2012 Malaysian Code on Corporate Governance.

STATEMENT OF VERIFICATION ON ALLOCATION OF OPTIONS PURSUANT TO THE ESOS

The Committee has verified the allocations of options granted pursuant to the ESOS during the financial year and noted that they were in compliance with the criteria for the allocation of options pursuant to the By-Laws governing the ESOS.

INTERNAL AUDIT FUNCTION

The Company's Internal Audit function is outsourced to an external advisory firm. The Internal Audit function is independent and performs audit assignments with impartiality, proficiency and due professional care. Reporting directly to the Committee, it undertakes regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that the system continues to operate satisfactorily and effectively within the Group.

During the financial year 2013, the Internal Audit function conducted a total of 11 audits covering key operating units, support functions and selected major projects as well as reviews over specific governance structures such as the Company's Corporate Governance and Reporting, Risk Management process and the Company's Limits of Authority. The activities carried out by the outsourced Internal Audit function included amongst others, the review of the adequacy and effectiveness of the system of internal controls, compliance with established policies and procedures, laws and regulations, reliability and integrity of information and the means of safeguarding assets.

The total cost incurred for the Group's internal audit function in respect of the financial year ended 31 December 2013 amounted to RM1,086,553.

DIRECTORS' RESPONSIBILITY STATEMENT

The Companies Act, 1965 (the "Act") requires the Directors to prepare financial statements for each financial year in accordance with the provisions of the Act, Malaysian Financial Accounting 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 require that a listed issuer prepares the annual audited financial statements on a consolidated basis.

The Act places responsibility on the Directors to ensure that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

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 detect and prevent fraud and other irregularities.

Incorporated on pages 76 to 149 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2013.

This Statement is made in accordance with a resolution of the Board of Directors dated 16 April 2014.

CONTENTS

76	Directors' Report
80	Statements of Income
81	Statements of Comprehensive Income
82	Consolidated Statement of Financial Position
84	Statement of Financial Position
85	Consolidated Statement of Changes in Equity
87	Statement of Changes in Equity
88	Statements of Cash Flows
91	Notes to the Financial Statements
147	Statement by Directors
147	Statutory Statement Declaration
148	Independent Auditors' Report

DIRECTORS' REPORT

The Directors have pleasure in submitting 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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and provision of management services. The principal activities of the Group consist of provision of marine transportation, Floating Production Storage and Offloading operations, vessel construction, engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 18 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	431,191	178,781
Non-controlling interests	3,907	–
	435,098	178,781

DIVIDENDS

The dividends paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2012 as disclosed in the Directors' report of that year:	
Final cash dividend comprising a single tier tax-exempt dividend of 3.0 sen per share and a dividend of 0.14 sen per share less 25% income tax paid on 16 July 2013	90,980

The Board of Directors has recommended for shareholders' approval at the forthcoming Annual General Meeting of the Company, a tax exempt final cash dividend of 3.25 sen per share in respect of the financial year ended 31 December 2013 which is not taxable in the hands of the shareholders pursuant to Section 54A(3)(d and e) of the Income Tax Act, 1967 the entitlement and payment dates for which will be announced at a later date to be determined.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, 2,422,800 new ordinary shares of RM0.20 each were issued by the Company for cash by virtue of the exercise of options granted pursuant to the Company's Employee Share Option Scheme ("ESOS or Scheme") at exercise prices of RM3.03 and RM3.75 per share as part of the Company's long term plan to promote ownership of shares in the Company by eligible employees of the Group and the Executive Directors and to enable the Group to attract, retain and motivate employees by permitting them to share in the growth of the Company.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE OPTION SCHEME

On 18 June 2011, the Company's shareholders approved the establishment of the Scheme to eligible employees of the Group, including Executive Directors of the Company. The Scheme which came into effect on 28 June 2011 is for a period of 10 years.

The salient features and other terms of the ESOS are disclosed in Note 35 to the financial statements.

During the financial year, 9,250,000 options over unissued ordinary shares of RM0.20 each of the Company under the Scheme were granted and accepted by eligible employees.

The names of individual employees who were granted options pursuant to the Scheme to subscribe for unissued ordinary shares during the financial year are as follows:

Name	Grant date	Expiry date	Exercise price RM per share	Number of options		
				Granted '000	Exercised '000	31.12.2013 '000
Hassan Assad Basma	19.3.2013	18.3.2018	3.77	6,500	–	6,500
Shaharul Rezza bin Hassan	19.6.2013	2.9.2017	3.80	1,250	–	1,250
Kenneth Murdoch	25.11.2013	24.11.2018	4.04	1,500	–	1,500

None of the Non-Executive Directors of the Company were granted any options as they are not eligible to participate in the Scheme under the By-Laws of the Scheme.

DIRECTORS

The Directors of the Company in office during the period since the date of the last report and at the date of this report are as follows:

Tunku Ali Redhaudin ibni Tuanku Muhriz
Dato' Sri Mahamad Fathil bin Dato' Mahmood
Saiful Aznir bin Shahabudin
Alexandra Elisabeth Johanna Maria Schaapveld*
Andrew Philip Whittle
Chan Chee Beng
Lim Ghee Keong
Hassan Assad Basma
Shaharul Rezza bin Hassan
Dato' Ahmad Fuad bin Md Ali (Retired on 18 June 2013)

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

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than those arising from the share options granted under the ESOS.

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 12 to the financial statements) 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.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year, in shares and options over unissued shares in the Company during the financial year are as follows:

In the Company – Direct Interests

	Number of ordinary shares of RM0.20 each			
	As at 1.1.2013/ Appointment date	Acquired	Disposed	As at 31.12.2013
Tunku Ali Redhaudin ibni Tuanku Muhriz (Appointed on 17 January 2013)	10,000	-	-	10,000
Dato' Sri Mahamad Fathil bin Dato' Mahmood	750,000	-	-	750,000
Saiful Aznir bin Shahabudin ⁽¹⁾	713,000	-	-	713,000
Alexandra Schaapveld ⁽²⁾	750,000	-	-	750,000
Andrew Philip Whittle ⁽²⁾	750,000	-	-	750,000
Chan Chee Beng ⁽¹⁾	750,000	-	-	750,000
Lim Ghee Keong ⁽¹⁾	750,000	-	-	750,000
Hassan Assad Basma ⁽²⁾	10,000,000 ⁽³⁾	-	(1,000,000)	9,000,000
Shaharul Rezza bin Hassan ⁽¹⁾	1,200,000	-	-	1,200,000

⁽¹⁾ Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn Bhd.

⁽²⁾ Held through a nominee, namely CIMSEC Nominees (Asing) Sdn Bhd.

⁽³⁾ These shares comprise the preferential allocation of 2,500,000 shares under the Initial Public Offering ("IPO"), 5,000,000 existing shares acquired pursuant to the exercise of call options under the Call Option Agreements dated 18 June 2011 ("COA") and 2,500,000 existing shares which were yet to be exercised under the COA as at 1/1/2013. The call options over the said 2,500,000 existing shares were exercised during 2013.

	Number of options over unissued ordinary shares of RM0.20 each			
	As at 1.1.2013	Granted	Exercised	As at 31.12.2013
Hassan Assad Basma	17,500,000 ⁽¹⁾	6,500,000	-	24,000,000 ⁽²⁾
Shaharul Rezza bin Hassan	4,000,000 ⁽¹⁾	1,250,000	-	5,250,000 ⁽²⁾

⁽¹⁾ These relate to options over unissued shares of RM0.20 each of BAB granted pursuant to the ESOS. Save for 10% of the options granted to Shaharul Rezza bin Hassan, none of the options had vested.

⁽²⁾ These relate to options over unissued shares of RM0.20 each of BAB granted pursuant for the ESOS. Save for 1,950,000 and 1,575,000 options granted to Hassan Assad Basma and Shaharul Rezza bin Hassan respectively, none of the options had vested.

In the Company – Indirect Interests

	Number of ordinary shares of RM0.20 each			
	As at 1.1.2013	Acquired	Disposed	As at 31.12.2013
Dato' Sri Mahamad Fathil bin Dato' Mahmood ⁽¹⁾	330,777,700	-	(105,500,000)	225,277,700

⁽¹⁾ Deemed interest by virtue of his shareholding in Ombak Damai Sdn Bhd pursuant to Section 6A of the Act.

Save as disclosed above, none of the 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 statements of income, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, 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 realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for 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 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 or 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 or of the Company which has arisen since the end of the financial year which secures the liability of any other person other than as disclosed in Note 16 to the financial statements; or
- (b) any contingent liability of the Group or 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 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) except as disclosed in Note 42 to the financial statement, 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.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 16 April 2014.

HASSAN ASSAD BASMA
DIRECTOR

SHAHARUL REZZA BIN HASSAN
DIRECTOR

STATEMENTS OF INCOME

for the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	6	2,073,004	1,659,184	387,543	196,619
Cost of sales		(1,322,720)	(972,503)	(173,855)	(125,803)
Gross profit		750,284	686,681	213,688	70,816
Other operating income	7	25,504	52,014	10,361	11,971
Selling and distribution costs		(109,624)	(84,211)	-	-
Administrative expenses		(122,209)	(102,724)	(42,368)	(45,672)
Operating profit		543,955	551,760	181,681	37,115
Finance costs	8	(97,455)	(123,411)	(237)	(1,077)
Share of results of joint ventures	9	33,473	40,268	-	-
Profit before taxation	10	479,973	468,617	181,444	36,038
Taxation	13	(44,875)	(80,599)	(2,663)	2,276
Profit for the financial year		435,098	388,018	178,781	38,314
Attributable to:					
Owners of the Company		431,191	385,828		
Non-controlling interests		3,907	2,190		
		435,098	388,018		
Earnings per share (sen)	14				
- basic		14.71	13.17		
- diluted		14.71	13.17		

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 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit for the financial year	435,098	388,018	178,781	38,314
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss:				
- Loss on fair value change on available-for-sale financial assets	(11,556)	(2,791)	-	-
- Fair value gain/(loss) on cash flow hedges	7,119	(4,120)	-	-
- Foreign currency translation differences	249,822	(96,714)	-	-
Other comprehensive income/(expense) for the financial year, net of tax	245,385	(103,625)	-	-
Total comprehensive income for the financial year	680,483	284,393	178,781	38,314
Total comprehensive income attributable to:				
- Owners of the Company	674,052	281,945	178,781	38,314
- Non-controlling interests	6,431	2,448	-	-
	680,483	284,393	178,781	38,314

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Note	2013 RM'000	2012 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	5,871,084	4,734,845
Goodwill	17	1,411	1,411
Investments in joint ventures	9	271,787	170,700
Available-for-sale financial assets	19	48,642	56,044
Accrued lease rentals	20	433,104	508,792
Derivative financial instruments	21	-	2,209
Deferred tax assets	22	40,993	8,121
TOTAL NON-CURRENT ASSETS		6,667,021	5,482,122
CURRENT ASSETS			
Inventories	23	5,559	10,750
Amounts due from customers on contract	24	36,421	15,835
Trade receivables	25	447,632	332,150
Accrued lease rentals	20	652,292	398,488
Other receivables, deposits and prepayments	26	254,091	130,254
Tax recoverable		3,063	5,547
Amounts due from joint ventures	28	109,048	48,782
Derivative financial instruments	21	-	2,104
Deposits, cash and bank balances	29	634,538	500,500
TOTAL CURRENT ASSETS		2,142,644	1,444,410
Assets of disposal group classified as held-for-sale	30	-	3,227
TOTAL ASSETS		8,809,665	6,929,759

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

	Note	2013 RM'000	2012 RM'000
LIABILITIES			
LESS: CURRENT LIABILITIES			
Amounts due to customers on contract	24	592	20,289
Trade payables		243,979	228,463
Other payables and accruals	31	306,123	142,928
Amounts due to joint ventures	28	15,379	-
Hire purchase creditors	32	184	170
Borrowings	33	1,185,655	614,807
Derivative financial instruments	21	12,672	12,976
Taxation		28,925	16,831
TOTAL CURRENT LIABILITIES		1,793,509	1,036,464
Liabilities of disposal group classified as held-for-sale	30	-	161
NET CURRENT ASSETS		349,135	411,012
LESS: NON-CURRENT LIABILITIES			
Hire purchase creditors	32	128	209
Borrowings	33	2,591,347	2,052,866
Derivative financial instruments	21	5,823	16,031
Deferred tax liabilities	22	38,623	57,017
TOTAL NON-CURRENT LIABILITIES		2,635,921	2,126,123
NET ASSETS		4,380,235	3,767,011
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	34	586,318	585,834
Reserves	36	3,770,341	3,164,032
		4,356,659	3,749,866
NON-CONTROLLING INTERESTS		23,576	17,145
TOTAL EQUITY		4,380,235	3,767,011

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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Note	2013 RM'000	2012 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	18,708	15,731
Investments in subsidiaries	18	1,895,331	1,905,858
Investments in joint ventures	9	145,232	118,829
Available-for-sale financial assets	19	2,027	2,027
Deferred tax assets	22	7,925	8,121
TOTAL NON-CURRENT ASSETS		2,069,223	2,050,566
CURRENT ASSETS			
Other receivables, deposits and prepayments	26	43,429	22,781
Dividend receivable		2,864	8,364
Tax recoverable		-	540
Amounts due from subsidiaries	27	632,892	508,628
Amounts due from joint ventures	28	47,741	16,768
Deposits, cash and bank balances	29	16,117	11,313
TOTAL CURRENT ASSETS		743,043	568,394
TOTAL ASSETS		2,812,266	2,618,960
LIABILITIES			
LESS: CURRENT LIABILITIES			
Other payables and accruals	31	80,099	46,570
Amounts due to subsidiaries	27	138,165	90,467
Hire purchase creditors	32	170	170
Taxation		709	-
TOTAL CURRENT LIABILITIES		219,143	137,207
NET CURRENT ASSETS		523,900	431,187
LESS: NON-CURRENT LIABILITIES			
Hire purchase creditors	32	57	209
NET ASSETS		2,593,066	2,481,544
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	34	586,318	585,834
Reserves	36	2,006,748	1,895,710
TOTAL EQUITY		2,593,066	2,481,544

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 2013

2013	Note	Number of shares	Attributable to Owners of the Company										Non-controlling interests	Total equity	
			Nominal value	Share premium	Foreign exchange reserve	Other reserves	Share option reserve	Hedging reserve	Retained earnings	Total					
		'000	RM'000	RM'000	RM'000	36(a)	36(b)	36(c)	36(d)	36(e)	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January		2,929,168	585,834	1,756,045	(195,829)			3,770	16,049	(17,230)	1,601,227	3,749,866	17,145	3,767,011	
Profit for the financial year		-	-	-	-	-	-	-	-	-	431,191	431,191	3,907	435,098	
Other comprehensive income/(expense) for the financial year		-	-	-	247,542	(11,556)		-	-	6,875	-	242,861	2,524	245,385	
Total comprehensive income/(expense) for the financial year		-	-	-	247,542	(11,556)		-	-	6,875	431,191	674,052	6,431	680,483	
Transactions with owners:															
- Employee share options exercised	34,35	2,423	484	8,569	-	-	(1,635)	-	-	-	-	7,418	-	7,418	
- Employee share options granted	35	-	-	-	-	-	16,303	-	-	-	-	16,303	-	16,303	
- Employee share options forfeited	35	-	-	-	-	-	(84)	-	-	-	84	-	-	-	
- Dividend paid	15	-	-	-	-	-	-	-	-	-	(90,980)	(90,980)	-	(90,980)	
At 31 December		2,931,591	586,318	1,764,614	51,713	(7,786)	30,633	(10,355)	1,941,522	4,356,659	23,576	4,380,235			

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 2013 (Cont'd)

2012	Note	Attributable to Owners of the Company										Non-controlling interests	Total equity
		Number of shares	Nominal value	Share premium	Foreign exchange reserve	Other reserves	Share option reserve	Hedging reserve	Retained earnings	Total			
		'000	RM'000	36(a)	36(b)	36(c)	36(d)	36(e)	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January		2,928,462	585,692	1,753,586	(99,115)	6,561	5,535	(12,852)	1,288,611	3,528,018	14,697	3,542,715	
Profit for the financial year		-	-	-	-	-	-	-	385,828	385,828	2,190	388,018	
Other comprehensive (expense)/income for the financial year		-	-	-	(96,714)	(2,791)	-	(4,378)	-	(103,883)	258	(103,625)	
Total comprehensive (expense)/income for the financial year		-	-	-	(96,714)	(2,791)	-	(4,378)	385,828	281,945	2,448	284,393	
Transactions with owners:													
- Employee share options exercised	34,35	706	142	2,459	-	-	(459)	-	-	2,142	-	2,142	
- Employee share options granted	35	-	-	-	-	-	10,973	-	-	10,973	-	10,973	
- Dividend paid	15	-	-	-	-	-	-	-	(73,212)	(73,212)	-	(73,212)	
At 31 December		2,929,168	585,834	1,756,045	(195,829)	3,770	16,049	(17,230)	1,601,227	3,749,866	17,145	3,767,011	

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 2013

Note	Number of shares	Attributable to Owners of the Company					Total
		Nominal value	Share premium	Other reserves	Share option reserve	Retained earnings	
	'000	RM'000	36(a)	36(c)	36(d)	RM'000	RM'000
2013							
At 1 January	2,929,168	585,834	1,756,045	6,550	16,049	117,066	2,481,544
Total comprehensive income for the financial year	-	-	-	-	-	178,781	178,781
Transactions with owners:							
- Employee share options exercised	34,35	484	8,569	-	(1,635)	-	7,418
- Employee share options granted	35	-	-	-	16,303	-	16,303
- Employee share options forfeited	35	-	-	-	(84)	84	-
- Dividends paid	15	-	-	-	-	(90,980)	(90,980)
At 31 December	2,931,591	586,318	1,764,614	6,550	30,633	204,951	2,593,066
2012							
At 1 January	2,928,462	585,692	1,753,586	6,550	5,535	151,964	2,503,327
Total comprehensive income for the financial year	-	-	-	-	-	38,314	38,314
Transactions with owners:							
- Employee share options exercised	34,35	142	2,459	-	(459)	-	2,142
- Employee share options granted	35	-	-	-	10,973	-	10,973
- Dividends paid	15	-	-	-	-	(73,212)	(73,212)
At 31 December	2,929,168	585,834	1,756,045	6,550	16,049	117,066	2,481,544

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 2013

	Note	Group 2013 RM'000	2012 RM'000	Company 2013 RM'000	2012 RM'000
OPERATING ACTIVITIES					
Profit for the financial year		435,098	388,018	178,781	38,314
Adjustments for non cash items:					
Share of results of joint ventures		(33,473)	(40,268)	-	-
Depreciation of property, plant and equipment		416,756	355,994	9,225	8,727
Gain from bargain purchase of a subsidiary		-	(6,740)	-	-
Gain on disposal of a subsidiary		(9,358)	-	-	-
Fair value through profit or loss on derivative financial instruments		536	(3,311)	-	-
Gain on disposal of property, plant and equipment		(204)	(48)	(200)	(6)
Impairment of property, plant and equipment		-	1,397	-	-
Impairment of available-for-sale financial asset		-	5,400	-	5,400
Impairment of doubtful debts		28,485	3,058	-	-
Allowance for doubtful debts written back		(1,976)	-	-	-
Unrealised foreign exchange (gain)/loss		(18,013)	8,612	1,031	(7,279)
Share-based payments		16,303	10,973	16,303	10,973
Interest income		(4,168)	(10,217)	(10,143)	(9,356)
Interest expense		106,592	124,578	237	1,077
Dividend income		(2,221)	(2,864)	(208,949)	(66,692)
Taxation		44,875	80,599	2,663	(2,276)
Operating profit/(loss) before changes in working capital		979,232	915,181	(11,052)	(21,118)
Changes in working capital:					
Inventories		5,878	(9,207)	-	-
Trade and other receivables		(252,339)	(163,966)	(59,493)	(58,666)
Trade and other payables		(68,822)	1,178	30,641	(14,273)
Cash from/(used in) operations		663,949	743,186	(39,904)	(94,057)
Interest paid		(97,455)	(123,411)	(237)	(1,077)
Tax refund		118	2,525	-	157
Tax paid		(92,186)	(55,218)	(1,218)	(1,137)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES		474,426	567,082	(41,359)	(96,114)

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

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(1,277,546)	(893,267)	(2,254)	(5,908)
Proceeds from disposal of property, plant and equipment		204	52	200	6
Proceeds from disposal of a subsidiary		12,446	-	-	-
Interest received		4,183	10,426	10,144	6,693
Acquisition of a subsidiary		-	(843)	-	(1,750)
Investment in quoted shares		-	(56,808)	-	-
Investment in joint ventures		(23,350)	-	(23,350)	-
Investment in subsidiaries		-	-	(33)	-
Dividends received		2,221	-	214,449	69,998
Advances to subsidiaries		-	-	(69,279)	(810,830)
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(1,281,842)	(940,440)	129,877	(741,791)
FINANCING ACTIVITIES					
Proceeds from bank borrowings		1,857,496	143,809	-	-
Decrease in deposit pledged as security		-	3,465	-	3,465
Repayment of bank borrowings		(863,067)	(438,000)	-	-
Repayment of hire purchase creditors		(162)	(425)	(152)	(308)
Proceeds from issuance of shares		7,418	2,601	7,418	2,601
Proceeds from hire purchase creditors		95	-	-	-
Dividend paid		(90,980)	(73,212)	(90,980)	(73,212)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES		910,800	(361,762)	(83,714)	(67,454)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		103,384	(735,120)	4,804	(905,359)
CURRENCY TRANSLATION DIFFERENCES		30,654	(8,331)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		499,600	1,243,051	10,413	915,772
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	B	633,638	499,600	15,217	10,413

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 2013 (Cont'd)

Notes to the statements of cash flows:

A Additions to property, plant and equipment (Note 16) during the financial year were acquired as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash	1,277,546	893,267	2,254	5,908
Movement in property, plant and equipment creditors	(31,507)	82,706	9,948	3,508
Interest expense capitalised for construction of vessels	16,000	-	-	-
	1,262,039	975,973	12,202	9,416

B Cash and cash equivalents consist of:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits with licensed banks	621,313	427,591	13,600	9,550
Cash and bank balances	13,225	72,909	2,517	1,763
	634,538	500,500	16,117	11,313
Designated deposits placed with licensed banks	(900)	(900)	(900)	(900)
	633,638	499,600	15,217	10,413

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

1 GENERAL INFORMATION

The principal activity of the Company is investment holding and provision of management services. The principal activities of the Group consist of provision of marine transportation, Floating Production Storage and Offloading operations, vessel construction, engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 18.

There have been no significant changes in the principal activities of the Group and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2 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 and 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 Note 3.

(a) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments, and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or 1 January 2013 are as follows:

- MFRS 10 "Consolidated Financial Statements"
- MFRS 11 "Joint Arrangements"
- MFRS 12 "Disclosures of Interests in Other Entities"
- MFRS 13 "Fair Value Measurement"
- The revised MFRS 127 "Separate Financial Statements"
- The revised MFRS 128 "Investments in Associates and Joint Ventures"
- Amendment to MFRS 7 "Financial Instruments: Disclosures"
- Amendment to MFRS 101 "Presentation of Items of Other Comprehensive Income"
- Amendment to MFRS 119 "Employees Benefits"
- Annual Improvements to 2009-2011 Cycle
- Amendments to MFRS 10, 11 and 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

(a) Standards, amendments to published standards and interpretations that are effective (cont'd)

The adoption of the above MFRS, Amendments to MFRS and Improvements to MFRS did not have any significant impact on the financial statements upon the initial application on or after 1 January 2013, except for the following:

- MFRS 12 "Disclosure of Interest in Other Securities", MFRS 13 "Fair Value Measurement" and MFRS 7 "Financial Instruments: Disclosures"

These MFRS do not have any impact on the accounting policies at Group. The Group has incorporated the additional required disclosures into the financial statements.

- MFRS 11 "Joint Arrangement"

The Group reassessed its investments in jointly controlled entities and classified the joint arrangements as joint ventures.

- Amendment to MFRS 116 "Property, Plant and Equipment" – classification of spare parts and servicing equipment"

The Group has reclassified spare parts as property, plant and equipment during the financial year.

(b) Amendments to published standards that are applicable to the Group but not yet effective

The Group will apply the amendments to published standards in the following periods:

Effective for the financial year beginning on or after 1 January 2014

- Amendment to MFRS 10 "Consolidated Financial Statements: Investment Entities"
- Amendment to MFRS 12 "Disclosure of Interest in Other Entities: Investment Entities"
- Amendment to MFRS 127 "Consolidated and Separate Financial Statements: Investment Entities"
- Amendment to MFRS 132 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities"
- Amendment to MFRS 136 "Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets"
- Amendment to MFRS 139 "Novation of Derivatives and Continuation of Hedge Accounting"

(c) Standards and amendments effective - a date yet to be determined by Malaysian Accounting Standards Board

- MFRS 9 "Financial Instruments"
- Amendment to MFRS 7 "Financial Instruments: Disclosure – Mandatory Date of MFRS 9 and Transition Disclosure"

The adoption of MFRS 9 may result in a change in accounting policy. The Group and the Company will quantify the effect of adopting this standard when the full standard is issued.

Unless otherwise disclosed, the above standards, amendments to published standards and interpretations are not anticipated to have any significant impact on the financial statements of the Group and of the Company in the year of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 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 over 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 combinations, except for certain subsidiaries as disclosed in Note 18, where the Group applies predecessor method of merger accounting to account for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair values 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are 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.

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 ensure uniform accounting policies of 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.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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 equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation (cont'd)

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is 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.

(d) Joint arrangements

A joint arrangement is an arrangement of 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 interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest 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 are changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Investments in subsidiaries and joint ventures

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 2.8). On disposal of investments in subsidiaries and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

Amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are deemed as investments in the subsidiaries.

2.4 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. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (see accounting policy Note 2.9).

Drydocking expenditure represents 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 in the profit or loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment (cont'd)

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

Property, plant and equipment are depreciated on a straight-line basis to allocate the cost, the 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 its 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	5 years
Vessels	10 to 30 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 the 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 2.8).

2.5 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges (see accounting policy Note 2.7). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's and 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 of the end of the reporting period.

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial assets (cont'd)

(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 the 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. Impairment losses and foreign exchange gains and losses on monetary assets are recognised in the profit or loss.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss.

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

(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.

The criteria that the Group uses to determine that there is objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest 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 asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the 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 the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Financial assets (cont'd)

(d) Subsequent measurement - Impairment of financial assets (cont'd)

Assets classified as available-for-sale (cont'd)

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.

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company have 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.

2.6 Financial guarantee contracts

Financial guarantee contracts are contracts that require the 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.

2.7 Derivative financial instruments 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 value at each reporting date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and 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 2.5. Derivatives that qualify for hedge accounting are designated as cash flow hedges 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 are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 21. Movements on the hedging reserve in the other comprehensive income are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Derivative financial instruments and hedge activities (Cont'd)

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

Amounts accumulated in equity are reclassified to the profit or loss in the periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, 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 the profit or loss.

2.8 Impairment of non-financial assets

Non-financial 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows ("cash-generating units"). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the 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 the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2.9 Borrowings and borrowing cost

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 value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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.

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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

2.10 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 applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.12 Construction contracts and conversion works

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 works are in respect of works which are built according to the customers' specifications.

When the outcome of a construction contract or conversion works can be estimated reliably, revenue and 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 costs will exceed total 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. Costs incurred in the year in connection with future activity on a contract/conversion are excluded from contract/conversion costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

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 works 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 works, these amounts are recognised as finance lease receivables when the leases commence. 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 and other 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).

2.13 Revenue recognition

Revenue comprises 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 Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group and 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 Company's activities as described below. The Group and Company base its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised on the following bases:

(a) Vessel charter fees and support services

Vessel charter hire 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 2.15). 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Revenue recognition (Cont'd)

(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 2.12).

(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 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 and 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 (Note 38) and recognised on an accrual basis.

2.14 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 Company are presented in Ringgit Malaysia, which is the Company's functional 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, except when deferred in other comprehensive income as qualifying cash flow hedges.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Foreign currencies (cont'd)

(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 presented 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. 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 are 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 significant influence or 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.

2.15 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

Operating leases

Leases where substantially all risks and rewards incidental to 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 recognised in profit or loss on a straight-line basis over the period of the lease.

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 all 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 and included in "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 receivable 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 receivable.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Leases (cont'd)

(b) Accounting by lessor (cont'd)

Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership 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.

2.16 Current and deferred income taxes

The tax expense for the period comprises current, withholding and deferred taxes. Tax is recognised in the 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 reporting date in the countries where the company and its subsidiaries operate and generate taxable income. Management 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 income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except for deferred income tax liability 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 income 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 income taxes assets and liabilities relate to income 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.

2.17 Employee benefits

(a) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(b) Defined contribution plan

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Employee benefits (cont'd)

(c) Share-based payment transactions

The Group operates an equity-settled, share-based compensation plan under which the Group receives services from employees as consideration for equity options over ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options 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 are included in assumptions about the number of options 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 Company revises its estimates of the number of options 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 options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

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.

2.18 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. 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 receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

2.19 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. 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 to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.21 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, 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 the expenditures expected to be required to settle the obligation by discounting the expected future cash flows at 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 interest expense.

2.22 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.

Subsequent to the initial recognition, the Group and Company measure the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 "Revenue".

2.23 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise of cash on hand, deposits held at call with banks, other short term and highly liquid investments with original maturities of 3 months or less and bank overdrafts, if any.

2.24 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Share capital (cont'd)

(c) Dividends

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the financial period in which the dividends are approved.

2.25 Earnings per share

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

The diluted earnings per share is calculated by dividing the profit for the financial year attributable to the Owners of the Company (adjusted for interest income, net of tax, earned on the proceeds arising from the conversion of the call option and ESOS options) by the weighted average number of ordinary shares as adjusted for the basic earnings per share and includes all potential dilutive shares on both arising from the call option and ESOS options granted by the reporting date, as if the options had been exercised on the first day of the financial year or the date of the grant, if later.

2.26 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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:

3.1 Revenue

Chartering of FPSO and vessels to customers are recognised as revenue based on whether the charter contract arrangement is considered to be an operating lease or finance lease in accordance with MFRS 117 "Leases". Classifications of these contracts as operating leases or finance leases are assessed at the inception of the lease. The estimated useful lives of the vessel and lease payment pattern are relevant in evaluating lease contracts. This assessment requires significant judgements in the following areas:

(i) Lease term

At lease inception, a lease contract is classified as either an operating or a finance lease. The lease term is 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) Purchase option

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. The lessee's purchase option is considered in classifying the lease contract.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.1 Revenue (cont'd)

Contracts for leasing and operation of vessels are usually negotiated together. Leasing of vessels is accounted for under MFRS 117 "Leases" and operation of vessels is accounted for under MFRS 118 "Revenue". 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.

If the terms and conditions of the lease contract change subsequently, the management will reassess whether the new arrangements would be classified as a new lease based on the prevailing market conditions.

3.2 Impairment of non-financial assets

The Group reviews periodically whether property, plant, equipment and vessels under construction have suffered any impairment in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of each vessel, being defined as a cash generating unit, have been determined based on the higher of fair value less cost to sell and value in-use calculations. The value in-use calculations are based on contracted cash flows and estimates of uncontracted cash flows for the useful lives of each vessel, including scrap values discounted by an appropriate discount rate.

The impairment testing for cash-generating units requires estimates and judgement to determine the net present value of future cash flows such as revenue growth, cost escalation and discount rate amongst others. The Directors have evaluated the carrying amounts of property, plant and equipment and is satisfied that no additional impairment charge is required other than as disclosed in Note 16.

3.3 Vessel useful life and residual value

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 and knowledge of the vessels owned by the Group and is normally equal to the design lives 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. Where appropriate, the Group will adjust the residual value and useful life of the individual vessel based on the particular conditions of the vessel. These adjustments require judgements to be exercised by management to assess the residual value and useful life for the individual vessels.

3.4 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. There are 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. The Group has also recognised certain tax recoverable for which the Group believe that there is a reasonable basis for recognition. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax recoverable/payable and deferred tax provision where relevant in the financial period in which such determination is made.

3.5 Construction contracts

The Group uses the "percentage-of-completion" method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred up to end of reporting period as a percentage of estimated total costs for each contract.

Significant assumptions based on management'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.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

This note presents information about the Group's and Company's exposure to risk 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. Further qualitative disclosures are included throughout these consolidated financial statements.

The Group's activities expose it to a variety of financial risks: market risk including currency risk and interest rate risk, credit risk and liquidity risk. The Group's overall risk management program 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 financial risks in close co-operation with the Group's management.

Foreign currency exchange risk

The Group is exposed to various currencies, primarily the United States Dollar ("USD"). 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 currency risk management policies are to allow the Group to effectively manage the foreign exchange fluctuation against its functional currency that may arise from future commercial transactions and recognised assets and liabilities. Forward foreign currency exchange contracts are used to manage foreign 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 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 impact of the translation of USD receivables, bank deposits and balances, and payables held by companies within the Group, for which their functional currencies are not USD is not material as at the reporting date.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's borrowings with a floating interest rate. In respect of managing interest rate risk, the floating interest rates of certain long-term loans are hedged in accordance with Group's policy by fixed rate swaps for the entire maturity period. Short term facilities which bear interest at floating rates are used for working capital and bridge financing requirements. The interest rate profile of the Group's borrowings is regularly reviewed against prevailing and anticipated market rates to determine hedging requirements.

The contractual interest rates on derivative financial instruments and borrowings are disclosed on Notes 21 and 33 respectively.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

Group	2013 RM'000	2012 RM'000
<u>Variable rate instruments</u>		
Financial liabilities, comprising term loans, bridging loans and revolving credits	3,719,802	2,603,725
Less: Interest rate swap contracts	(1,578,607)	(1,483,598)
Less: Cross currency interest rate swap contract	(132,087)	(164,025)
	<u>2,009,108</u>	<u>956,102</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk (cont'd)

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

Group	Impact on profit before taxation		Impact on equity ⁽¹⁾	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
RM				
- increased by 0.5% (2012: 0.5%)	(1,547)	(1,330)	719	(476)
- decreased by 0.5% (2012: 0.5%)	1,547	1,330	(719)	476
USD				
- increased by 0.5% (2012: 0.5%)	(12,438)	(5,968)	1,458	2,992
- decreased by 0.5% (2012: 0.5%)	12,438	5,968	(1,458)	(2,992)

⁽¹⁾ Represents cash flow hedging reserve

The impact on profit before taxation for the financial year is mainly as a result of interest expenses on floating 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 the profit or loss.

The Company does not have any borrowings at the reporting date and is thus not affected by interest rate risk.

Credit risk

Credit risk arises when sales are made on credit terms. The Group's activities limit the exposure and credit risk concentration to major clients in the oil and gas industry. The Group employs a credit policy that ensures clients are subjected to credit checks and outstanding accounts are followed up on a timely basis.

Several of the Group's contracts are long-term. 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 partners of the Group and the significant portion they represent of the Group's income, the inability of one or more of them to make full payment on any of the Group's customers may have a significant adverse impact on the financial position of the Group.

The credit risk concentration of the Group's trade receivables arise primarily from its FPSO and OSV segments. The Group believes that the credit risk related to these counterparties is at an acceptable level. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. As such, management does not expect any counterparty to fail to meet their obligations except for the impairment provided as disclosed in Note 25 to the financial statements. The carrying amount of each class of financial assets mentioned in Notes 25, 26, and 28, including Note 20 to the financial statements represent the Group's maximum exposure to credit risk.

Management continues review the credit risk concentration with respect to other receivables, amounts due from subsidiaries and joint ventures and expect these amounts to be recoverable over the course of business.

Liquidity risk

The Group and Company adopt liquidity risk management by maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities from financial institutions to support its daily operations. Whenever the Group undertakes additional financing, the repayment and maturity profile of the underlying loans are structured after taking into consideration the cash inflows expected to be generated from the related assets or operations and economic life of the assets or operations being financed.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

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 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
<u>31 December 2013</u>					
Borrowings	1,284,871	686,130	2,093,239	-	4,064,240
Hire purchase creditors	211	84	58	-	353
Amount due to joint ventures	15,379	-	-	-	15,379
Net settled derivative financial instruments					
- interest rate swaps	(13,333)	(6,828)	6,210	-	(13,951)
- cross currency interest rate swaps	(228)	(733)	(4,471)	-	(5,432)
Trade payables	243,979	-	-	-	243,979
Other payables and accruals	306,123	-	-	-	306,123

31 December 2012

Borrowings	703,795	575,275	1,459,511	207,750	2,946,331
Hire purchase creditors	193	243	-	-	436
Net settled derivative financial instruments					
- interest rate swaps	12,976	9,721	7,026	(121)	29,602
- cross currency interest rate swaps	(2,134)	(1,200)	(1,236)	103	(4,467)
Trade payables	228,463	-	-	-	228,463
Other payables and accruals	142,928	-	-	-	142,928

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

Company	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
<u>31 December 2013</u>					
Hire purchase creditors	194	65	-	-	259
Other payables and accruals	80,099	-	-	-	80,099
Amounts due to subsidiaries	138,165	-	-	-	138,165

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

Company	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
<u>31 December 2012</u>					
Hire purchase creditors	193	243	-	-	436
Other payables and accruals	46,570	-	-	-	46,570
Amounts due to subsidiaries	90,467	-	-	-	90,467

Capital risk management

The Group's and Company's objectives when managing capital which have not changed from 2012, are to safeguard the Group's and 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 or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares as well as the issue of new debt or return capital to shareholders.

The capital structure of the Group and Company consists of borrowings, cash and cash equivalents and total equity as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total borrowings	3,777,002	2,667,673	-	-
Less: cash and cash equivalents	(633,638)	(499,600)	(15,217)	(10,413)
	3,143,364	2,168,073	(15,217)	(10,413)
Total equity	4,380,235	3,767,011	2,593,066	2,481,544
	7,523,599	5,935,084	2,577,849	2,471,131

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

5 SEGMENT INFORMATION

The Group is organised into 4 main business segments based on the type of operations carried out by its vessels and barges:

- Floating Production Storage Offloading ("FPSO") - Own, operate and provide FPSO units, vessels that are used for receiving hydrocarbons sourced from oilfields.
- Offshore Support Vessel ("OSV") - Own, operates and charter vessels to provide support for exploration, development and production activities in the offshore oil and gas industry.
- Transport and Installation ("T&I") - Provision of conventional installation, floater installation and installation of umbilicals, risers and flexibles as part of FPSO completion or as standalone T&I projects.
- Oilfield Services ("OFS") - Provision of various specialised services required in the offshore mature or brownfield markets.

Inter-segment revenue comprises mostly of engineering services provided to the marine charter hire companies within the Group. These transactions are conducted based on terms and conditions negotiated with related parties.

5 SEGMENT INFORMATION (CONT'D)

The remaining operations of the Group comprise engineering services, which is not of a sufficient size to be reported separately. Management and other corporate support services provided to Group entities are considered incidental to the Group's operating business. These are reported separately under Corporate and eliminations.

	FPSO RM'000	OSV RM'000	T&I RM'000	OFS RM'000	Others RM'000	Corporate and elimination RM'000	Group RM'000
<u>2013</u>							
External revenue	787,629	636,804	648,571	-	-	-	2,073,004
Inter-segment revenue	-	-	-	-	92,629	(92,629)	-
Total revenue	787,629	636,804	648,571	-	92,629	(92,629)	2,073,004
Results							
Segment results	266,726	126,331	125,394	-	1,742	(1,742)	518,451
Other operating income							25,504
Share of results of joint ventures							33,473
Finance costs							(97,455)
Taxation							(44,875)
Profit for the financial year							435,098
<u>2012</u>							
External revenue	715,978	551,040	388,488	3,678	-	-	1,659,184
Inter-segment revenue	-	-	-	-	20,951	(20,951)	-
Total revenue	715,978	551,040	388,488	3,678	20,951	(20,951)	1,659,184
Results							
Segment results	244,009	130,870	120,453	4,414	2,857	(2,857)	499,746
Other operating income							52,014
Share of results of joint ventures							40,268
Finance costs							(123,411)
Taxation							(80,599)
Profit for the financial year							388,018

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

5 SEGMENT INFORMATION (CONT'D)

Although the Group's business segments are managed in Malaysia, they operate in the following main geographical areas:

- Malaysia - mainly charter hire of vessels, marine engineering and consultancy services
- Asia (excluding Malaysia), Africa and Latin America - charter hire of vessels

	Group	
	2013 RM'000	2012 RM'000
Malaysia	281,726	290,066
Asia (excluding Malaysia)	1,097,029	786,640
Africa	603,018	472,767
Latin America	91,231	109,711
	2,073,004	1,659,184

The major customers are in the FPSO and T&I segments. Total revenue from the top three major customers for the financial year amounted to RM783.0 million (2012: RM646.0 million).

6 REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Vessel charter fees and support services rendered	1,741,350	1,502,678	-	-
Construction and conversion works	331,654	156,506	-	-
Dividend income	-	-	208,949	66,692
Central overhead fees	-	-	178,594	129,927
	2,073,004	1,659,184	387,543	196,619

7 OTHER OPERATING INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Gain on disposal of property, plant and equipment	204	48	200	6
Interest income				
- deposits with a licensed bank	4,168	10,217	71	6,496
- loan to subsidiaries	-	-	10,072	2,860
Rental income	41	41	-	-
Gain from bargain purchase of a subsidiary	-	6,740	-	-
Gain on disposal of a subsidiary	9,358	-	-	-
Allowance for doubtful debts written back (Note 25)	1,976	-	-	-
Insurance claims	1,218	17,586	-	-
Dividend income	2,221	2,864	-	-
Commission	545	2,151	-	-
Gain on disposal of scrap materials	179	128	-	-
Vessel ancillary fees and others	5,594	12,239	18	2,609
	25,504	52,014	10,361	11,971

8 FINANCE COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense	106,592	124,578	237	1,077
Fair value gains on interest rate swaps used for hedging purpose	(9,137)	(1,167)	-	-
	<u>97,455</u>	<u>123,411</u>	<u>237</u>	<u>1,077</u>

9 INVESTMENTS IN JOINT VENTURES

In the opinion of the Directors, Armada D1 Pte. Ltd. and Armada C7 Pte. Ltd. are material joint ventures to the Group. Set out below are the summarised financial information of all joint ventures of the Group:

	Group	
	2013 RM'000	2012 RM'000
Current assets	460,556	413,273
Non-current assets	1,423,161	868,696
Current liabilities	(498,430)	(413,240)
Non-current liabilities	(759,186)	(513,190)
Net assets	<u>626,101</u>	<u>355,539</u>
The above current asset include the following:		
Cash and cash equivalents	<u>40,582</u>	<u>128,789</u>
Revenue	255,970	213,780
Expenses, including finance costs and taxation	(192,751)	(142,085)
Profit after taxation	<u>63,219</u>	<u>71,695</u>

The information above reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures.

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

	Group	
	2013 RM'000	2012 RM'000
Profit for financial year	33,473	40,268
Total comprehensive income for the financial year	33,473	40,268
Net assets	<u>271,787</u>	<u>170,700</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

9 INVESTMENTS IN JOINT VENTURES (CONT'D)

	2013 RM'000	2012 RM'000
<u>Company</u>		
Unquoted shares at cost	145,232	118,829

Details of the joint ventures are as follows:

Name of company	Principal activities	Group's effective interest		Country of incorporation
		2013 %	2012 %	
Armada Century Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	49	49	British Virgin Islands
Armada C7 Pte. Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	50	50	Singapore
Armada D1 Pte. Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	50	50	Singapore
Century Bumi Limited	Oil and gas exploration, and product and marine services	40	40	Federal Republic of Nigeria
Forbes Bumi Armada Offshore Limited	Ship owners, charterers managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	50	50	India
Forbes Bumi Armada Limited	Ship owners, charterers managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	49	49	India
PT Armada Gema Nusantara	Ship owner and operator	49	49	Indonesia
SP Armada Oil Exploration Private Limited	Marine support and other services to the oil and gas industry	50	50	India
Armada Synergy Ltd. ⁽¹⁾	To manage and operate vessels for subsea well services and services relating to oil and gas production	51	–	United Kingdom
SP Armada Offshore Private Ltd. ⁽²⁾	To provide marine support and other service to oil and gas industries and for that purpose to purchase, erect, construct, own, charter, manage vessels and rigs	50	–	India

9 INVESTMENTS IN JOINT VENTURES (CONT'D)

- (1) On 22 November 2013, Armada Synergy Ltd ("ASL") was incorporated under the English Companies Act, 2006 as a private company limited by shares. Armada Kamelia Sdn Bhd ("AKSB"), a wholly-owned subsidiary of the Company subscribed for 51 ordinary shares of GBP1.00 per share representing 51% of the issued share capital of ASL, at the point of ASL's incorporation. The incorporation and subscription were undertaken pursuant to a Joint Venture Agreement ("JVA") entered into between AKSB and Fugro Synergy Limited. In accordance with the terms of the JVA, ASL will be treated as a joint venture of the Group.
- (2) On 30 December 2013, Bumi Armada Offshore Holdings Limited acquired 24,999 ordinary shares, representing an equity interest of 49.998% in SP Armada Offshore Private Limited ("SP Armada Offshore"). Arising therefrom, SP Armada Offshore is accounted as a joint venture of the Group.

10 PROFIT BEFORE TAXATION

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration:				
- fees for statutory audit				
- PricewaterhouseCoopers Malaysia	1,153	764	207	195
- member firm of PricewaterhouseCoopers International Limited	265	170	-	-
- fees for audit related services	463	394	442	394
- fees for non-audit services	770	444	595	381
Impairment:				
- available-for-sale financial asset (Note 19)	-	5,400	-	5,400
- doubtful debts (Note 25)	28,485	3,058	-	-
- property, plant and equipment (Note 16)	-	1,397	-	-
Depreciation of property, plant and equipment (Note 16)	416,756	355,994	9,225	8,727
Travelling and freight	39,674	27,195	5,377	9,119
Repairs and maintenance	108,345	56,935	2,958	2,818
Management fees	5,272	5,033	5,272	5,033
Insurance	46,513	49,642	-	50
Fuel and oil	33,341	26,918	-	-
Advertisement and recruitment	4,585	2,824	868	2,676
Staff costs (Note 11)	489,044	377,555	168,183	107,836
Other crew costs	11,976	6,018	-	-
Rental of buildings	11,469	7,692	5,953	4,851
Hiring of equipment	48,346	31,412	-	-
Agency fee	48,982	64,646	-	-
Net exchange loss/(gain):				
- realised	2,517	(4,496)	(798)	704
- unrealised	(18,013)	8,612	1,031	(7,279)
IPO listing expenses	-	6	-	6
Maintenance and services cost	49,299	40,070	-	-
Survey fee	37,707	6,330	-	-
Consultancy fee	7,444	7,609	3,621	7,272
Communication expense	4,531	2,808	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

11 STAFF COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages, salaries and bonuses	405,523	310,632	142,369	85,830
Defined contribution plan	15,594	10,464	3,449	2,155
Share-based payment	16,303	10,973	16,303	10,973
Other staff related costs	51,624	45,486	6,062	8,878
Total staff costs	489,044	377,555	168,183	107,836

The staff costs above include the Executive Directors' remuneration as disclosed in Note 12.

12 DIRECTORS' REMUNERATION

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-executive Directors:				
- fees	2,602	2,666	2,602	2,429
Executive Directors*:				
- salaries and bonuses	5,948	5,761	5,008	4,831
- defined contribution plan	119	118	6	-
- share-based payment	7,335	8,502	7,335	8,502
	16,004	17,047	14,951	15,762

* Includes remuneration paid to an Executive Director as disclosed in Note 38.

Benefits-in-kind received by the Directors of the Company amounted to RM222,768 (2012: RM98,805) from the Group and the Company.

13 TAXATION

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- Malaysian tax	3,499	7,476	2,467	2,034
- foreign tax	95,920	40,637	-	-
Deferred tax (Note 22)	(54,544)	32,486	196	(4,310)
	44,875	80,599	2,663	(2,276)
Income tax:				
- current financial year	94,496	45,500	2,536	2,034
- under/(over) provision in respect of prior financial years	4,923	2,613	(69)	-
	99,419	48,113	2,467	2,034
Deferred tax:				
- origination and reversal of temporary differences (Note 22)	(54,544)	32,486	196	(4,310)
	44,875	80,599	2,663	(2,276)

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

	Group		Company	
	2013	2012	2013	2012
	%	%	%	%
Malaysian tax rate	25	25	25	25
Tax effects of:				
- exempt income	(30)	(20)	(29)	(46)
- difference in tax rates in other countries	(7)	(1)	-	-
- withholding tax on foreign sourced income	10	7	-	-
- expenses not deductible for tax purposes	6	4	4	15
- deferred tax assets not recognised	4	-	1	-
- under provision in prior years	1	2	-	-
	9	17	1	(6)

The Group's effective tax rate for the financial year ended 31 December 2013 was 9%, lower than the statutory tax rate of 25% mainly due to certain non-taxable income, whilst other foreign source income are taxed based on their individual tax jurisdiction rates ranging between 0% to 30% and the income arising from Malaysian sea-going ships of the Group are tax exempt under Section 54A of the Income Tax Act, 1967.

The Company's effective tax rate for the financial year ended 31 December 2013 was 1% compared to the statutory tax rate of 25% as the Company's income was mainly exempted from tax for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

14 EARNINGS PER SHARE

Basic

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

Diluted

The diluted earnings per share is calculated by dividing the profit for the financial year attributable to the Owners of the Company (adjusted for interest income, net of tax, earned on the proceeds arising from the conversion of the call option and ESOS options) by the weighted average number of ordinary shares as adjusted for the basic earnings per share and includes all potential dilutive shares on both arising from the call option and ESOS options granted by the reporting date, as if the options had been exercised on the first day of the financial year or the date of the grant, if later.

	Basic		Diluted	
	2013	2012	2013	2012
Profit attributable to the Owners of the Company for the financial year ended 31 December (RM'000)	431,191	385,828	431,191	385,828
Weighted average number of shares in issue ('000)	2,930,411	2,928,698	2,930,411	2,928,698
Adjusted for potential ordinary shares on conversion of options under ESOS ('000)	-	-	220	501
Adjusted weighted average number of shares in issue ('000)	2,930,411	2,928,698	2,930,631	2,929,199
Earnings per share (sen)	14.71	13.17	14.71	13.17

15 DIVIDENDS IN RESPECT OF ORDINARY SHARES

	Group and Company	
	2013	2012
	RM'000	RM'000

Dividend paid

In respect of the financial year ended 31 December 2012:

- Final cash dividend comprising a single tier tax-exempt dividend of 3.0 sen per share and a dividend of 0.14 sen per share less 25% income tax paid on 16 July 2013 90,980 -

In respect of the financial year ended 31 December 2011:

- Single tier tax exempt final cash dividend of 2.5 sen per share paid on 17 July 2012 - 73,212

The Board of Directors has recommended for shareholders' approval at the forthcoming Annual General Meeting of the Company, a tax exempt final cash dividend of 3.25 sen per share in respect of the financial year ended 31 December 2013 which is not taxable in the hands of the shareholders pursuant to Section 54A(3)(d and e) of the Income Tax Act, 1967 the entitlement and payment dates for which will be announced at a later date to be determined.

The financial statements for the financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2014.

16 PROPERTY, PLANT AND EQUIPMENT

Group	Short term leasehold land and building RM'000	Vessels under construction RM'000	Total vessel cost ⁽¹⁾		Motor vehicles ⁽²⁾ RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
			Vessels RM'000	Drydocking RM'000				
<u>2013</u>								
<u>Net book value</u>								
At 1 January	1,971	102,409	4,528,127	67,900	909	33,529	-	4,734,845
Additions	-	168,413	1,008,488	40,017	106	40,193	4,822	1,262,039
Reclassification	-	(109,477)	106,500	-	-	2,977	-	-
Depreciation charge (Note 10)	(67)	-	(373,803)	(23,465)	(371)	(19,050)	-	(416,756)
Exchange differences	9	-	289,736	(86)	11	1,286	-	290,956
At 31 December	1,913	161,345	5,559,048	84,366	655	58,935	4,822	5,871,084
<u>At 31 December 2013</u>								
Cost	2,216	161,345	7,273,916	145,606	2,736	124,175	4,822	7,714,816
Accumulated depreciation	(303)	-	(1,713,471)	(61,240)	(2,081)	(65,240)	-	(1,842,335)
Accumulated impairment	-	-	(1,397)	-	-	-	-	(1,397)
Net book value	1,913	161,345	5,559,048	84,366	655	58,935	4,822	5,871,084

Included in property, plant and equipment were equipment, furniture and fittings and office equipment amounting to RM38.4 million which have been fully depreciated.

⁽¹⁾ The net book value of vessels at 31 December 2013 under operating lease agreements with charterers was RM2.5 billion.

⁽²⁾ The net book value of motor vehicles at 31 December 2013 under hire purchase agreements was RM0.3 million.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Short term leasehold land and building	Vessels under construction	Total vessel cost ⁽¹⁾			Motor vehicles ⁽²⁾	Equipment, furniture and fittings and office equipment	Total
			Vessels	Drydocking	Total			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012								
<u>Net book value</u>								
At 1 January	4,844	41,689	4,097,738	31,119	4,128,857	1,271	24,506	4,201,167
Additions	-	60,720	843,167	48,173	891,340	346	23,567	975,973
Disposals	-	-	(14,980)	-	(14,980)	(173)	(4)	(15,157)
Depreciation charge (Note 10)	(127)	-	(327,345)	(13,783)	(341,128)	(530)	(14,209)	(355,994)
Impairment (Note 10)	-	-	(1,397)	-	(1,397)	-	-	(1,397)
Acquisition of subsidiary	-	-	36,527	2,636	39,163	-	-	39,163
Transfer from non-current asset held for sale (Note 30(b))	-	-	1,640	-	1,640	-	-	1,640
Transfer to disposal group (Note 30(a))	(2,904)	-	-	-	-	-	(323)	(3,227)
Exchange differences	158	-	(107,223)	(245)	(107,468)	(5)	(8)	(107,323)
At 31 December	1,971	102,409	4,528,127	67,900	4,596,027	909	33,529	4,734,845
<u>At 31 December 2012</u>								
Cost	2,309	102,409	5,786,963	104,067	5,891,030	3,475	79,157	6,078,380
Accumulated depreciation	(338)	-	(1,257,439)	(36,167)	(1,293,606)	(2,566)	(45,628)	(1,342,138)
Accumulated impairment	-	-	(1,397)	-	(1,397)	-	-	(1,397)
Net book value	1,971	102,409	4,528,127	67,900	4,596,027	909	33,529	4,734,845

Included in property, plant and equipment were equipment, furniture and fittings and office equipment amounting to RM17.4 million which have been fully depreciated.

⁽¹⁾ The net book value of vessels at 31 December 2012 under operating lease agreements with charterers was RM1.9 billion.

⁽²⁾ The net book value of motor vehicles at 31 December 2012 under hire purchase agreements was RM0.4 million.

16 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) A fixed charge has been created over certain vessels of the Group with net book values amounting to approximately RM3.3 billion (2012: RM2.5 billion) as security for term loans (Note 33).
- (b) Included in vessels are borrowing costs amounting to RM16.0 million (2012: RM Nil) which are capitalised during the financial year as these were directly attributable to the conversion and construction of these vessels.
- (c) The FPSO contracts include options for the charterers to purchase the respective FPSO vessels or to extend their charter periods beyond the initial 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.

Company	Office equipment, furniture and fittings RM'000	Motor vehicles under hire purchase RM'000	Total RM'000
<u>2013</u>			
<u>Net book value</u>			
At 1 January	15,293	438	15,731
Additions	12,202	-	12,202
Depreciation charge	(9,033)	(192)	(9,225)
At 31 December	18,462	246	18,708
<u>At 31 December 2013</u>			
Cost	55,367	966	56,333
Accumulated depreciation	(36,905)	(720)	(37,625)
Net book value	18,462	246	18,708
<u>2012</u>			
<u>Net book value</u>			
At 1 January	14,298	747	15,045
Additions	9,416	-	9,416
Disposals	(3)	-	(3)
Depreciation charge	(8,418)	(309)	(8,727)
At 31 December	15,293	438	15,731
<u>At 31 December 2012</u>			
Cost	43,165	1,845	45,010
Accumulated depreciation	(27,872)	(1,407)	(29,279)
Net book value	15,293	438	15,731

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

17 GOODWILL

	Group	
	2013	2012
	RM'000	RM'000
As at 1 January / 31 December	1,411	1,411

Goodwill has been allocated to Bumi Armada Engineering Sdn. Bhd., acquired on 8 June 2006. An impairment review of the carrying value of the goodwill at the reporting date was undertaken by comparing to the recoverable amount, which was based on value in use calculations. Key assumptions used by management are as follows:

- Revenue to increase by 5% (2012: 5%) for 2014 to 2018;
- Expenses to increase by an average annual rate of 5% (2012: 5%); and
- Pre-tax discount factor used is 8% (2012: 8%), representing the risk of Bumi Armada Engineering Sdn. Bhd.'s activities.

The Directors are of the opinion that the underlying key assumptions used in the estimation of the recoverable amount are reasonable. Based on the above assumptions, there is no impairment to the goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 9% instead of 8% as at 31 December 2013, there is no significant impact to the goodwill.

18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	RM'000	RM'000
Unquoted shares, at cost	30,505	48,853
7% Cumulative Redeemable Preference Shares, at cost	16,000	16,000
Less: Accumulated impairment losses	–	(22,130)
	46,505	42,723
Amounts due from subsidiaries	1,848,826	1,863,135
	1,895,331	1,905,858

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

Name of company	Principal activities	Group's effective interest		Country of incorporation
		2013	2012	
		%	%	

Direct subsidiaries:

Armada Balnaves Pte. Ltd. ⁽²⁾	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Armada Floating Solutions Limited ⁽³⁾	Bareboat charter of a floating production storage and offloading unit	100	100	The British Virgin Islands
Armada Mahakam Limited ⁽³⁾	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	The British Virgin Islands

18 INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of company	Principal activities	Group's effective interest		Country of incorporation
		2013 %	2012 %	
Direct subsidiaries (cont'd):				
Armada Marine Contractors Caspian Ltd. ("AMCCL") ⁽³⁾	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	The British Virgin Islands
Armada Offshore DMCEST ⁽¹⁾	Dormant	100	100	Dubai, UAE
Armada Oyo Ltd. ⁽³⁾	Bareboat charter of a floating production storage and offloading unit	100	100	The British Virgin Islands
Armada Ship Management (S) Pte. Ltd. (formerly known as Armada Project 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 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 (Labuan) Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Federal Territory of Labuan, 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. ("BAAI") ⁽⁵⁾	Investment holding	100	100	Malaysia
Bumi Armada Engineering Sdn. Bhd. ("BAE") ⁽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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

18 INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of company	Principal activities	Group's effective interest		Country of incorporation
		2013 %	2012 %	
Direct subsidiaries (cont'd):				
Bumi Armada Russia Holdings Limited ⁽³⁾	Dormant	100	100	Republic of The Marshall Islands
Tera Sea 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
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
Offshore Marine Ventures Sdn. Bhd.	Provision of integrated service solutions for the supply, operation and maintenance of support vessels and logistics and maritime transportation services to the oil and gas industry	100	100	Malaysia
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	–	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	–	Malaysia
Subsidiary of AMCCL:				
Armada Marine Contractors Caspian Pte. Ltd. ⁽²⁾ & ⁽⁴⁾	Chartering of ships, barges and boats with crew	100	100	Singapore
Subsidiary of BAAI:				
Haven Automation Industries (S) Pte. Ltd. ("Haven")	Repairs of ships, tankers and other ocean-going vessels and manufacture and repair of marine engine and ship parts	– ^(*)	100	Singapore

18 INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of company	Principal activities	Group's effective interest		Country of incorporation
		2013 %	2012 %	
Direct subsidiaries (cont'd):				
Subsidiaries of BAN:				
Armada Indah Sdn. Bhd.	Dormant	95	95	Malaysia
Armada Tankers Sdn. Bhd. ("ATSB")	Dormant	95	95	Malaysia
Bumi Armada Ship Management Sdn. Bhd.	Dormant	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
Bumi Armada Angola Servicos Limited ⁽³⁾	Dormant	100	100	Republic of The Marshall Islands
Bumi Armada Australia Pty. Ltd. ⁽²⁾	Ship owning, chartering and managing of ships and vessels, marine support and other services to oil and gas companies	100	100	Australia
Bumi Armada Do Brasil Servicos Maritimos Ltda. ⁽⁶⁾	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⁾	Dormant	100	100	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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

18 INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name of company	Principal activities	Group's effective interest		Country of incorporation
		2013 %	2012 %	
Direct subsidiaries (cont'd):				
Subsidiaries of BAOHL (cont'd)				
Armada Offshore MPSV 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
Bumi Armada UK Limited ⁽²⁾	Offshore oil and gas marine services	100	100	United Kingdom
Armada Kraken Limited ⁽³⁾	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	–	Republic of The Marshall Islands
Bumi Armada Ghana Limited ⁽²⁾	Provision of floating production storage and offload and offshore supply vessels	100	–	Ghana
Armada Kraken Pte. Ltd. ⁽¹⁾	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	–	Singapore
Subsidiary of BASPL:				
Bumi Armada Nigeria Limited ⁽²⁾	Dormant	99	99	Federal Republic of Nigeria
Subsidiary of ATSB:				
Armada Alpha Sdn. Bhd.	Dormant	95	95	Malaysia
Subsidiary of BAOCL:				
Bumi Armada Caspian LLC ⁽²⁾	Activities relative to oil and gas industry	100	100	Russia

⁽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⁾ These shares are held by third parties on behalf of the Company.

⁽⁵⁾ Consolidated using predecessor method of merger accounting.

⁽⁶⁾ The effective interest of the Company is 99.99%.

^(*) Haven has ceased as a wholly-owned subsidiary of the Company on 26 March 2013 pursuant to the Conditional Sale and Purchase Agreement entered into by its subsidiary BAAI with Dyna-Mac Holdings on 20 November 2012 for the disposal of BAAI's entire 100% equity interest in Haven.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Quoted equity securities, outside Malaysia				
At 1 January	54,017	-	-	-
Additions	-	56,808	-	-
Exchange differences	4,154	-	-	-
	58,171	56,808	-	-
Less: fair value loss transfer to equity (Note 36(c))	(11,556)	(2,791)	-	-
At 31 December	46,615	54,017	-	-
Unquoted debt securities - preference shares - outside Malaysia				
At 1 January	2,027	7,427	2,027	7,427
Less: Impairment (Note 10)	-	(5,400)	-	(5,400)
	2,027	2,027	2,027	2,027
At 31 December	48,642	56,044	2,027	2,027

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

Investment in unquoted preference shares represents the investment in 2,400,000 units redeemable convertible preference shares ("RCPS") of USD1.00 each. The RCPS expired on 31 January 2013 and the outstanding amount became a debt payable to the Company.

20 ACCRUED LEASE RENTALS

	Group	
	2013 RM'000	2012 RM'000
Current	652,292	398,488
Non-current	433,104	508,792
	1,085,396	907,280

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

	Group	
	2013 RM'000	2012 RM'000
No later than 1 year	447,528	533,854
Later than 1 year and no later than 5 years	1,583,528	2,215,674
Later than 5 years	239,227	319,962
	2,270,283	3,069,490

Management of credit risk regarding accrued lease rentals is described in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

21 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2013		2012	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Derivatives used for hedging:				
- Interest rate swaps	-	(13,076)	-	(29,007)
- Cross currency interest rate swaps	-	(5,419)	4,313	-
Total	-	(18,495)	4,313	(29,007)
Less: non-current portion				
Derivatives used for hedging:				
- Interest rate swaps	-	(619)	-	(16,031)
- Cross currency interest rate swaps	-	(5,204)	2,209	-
	-	(5,823)	2,209	(16,031)
Current portion	-	(12,672)	2,104	(12,976)

The full 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.

The ineffective portion recognised in the profit or loss that arose from cash flow hedges amounted to a loss of RM0.5 million (2012: gain of RM3.3 million). Gains and losses recognised in the hedging reserve in equity on derivative financial instruments as of 31 December 2013 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

(a) Cross currency interest rate swaps

Cross currency interest rate swaps used to manage the Group's floating interest rate term loans denominated in RM which were taken by a foreign subsidiary whose functional currency is in USD (Note 33).

At 31 December 2013, the fixed interest was 2.85% (2012: 2.85%) per annum and the main floating rate was cost of funds ("COF") plus a margin of 1.75% (2012: COF plus a margin of 1.75%). The swaps mature on 24 May 2018.

The notional principal amounts of the outstanding cross currency interest rate swaps at 31 December 2013 were RM132.1 million (2012: RM164.0 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 RM1,578.6 million (2012: RM1,483.6 million). These interest rate swap contracts receives floating rate interest ranging from 0.99% to 4.69% (2012: 0.99% to 4.69%) and have the same maturity terms as the bank borrowings.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

22 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets				
- recoverable after more than 12 months	40,993	8,121	7,925	8,121
Deferred tax liabilities				
- recoverable after more than 12 months	(38,623)	(57,017)	-	-
Subject to income tax:				
<u>Deferred tax assets</u>				
- receivables	-	9,807	-	-
- payables	47,832	23,114	8,626	6,825
- unutilised tax losses	962	962	962	962
- property, plant and equipment	37,655	40,947	1,152	2,861
	86,449	74,830	10,740	10,648
Offsetting	(45,456)	(66,709)	(2,815)	(2,527)
Deferred tax assets (after offsetting)	40,993	8,121	7,925	8,121
<u>Deferred tax liabilities</u>				
- property, plant and equipment	(12,453)	(25,932)	(2,815)	(2,527)
- receivables	(66,379)	(62,384)	-	-
- payables	-	(4,472)	-	-
- amounts due from customers on contract	(5,247)	(30,938)	-	-
	(84,079)	(123,726)	(2,815)	(2,527)
Offsetting	45,456	66,709	2,815	2,527
Deferred tax liabilities (after offsetting)	(38,623)	(57,017)	-	-

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	(48,896)	(13,604)	8,121	3,811
Credited/(charged) to the profit or loss (Note 13)				
- property, plant and equipment	7,748	13,734	(1,997)	1,446
- unutilised tax losses	-	567	-	515
- receivables	(9,862)	(29,566)	-	-
- payables	28,769	13,717	1,801	2,349
- amounts due from customers on contract	27,889	(30,938)	-	-
	54,544	(32,486)	(196)	4,310
- transfer to disposal group (Note 30 (a))	-	146	-	-
- acquisition of subsidiary	-	(3,717)	-	-
Exchange differences	(3,278)	765	-	-
At 31 December	2,370	(48,896)	7,925	8,121

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

22 DEFERRED TAXATION (CONT'D)

The amount of unabsorbed capital allowance 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unutilised tax losses	91,421	11,140	-	-
Unabsorbed capital allowance	13,489	-	8,882	-

Deferred taxation has not been recognised on the unremitted earnings of subsidiaries and joint ventures. The Group is able to control the timing of the reversal of temporary differences, including joint ventures as consent is required from all joint venture partners prior to remitting the earnings.

23 INVENTORIES

	Group	
	2013 RM'000	2012 RM'000
Spares	-	2,507
Fuel	5,559	8,243
	5,559	10,750

24 AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACT

	Group	
	2013 RM'000	2012 RM'000
Aggregate costs incurred	406,165	377,130
Profit recognised to-date	71,387	133,179
Cumulative contract revenue recognised	477,552	510,309
Less: Progress billings	(441,723)	(514,763)
	35,829	(4,454)
Represented by:		
Amounts due from customers on contract	36,421	15,835
Amounts due to customers on contract	(592)	(20,289)
	35,829	(4,454)

25 TRADE RECEIVABLES

	Group	
	2013	2012
	RM'000	RM'000
Trade receivables	490,843	346,379
Less: Impairment	(43,211)	(14,229)
	<u>447,632</u>	<u>332,150</u>

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	
	2013	2012
	RM'000	RM'000
Less than 30 days past due	61,263	57,752
Between 31 and 60 days past due	40,249	39,978
Between 61 and 90 days past due	36,878	37,439
Between 91 days and 1 year past due	115,454	46,426
More than 1 year past due	28,018	-
	<u>281,862</u>	<u>181,595</u>

If the above past due but not impaired receivables had been impaired by 5% from management's estimates, the allowance for impairment of the Group would have been higher by RM14.1 million.

Impaired and provided for

During the financial year, trade receivables totaling RM28.5 million (2012: RM3.1 million) were impaired and charged to the profit or loss. The amount of the provision was RM43.2 million as of 31 December 2013 (2012: RM14.2 million). The individually impaired receivables mainly relate to a number of customers, which are in unexpectedly difficult economic situations.

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

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	14,229	10,877
Amounts written back	(1,976)	-
Charged to the profit or loss	28,485	3,058
Exchange differences	2,473	294
At 31 December	<u>43,211</u>	<u>14,229</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

26 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other receivables	39,287	66,369	10,033	4,625
Deposits and prepayments	213,505	62,356	32,862	17,717
Staff advances	1,299	1,529	534	439
	254,091	130,254	43,429	22,781

As at 31 December 2013, there is no impairment (2012: RM Nil) on other receivables, deposits and staff advances. The other receivables, deposits and staff advances have no fixed term of repayment. These amounts are interest free and unsecured.

27 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 RM 295.1 million (2012: RM 249.9 million) which bear interest rates ranging 4.20% to 4.22% (2012: 4.19% to 4.21%) per annum.

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

As at 31 December 2013, there was no impairment (2012: RM Nil) on amounts due from subsidiaries.

28 AMOUNTS DUE FROM/(TO) JOINT VENTURES

The amounts due from joint ventures are unsecured, interest free and from no credit terms to 30 days. As at 31 December 2013, there was no impairment (2012: RM Nil) on amount 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 these amounts due from joint ventures is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Less than 30 days past due	2,127	2,334	1,516	2,786
Between 31 and 60 days past due	2,025	2,730	904	3,198
Between 61 and 90 days past due	9,386	50	4,531	457
Between 91 days and 1 year past due	73,685	17,833	28,627	3,924
More than 1 year past due	19,448	1,561	12,163	1,801
	106,671	24,508	47,741	12,166

29 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	13,225	72,909	2,517	1,763
Deposits with licensed banks	621,313	427,591	13,600	9,550
	634,538	500,500	16,117	11,313

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	
	2013 %	2012 %	2013 %	2012 %
Deposits with licensed banks	1.55	1.85	2.69	2.94

Bank balances were deposits held at call with banks and earn no interest.

Included in deposits with licensed banks were RM0.9 million for the Group and the Company (2012: RM0.9 million) which have been designated for specific purposes.

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit-ratings as determined by international credit-rating agencies.

30 DISPOSAL GROUP HELD FOR SALE

(a) Disposal group held-for-sale

On 26 March 2013, the Company's wholly-owned subsidiary, Bumi Armada Automation International Sdn. Bhd. completed the disposal of its entire equity interest in Haven. Accordingly, Haven ceased as a wholly-owned subsidiary of the Company. The disposal of Haven resulted in a gain on disposal of subsidiary amounting to RM9.4million.

(b) Non-current asset held-for-sale

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

	Group and Company	
	2013 RM'000	2012 RM'000
At 1 January	-	1,640
Transfer to property, plant and equipment (Note 16)	-	(1,640)
At 31 December	-	-

31 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables	110,965	52,700	19,845	17,383
Accruals	195,158	90,228	60,254	29,187
	306,123	142,928	80,099	46,570

Included in other payables and accruals for the Group were amounts owing to creditors in respect of capital expenditures amounting to RM118.9 million in the current year (2012: RM47.0 million).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

32 HIRE PURCHASE CREDITORS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Analysis of hire purchase commitments:				
- payable within one year	211	193	194	193
- payable between one and two years	84	243	65	243
- payable between two and five years	58	-	-	-
	353	436	259	436
Less: Interest in suspense	(41)	(57)	(32)	(57)
	312	379	227	379
Representing hire purchase liabilities				
- due within 12 months	184	170	170	170
- due after 12 months	128	209	57	209
	312	379	227	379

33 BORROWINGS

	Group	
	2013 RM'000	2012 RM'000
<u>Current</u>		
Term loans - secured	316,324	364,419
Term loans - unsecured	397,630	138,900
	713,954	503,319
Revolving credits - unsecured	471,701	88,682
Bridging loan - unsecured	-	22,806
	1,185,655	614,807
<u>Non-current</u>		
Term loans - secured	1,385,968	1,223,166
Term loans - unsecured	1,205,379	829,700
	2,591,347	2,052,866
Total borrowings	3,777,002	2,667,673

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

	Group	
	2013 %	2012 %
Bridging loan	-	1.15
Revolving credits	1.39	1.46
Term loans	3.08	3.58

33 BORROWINGS (CONT'D)

Group	Interest 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	
At 31 December 2013							
Unsecured:							
- term loans	Fixed rates depending on disbursement of tranches	RM	57,200	6,400	50,800	-	
	Floating rates varies based on cost of funds ("COF")	RM	772,500	157,500	170,000	445,000	
	Floating rates varies based on London Interbank Offer Rate ("LIBOR")	USD	773,309	233,730	-	539,579	
- revolving credit	Floating rates varies based on LIBOR	USD	471,701	471,701	-	-	
Secured:							
- term loans	Floating rates varies based on LIBOR	USD	1,570,235	288,636	358,155	923,444	
	Floating rates varies based on COF	RM	132,057	27,688	27,688	76,681	
			3,777,002	1,185,655	606,643	1,984,704	

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

33 BORROWINGS (CONT'D)

Group	Interest 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 2012							
Unsecured:							
- term loans	Fixed rates depending on disbursement of tranches	RM	63,948	6,748	6,400	50,800	-
	Floating rates varies based on COF	RM	905,683	133,183	157,500	522,500	92,500
- revolving credit	Floating rates varies based on LIBOR	USD	88,682	88,682	-	-	-
- bridging loans	Floating rates varies based on LIBOR	USD	22,806	22,806	-	-	-
Secured:							
- term loans	Floating rates varies based on LIBOR	USD	1,421,664	330,554	301,084	699,330	90,696
	Floating rates varies based on COF	RM	164,890	32,834	27,688	83,063	21,305
			2,667,673	614,807	492,672	1,355,693	204,501

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

- Fixed charges over certain vessels in subsidiaries (Note 16).
- Assignment of insurance policies for the vessels charged in (i) above.
- Assignment of charter proceeds for the vessels charged in (i) above.
- Assignment of ship building contracts for the vessels charged in (i) above.
- Corporate guarantee from the Company.
- Shares of certain subsidiaries.

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

34 SHARE CAPITAL

	Par value RM	Group and Company			
		Number of shares		Nominal value	
		2013 '000	2012 '000	2013 RM'000	2012 RM'000
Authorised:					
<u>Ordinary shares</u>					
At 1 January/31 December	0.20	4,000,000	4,000,000	800,000	800,000
Issued and fully paid:					
<u>Ordinary shares</u>					
At 1 January	0.20	2,929,168	2,928,462	585,834	585,692
Issuance of new shares from exercise of employee share options	0.20	2,423	706	484	142
At 31 December	0.20	2,931,591	2,929,168	586,318	585,834

35 EMPLOYEE SHARE OPTION SCHEME

The Company implemented an Employees' Share Option 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:

- An eligible employee shall pay a sum of RM1.00 as consideration for acceptance of that 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.
- 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 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.
- No option shall be granted pursuant to the ESOS on or after the 10th anniversary of the date on which the Scheme became effective.
- 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 ("LR") 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

35 EMPLOYEE SHARE OPTION SCHEME (CONT'D)

The fair value as at the grant date of share options granted during the 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:

	2013	2012
Dividend yield (%)	0.78% to 2.00%	2.00%
Expected volatility (%)	28.7% to 33.7%	29% to 38%
Risk-free interest rate (%)	2.98% to 3.45%	3.06% to 3.23%
Expected life of option (years)	1 to 5 years	1 to 5 years
Share price at date of grant (RM)	3.75 to 4.04	3.75
Exercise price of option (RM)	3.75 to 4.04	3.75

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

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

	2013		2012	
	Average exercise price per share option (RM)	Options ('000)	Average exercise price per share option (RM)	Options ('000)
At 1 January	3.29	47,336	3.03	33,000
Granted	3.82	9,250	3.75	17,477
Forfeited	3.54	(3,252)	3.19	(2,435)
Exercised	3.06	(2,423)	3.03	(706)
At 31 December	3.38	50,911	3.29	47,336

Out of the 50,911,300 outstanding options (2012: 47,335,900 options), 10,465,590 options (2012: 2,633,500 options) were exercisable. Options exercised in 2013 resulted in 2,422,800 shares (2012: 706,500 shares) being issued at a weighted average price of RM3.06 each (2012: RM3.03 each). The related weighted average share price at the time of exercise was RM3.89 (2012: RM3.76) per share.

Share options outstanding at 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)	
			2013	2012
2011/2012	2016	3.03	1,326	2,634
2011/2013	2016	3.03	2,370	3,653
2011/2014	2016	3.03	9,816	10,504
2011/2015	2016	3.03	13,600	13,600
2012/2013	2017	3.75	4,319	5,084
2012/2014	2017	3.75	4,385	5,084
2012/2015	2017	3.75	5,845	6,777
2013/2013 *	2017/2018	3.80/3.77	2,325	-
2013/2014 *	2017/2018	3.80/3.77/4.04	2,775	-
2013/2015 *	2017/2018	3.80/3.77/4.04	3,550	-
2013/2016 *	2018	4.04	600	-
			50,911	47,336

* Options granted during the financial year

36 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 par value.

(b) Foreign exchange reserve

The foreign exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities.

As at 31 December 2013, if the Group's reporting currency had weakened/strengthened by 5% against the USD with all other variables held constant, the change to the Group's equity would have been RM92.4 million (2012: RM93.2 million) lower/higher arising from the impact to the Group's net investments.

(c) Other reserves

Other reserves represents the fair value charge of a call option granted to an Executive Director amounting to RM6.3 million (31.12.2012: RM6.3 million), preference share redemption reserve for the Company and a subsidiary amounting to RM0.3 million (31.12.2012: RM0.3 million) and fair value change in available-for-sale financial assets amounting to RM14.3 million (31.12.2012: RM2.8 million).

(d) Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options by 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. Any excess of the initial capital contribution initially recognised in the equity is treated as a capital distribution and would be transferred to retained earnings.

(e) Hedging reserve

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

37 COMMITMENTS

		Group	
		2013	2012
		RM'000	RM'000
(i)	Capital expenditure for property, plant and equipment not provided for in the financial statements:		
	- authorised and contracted	568,905	153,929
	- authorised but not contracted	3,248,474	1,075,498
		<u>3,817,379</u>	<u>1,229,427</u>
(ii)	Commitments for amounts payable under operating leases for rental of premises:		
	- payable within one year	8,703	7,090
	- payable later than one year and not later than five years	36,854	27,140
	- payable later than five years	2,953	17,126
		<u>48,510</u>	<u>51,356</u>

The Group has entered into lease arrangements (classified as operating leases) for offices with durations varying from 1 to 7 years (2012: 1 to 8 years).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

38 SIGNIFICANT RELATED PARTY DISCLOSURES

The related parties of the Group and the Company are:

(a) Subsidiaries

Details of the subsidiaries are shown in Note 18.

(b) Joint ventures

Details of the joint ventures shown in Note 9.

(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 the Company either directly or indirectly. The key management personnel of the Group and the Company include Directors of the Company and certain members of senior management of the Company and of the Group.

Usaha Tegas Sdn Bhd ("UTSB") is a party related to the Company by virtue of its substantial interest in Objektif Bersatu Sdn Bhd ("OBSB"), a major 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 the shares as such interest is held subject to the terms of the discretionary trust.

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(i) Transactions with UTSB Management Sdn. Bhd. ⁽¹⁾				
- reimbursable costs incurred in respect of an Executive Director	4,965	4,750	4,965	4,750
- management fees	5,272	4,737	5,272	4,737
(ii) Telecommunication expenses to Maxis Berhad ⁽²⁾	3,110	3,268	3,082	3,260
(iii) Rental to Malaysian Landed Property Sdn. Bhd. ⁽³⁾	6,366	5,575	6,356	5,575
(iv) Transactions with joint ventures:				
- ship management fee from Offshore Marine Ventures Sdn. Bhd. (OMV) ⁽⁴⁾	-	(180)	-	-
- ship management fee to Century Bumi Limited	14,550	10,989	-	-
- vessel hiring fee from Century Bumi Limited	(2,751)	(5,656)	-	-
- sale of vessel to PT Armada Gema Nusantara	-	(18,459)	-	-
(v) Transaction with key management:				
Key management personnel compensation:				
- Non-executive directors fees	2,602	2,666	2,602	2,429
- salaries, bonus, allowances and other staff related costs	14,822	17,941	13,183	17,011
- defined contribution plan	3,217	1,555	3,021	1,444
- share-based payment	9,629	10,283	9,629	10,283
(vi) Acquisition of remaining 50% of the issued capital of OMV ⁽⁴⁾	-	1,750	-	1,750

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

		Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(vii)	Central overheads fees charged				
	- subsidiaries	-	-	161,650	114,925
	- joint ventures	-	-	16,944	15,002
(viii)	Payment on behalf				
	- subsidiaries	-	-	171,268	265,649
	- joint ventures	72,986	42,159	22,812	33,558
(ix)	Repayment on behalf by subsidiaries	-	-	(31,362)	(79,051)

(1) Subsidiary of UTSB, an indirect shareholder of the Company.

(2) Subsidiary of a joint venture, in which UTSB has a significant equity interest.

(3) Subsidiary of PanOcean, the ultimate holding company of UTSB until 15 November 2013. Thereafter, it is a subsidiary of the company in which TAK has a 100% equity interest.

(4) Previously a joint venture entity, where certain Directors have an equity interest, which became a wholly-owned subsidiary of the Company following completion of the acquisition of the remaining shares not already owned by the Company on 30 November 2012.

Outstanding balances as at 31 December 2013, arising from the above related party transactions, are unsecured and receivables/payables within 12 months from statement of financial position and are disclosed in Notes 27, 28 and 31 to the financial statements.

39 FAIR VALUES

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

	Carrying amount		Fair value	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<u>Group</u>				
Fixed rate term loans (Note 33)	57,200	63,948	52,788	55,409

The Group estimates the fair value of fixed rate term loans by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. The fair values are within Level 2 of the fair value hierarchy.

40 CONTINGENT LIABILITIES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank guarantees extended to third parties	377,641	-	268,348	-
Corporate guarantees given to banks for credit facilities granted to subsidiaries	-	-	2,716,338	1,183,863
	377,641	-	2,984,686	1,183,863

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

40 CONTINGENT LIABILITIES (CONT'D)

The corporate guarantees are financial guarantees given to banks for credit facilities granted to subsidiaries. Total borrowings, for which corporate guarantees were given, are disclosed above. The fair value on initial recognition of corporate guarantees was not material as the possibility of default by subsidiaries is negligible.

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. The Company believes that the financial guarantee contracts are unlikely to be called by the subsidiaries' banks.

The maximum amount of the financial guarantee issued to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiaries companies, amounting to RM2,716 million as at 31 December 2013. The earliest period the financial guarantee can be called upon by banks is within the next 12 months. The Company believes that the liquidity risk in respect of the financial guarantee is minimum as it is unlikely that the subsidiary companies will not make payment to the banks when due.

41 FINANCIAL INSTRUMENTS BY CATEGORY

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

	Available- for-sale RM'000	Loan and receivables RM'000	Total RM'000
--	----------------------------------	-----------------------------------	-----------------

At 31 December 2013

Financial assets:

Available-for-sale financial assets	48,642	-	48,642
Trade receivables	-	447,632	447,632
Other receivables excluding deposits and prepayments	-	40,586	40,586
Cash and bank balances	-	13,225	13,225
	48,642	501,443	550,085

	Other financial liabilities at amortised costs RM'000	Derivatives used for hedging RM'000	Total RM'000
--	--	--	-----------------

At 31 December 2013

Financial liabilities:

Trade payables	243,979	-	243,979
Other payables and accruals	306,123	-	306,123
Borrowings	3,777,002	-	3,777,002
Hire purchase creditors	312	-	312
Derivative financial instruments	-	18,495	18,495
	4,327,416	18,495	4,345,911

41 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Analysis of the financial instruments for the Group is as follows (cont'd):

	Available- for-sale RM'000	Loan and receivables RM'000	Derivatives used for hedging RM'000	Total RM'000
<u>At 31 December 2012</u>				
Financial assets:				
Available-for-sale financial assets	56,044	-	-	56,044
Trade receivables	-	332,150	-	332,150
Other receivables excluding deposits and prepayments	-	67,898	-	67,898
Derivative financial instruments	-	-	4,313	4,313
Cash and bank balances	-	72,909	-	72,909
	56,044	472,957	4,313	533,314

	Other financial liabilities at amortised costs RM'000	Derivatives used for hedging RM'000	Total RM'000
<u>At 31 December 2012</u>			
Financial liabilities:			
Trade payables	228,463	-	228,463
Other payables and accruals	142,928	-	142,928
Borrowings	2,667,673	-	2,667,673
Hire purchase creditors	379	-	379
Derivative financial instruments	-	29,007	29,007
	3,039,443	29,007	3,068,450

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)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

41 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2013:

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Financial assets:			
Available-for-sale financial assets	46,615	-	46,615
Financial liabilities:			
Derivatives used for hedging			
- Cross currency interest rate swap	-	(5,419)	(5,419)
- Interest rate swap	-	(13,076)	(13,076)

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2012:

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Financial assets:			
Available-for-sale financial asset	54,017	-	54,017
Derivatives used for hedging			
- Cross currency interest rate swaps	-	4,313	4,313
Financial liabilities:			
Derivatives used for hedging			
- Interest rate swaps	-	(29,007)	(29,007)

The fair value of financial instrument traded in active market is based on quoted market price at the balance sheet 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 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.

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

	2013 RM'000	2012 RM'000
Financial assets classified as loans and receivables:		
Other receivables excluding deposits and prepayments	10,567	5,064
Dividend receivable	2,864	8,364
Amounts due from subsidiaries	632,892	508,628
Amounts due from joint ventures	47,741	16,768
Cash and bank balances	2,517	1,763
	<u>696,581</u>	<u>540,587</u>

41 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Analysis of the financial instruments for the Company is as follows (cont'd):

	2013 RM'000	2012 RM'000
Financial assets classified as available-for-sale:		
Available-for-sale financial assets	2,027	2,027
Financial liabilities classified at amortised costs:		
Other payables and accruals	80,099	46,570
Amounts due to subsidiaries	138,165	90,467
Hire purchase creditors	227	379
	218,491	137,416

It was not practical to estimate the fair value of the Group's and the Company's investment in unquoted preference shares due to the 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 Company with a maturity of less than one year at the reporting date are assume to be approximated their fair values.

42 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

- (a) On 17 February 2014, Armada Oyo Ltd. ("AOL") and Bumi Armada (Singapore) Pte. Ltd. ("BASPL"), wholly-owned subsidiaries of the Company have signed a Bareboat Charterparty Contract and a Contract for Provision of Operational and Maintenance Services (collectively, the "Contracts") respectively with Oceanic Consultants Nigeria Limited ("Oceanic") for the continued deployment of the FPSO Armada Perdana (the "FPSO") at the Oyo Field Development (the "Oyo Field") located offshore of Nigeria.

The FPSO has been deployed to work at the Oyo Field since 2008 under contracts with the previous operator of the Oyo Field, Nigerian Agip Exploration Ltd ("NAE"). As NAE is no longer the operator of the field, the contracts with NAE were ended by mutual agreement on 31 December 2013. The FPSO will continue its deployment at the Oyo Field under the Contracts signed with Oceanic effective from 1 January 2014. Oceanic will, in turn, provide the use of the FPSO and the related services to the new operator of the Oyo Field, CAMAC Energy Inc..

Subsequently, the Contracts were novated from Oceanic to CAMAC Petroleum Limited by way of Deeds of Novation dated 25 March 2014. CAMAC Petroleum Limited is a subsidiary of CAMAC Energy Inc..

- (b) On 24 February 2014, the Company offered 6,500,000 options over unissued ordinary shares of RM0.20 each of the Company under the Scheme to an Executive Director. The vesting dates of the options of shares offered will be on 24 February 2015 to 24 February 2017. Subject to the vesting dates as aforesaid the exercise period for these options will be from 24 February 2015 to 23 February 2019.
- (c) On 31 March 2014, Armada Kraken Pte. Ltd. ("Armada Kraken") had secured a syndicated bridge loan facility of USD750 million ("Facility").

The Facility is intended for Armada Kraken to, inter alia, part-finance and reimburse all costs and expenses in relation to the acquisition, conversion, refurbishment, mobilisation, transport, hook-up and mooring and installation of FPSO Kraken together with all ancillary and related works required under a Bareboat Charter Contract with Enquest Heater Limited, Enquest ENS Limited, First Oil and Gas Limited, Nautical Petroleum Limited and Nautical Petroleum AG. Armada Kraken's payment obligations under the Facility are guaranteed by the Company and the Facility is intended to be refinanced by long term project financing in due course.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013 (Cont'd)

42 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONT'D)

- (d) On 31 March 2014, eni Angola S.p.A. ("eni Angola") has via a Letter of Intent ("LOI"), confirmed their intention to award a contract for the chartering, operation and maintenance of a FPSO tanker facility complete with Mooring System to the Consortium of Bumi Armada Offshore Holdings Limited ("BAOHL") and Angoil Bumi JV Lda ("ABJL") (collectively referred as the "Contractor") at Block 15/06, East Hub located in deep water offshore Angola (the "Contract") at an indicative value of USD2.9 billion (equivalent to approximately RM9.5 billion).

The LOI is construed as an interim agreement under which BAOHL and ABJL are to proceed to commence performance of the work related to the Contract under the LOI ahead of the final award and is subject to successful negotiations of the commercial terms and execution of the Contract expected within 120 calendar days after the effective date of the LOI of 28 March 2014 ("LOI period"). If eni Angola terminates the LOI during the LOI period, the Contractor will be compensated on the basis of documented costs up to an agreed maximum amount.

43 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 16 April 2014.

44 SUPPLEMENTARY INFORMATION

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and subsidiaries				
- realised	1,834,962	1,597,218	198,057	116,223
- unrealised	20,383	(53,195)	6,894	843
	1,855,345	1,544,023	204,951	117,066
Total share of retained earnings from joint ventures				
- realised	98,169	66,241	-	-
- unrealised	(11,992)	(9,037)	-	-
	86,177	57,204	-	-
Total retained earnings	1,941,522	1,601,227	204,951	117,066

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Hassan Assad Basma and Shaharul Rezza bin Hassan, two of the Directors of Bumi Armada Berhad, state that, in our opinion, the financial statements set out on pages 80 to 146 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results of the Group and of the Company and the cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 44 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 April 2014.

HASSAN ASSAD BASMA
DIRECTOR

SHAHARUL REZZA BIN HASSAN
DIRECTOR

STATUTORY STATEMENT DECLARATION

Pursuant to Section 169(15) of the Companies Act, 1965

I, Kenneth Murdoch, 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 80 to 146 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.

KENNETH MURDOCH

Subscribed and solemnly declared by the above named Kenneth Murdoch in Kuala Lumpur on 16 April 2014, before me.

ZULKIFLA MOHD DAHLIM (W541)
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS REPORT

to the members of Bumi Armada Berhad

(Incorporated in Malaysia) (Company No. 370398 X)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bumi Armada Berhad on page 80 to 146, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 43.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 18 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 44 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

TIANG WOON MENG
(No. 2927/05/14 (J))
Chartered Accountant

Kuala Lumpur
16 April 2014

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the following additional information is provided:

1. Non-audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 31 December 2013 by the Company’s external auditors was RM0.8 million.

2. Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2013, which have material impact on the operations or financial position of the Group.

3. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and its subsidiaries which involved the interests of Directors and Major Shareholders either still subsisting at the end of the financial year ended 31 December 2013 or entered into since the end of the previous financial year.

ANALYSIS OF SHAREHOLDINGS

as at 16 April 2014

Authorised Share Capital	:	RM800,000,000 divided into 4,000,000,000 ordinary shares of RM0.20 each
Issued and Paid-up Share Capital	:	RM586,434,740 divided into 2,932,173,700 ordinary shares of RM0.20 each
Class of Shares	:	Ordinary shares of RM0.20 each ("Shares")
Voting Right	:	One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS BASED ON THE RECORD OF DEPOSITORS

Size of Shareholdings	No. of Shareholders		No. of Shares Held		% of Total Issued Shares	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	221	2	1,601	24	Negligible	Negligible
100 – 1,000	1,877	24	1,567,400	17,400	0.05	Negligible
1,001 – 10,000	3,315	78	13,727,812	432,125	0.47	0.01
10,001 – 100,000	596	137	19,082,923	5,971,986	0.65	0.20
100,001 – 146,608,684*	183	203	527,761,442	383,093,687	18.00	13.07
146,608,685 and above**	5	-	1,980,517,300	-	67.54	0.00
Total	6,197	444	2,542,658,478	389,515,222	86.72	13.28
Grand Total	6,641		2,932,173,700		100.00	

* Less than 5% of total issued Shares

** 5% and above of total issued Shares

ANALYSIS BY CATEGORY OF SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS

Category of Shareholders	No. of Shareholders		No. of Shares Held		% of Total Issued Shares	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Individual	4,750	69	26,254,664	1,462,102	0.90	0.05
Banks/Finance Companies	36	-	461,354,700	-	15.73	0.00
Investments Trusts/ Foundation/Charities	1	-	180,000	-	0.01	0.00
Other Types of Companies	118	5	1,435,190,200	7,237,000	48.95	0.25
Government Agencies/ Institutions	4	-	1,793,800	-	0.06	0.00
Nominees	1,288	370	617,885,114	380,816,120	21.07	12.99
Total	6,197	444	2,542,658,478	389,515,222	86.72	13.28
Grand Total	6,641		2,932,173,700		100.00	

ANALYSIS OF SHAREHOLDINGS

as at 16 April 2014 (Cont'd)

DIRECTORS' INTERESTS

Directors' Direct and Indirect Interests in the shares and options over unissued shares in the Company and in its related corporations based on the Register of Directors' Shareholdings maintained under Section 134 of the Companies Act, 1965 (the "Act") of the Company and its related corporations

1. In the Company – Issued Ordinary Shares

Name	No. of Shares of RM0.20 each		% of Total Issued Shares	
	Direct	Indirect	Direct	Indirect
Tunku Ali Redhaudhin ibni Tuanku Muhriz	10,000	–	Negligible	0.00
Dato' Sri Mahamad Fathil bin Dato' Mahmood	750,000	225,277,700 ⁽¹⁾	0.03	7.68
Saiful Aznir bin Shahabudin	713,000	–	0.02	0.00
Alexandra Schaapveld	600,000	–	0.02	0.00
Andrew Philip Whittle	400,000	–	0.01	0.00
Chan Chee Beng	750,000	–	0.03	0.00
Lim Ghee Keong	750,000	–	0.03	0.00
Hassan Assad Basma	9,000,000	–	0.31	0.00
Shaharul Rezza bin Hassan	–	–	0.00	0.00

⁽¹⁾ Deemed interest by virtue of his shareholding in Ombak Damai Sdn Bhd ("ODSB") pursuant to Section 6A of the Act.

2. In the Company – Unissued Shares

Name	No. of Unissued Shares of RM0.20 each	
	Direct	Indirect
Hassan Assad Basma	30,500,000 ⁽¹⁾	–
Shaharul Rezza bin Hassan	5,250,000 ⁽²⁾	–

⁽¹⁾ These relate to options over unissued Shares of the Company pursuant to the 2011 Employee Share Option Scheme of the Company ("ESOS"), of which 3,900,000 options are exercisable. None of these options has been exercised.

⁽²⁾ These relate to options over unissued Shares of the Company pursuant to the ESOS, of which 1,575,000 of the options are exercisable. None of these options has been exercised.

Save as disclosed above, none of the Directors have interests in the shares of the Company or its related corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Name	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
Objektif Bersatu Sdn Bhd	1,239,144,000	42.26	-	0.00
RHB Nominees (Tempatan) Sdn Bhd				
Ombak Damai Sdn Bhd	225,277,700	7.68	-	0.00
Karisma Mesra Sdn Bhd	157,519,100	5.37	-	0.00
Dato' Sri Mahamad Fathil bin Dato' Mahmood	750,000	0.03	225,277,700 ⁽¹⁾	7.68
Dato' Ahmad Fuad bin Md Ali	300,000	0.01	225,277,700 ⁽¹⁾	7.68
Datuk Abdul Farish bin Abd Rashid	125,000	Negligible	225,277,700 ⁽¹⁾	7.68
Saluran Abadi Sdn Bhd	-	0.00	180,001,300 ⁽²⁾	6.14
Farah Suhanah binti Ahmad Sarji	42,700	Negligible	180,001,300 ⁽³⁾	6.14
Mutu Saluran Sdn Bhd	-	0.00	1,239,144,000 ⁽⁴⁾	42.26
Usaha Tegas Sdn Bhd	-	0.00	1,239,144,000 ⁽⁵⁾	42.26
Pacific States Investment Limited	-	0.00	1,239,144,000 ⁽⁶⁾	42.26
Excorp Holdings N.V.	-	0.00	1,239,144,000 ⁽⁷⁾	42.26
PanOcean Management Limited	-	0.00	1,239,144,000 ⁽⁷⁾	42.26
Ananda Krishnan Tatparanandam	-	0.00	1,239,144,000 ⁽⁸⁾	42.26
AmanahRaya Trustees Berhad				
Skim Amanah Saham Bumiputera	177,003,800	6.04	-	0.00
Employees Provident Fund Board	236,157,000	8.05	-	0.00

Notes:

- ⁽¹⁾ Deemed interest by virtue of their respective shareholdings in ODSB pursuant to Section 6A of the Act.
- ⁽²⁾ Deemed interest by virtue of its shareholdings in the Saluran Abadi Sdn Bhd ("SASB") subsidiaries, Karisma Mesra Sdn Bhd and Wijaya Baiduri Sdn Bhd (collectively, "SASB Subsidiaries") pursuant to Section 6A of the Act. 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.
- ⁽³⁾ Deemed interest by virtue of her shareholding in SASB pursuant to Section 6A of the Act. However, she does not have any economic interests in the Shares held via SASB Subsidiaries, as such interest is held subject to the terms and discretionary trusts for Bumiputera objects. See Note ⁽²⁾ above for SASB deemed interest in the Shares.
- ⁽⁴⁾ Deemed interest by virtue of its shareholding in Objektif Bersatu Sdn Bhd pursuant to Section 6A of the Act.
- ⁽⁵⁾ 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 ⁽⁴⁾ above for MSSB's deemed interest in the Shares.
- ⁽⁶⁾ 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 ⁽⁵⁾ above for UTSB's deemed interest in the Shares.
- ⁽⁷⁾ The shares in PSIL are held by Excorp Holdings N.V. which is in turn held 100% by PanOcean Management Limited ("PanOcean"). See Note ⁽⁶⁾ 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.
- ⁽⁸⁾ TAK is deemed to have an interest in the Shares, by virtue of his deemed interest in PanOcean. See Note ⁽⁷⁾ 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 ⁽⁷⁾ above.

ANALYSIS OF SHAREHOLDINGS

as at 16 April 2014 (Cont'd)

TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS BASED ON THE RECORD OF DEPOSITORS

No.	Name	No. of Shares Held	% of Total Issued Shares
1.	Objektif Bersatu Sdn Bhd	1,239,144,000	42.26
2.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Ombak Damai Sdn Bhd (PB)	225,277,700	7.68
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	181,572,700	6.19
4.	AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera	177,003,800	6.04
5.	Karisma Mesra Sdn Bhd	157,519,100	5.37
6.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	72,792,027	2.48
7.	AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	71,624,200	2.44
8.	Kumpulan Wang Persaraan (Diperbadankan)	67,039,600	2.29
9.	Cartaban Nominees (Tempatan) Sdn Bhd Exempt AN for Eastspring Investments Berhad	36,099,400	1.23
10.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A.	31,491,600	1.07
11.	Lembaga Tabung Haji	31,247,500	1.07
12.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	30,129,000	1.03
13.	Cartaban Nominees (Asing) Sdn Bhd Exempt An For State Street Bank & Trust Company (West CLT 0D67)	28,503,701	0.97
14.	HSBC Nominees (Asing) Sdn Bhd BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund	26,050,581	0.89
15.	Permodalan Nasional Berhad	25,908,600	0.88
16.	AmanahRaya Trustees Berhad AS 1 Malaysia	25,282,000	0.86
17.	Wijaya Baiduri Sdn Bhd	22,482,200	0.77
18.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges BK)	20,363,700	0.69
19.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (NOMURA)	18,550,000	0.63
20.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	16,014,300	0.55
21.	HSBC Nominees (Asing) Sdn Bhd TNTC For Saudi Arabian Monetary Agency	14,933,300	0.51
22.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (HDBS)	12,890,300	0.44
23.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)	11,009,800	0.38
24.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AMUNDI)	9,020,000	0.31
25.	CIMSEC Nominees (Asing) Sdn Bhd CIMB Bank for Hassan Assad Basma (MH4788)	9,000,000	0.31
26.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	8,615,200	0.29
27.	AmanahRaya Trustees Berhad Amanah Saham Didik	8,121,100	0.28
28.	Tokio Marine Life Insurance Malaysia Bhd as Beneficial Owner (PF)	6,421,100	0.22
29.	HSBC Nominees (Asing) Sdn Bhd TNTC for GIC Private Limited	6,408,300	0.22
30.	Citigroup Nominees (Asing) Sdn Bhd Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)	6,282,800	0.21

LIST OF PROPERTIES

as at 31 December 2013

No.	Location	Tenure	Remaining lease period (year)	Land area/ built-up area (square feet)	Description of existing use	Age of building (year)	Net Book Value RM'000
1.	Lot 704, Bintulu Industrial Estate, Mile 2½ Miri Road, 97008 Bintulu, Sarawak	Leasehold	30 years (23.10.2043)	12,809	2-storey office building and showhouse	29 (23.07.84)	214
2.	Lot 2395, Block 4, Miri Concession Land, District Piasau, 98000 Miri, Sarawak	Leasehold	45 years (13.04.2059)	11,755	4-storey office building	8 (18.11.05)	1,699

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting (“18th AGM”) of Bumi Armada Berhad (“Bumi Armada” or the “Company”) will be held at **10.00 a.m.** on **Tuesday, 10 June 2014** at the **Ballroom 1, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 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 2013 and the Reports of the Directors and Auditors thereon.
(Please see Explanatory Note 1)
2. To declare a tax exempt final cash dividend of 3.25 sen per share in respect of the financial year ended 31 December 2013 to the members of the Company, as recommended by the Directors.
(Please see Explanatory Note 2) RESOLUTION 1
3. To re-elect the following Directors of the Company who retire by rotation in accordance with Article 113 of the Company’s Articles of Association and who being eligible, offer themselves for re-election:
(Please see Explanatory Note 3)
 - (i) Alexandra Elisabeth Johanna Maria Schaapveld RESOLUTION 2
 - (ii) Hassan Assad Basma RESOLUTION 3
4. To elect Maureen Toh Siew Guat as a Director of the Company pursuant to Article 120 of the Company’s Articles of Association.
(Please see Explanatory Note 3) RESOLUTION 4
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company for the financial year ending 31 December 2014 and to authorise the Directors to fix their remuneration for that year.
(Please see Explanatory Note 4) RESOLUTION 5

AS SPECIAL BUSINESS*

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

6. Authority to issue ordinary shares pursuant to Section 132D of the Companies Act, 1965 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

“THAT subject to the Companies Act, 1965 (the “Act”), the Articles of Association of the Company, and the approvals of any relevant governmental/regulatory authorities where required, the Directors be and are hereby authorised and empowered to issue and allot new ordinary shares in the Company: RESOLUTION 6
 - (i) at any time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit; and/or
 - (ii) in pursuance of any offer, agreement, option, or any other instruments (collectively the “Instruments”) to be made, granted, or issued by them (as the case may be), while the approval under this resolution remains in force, AND THAT the Directors be and are hereby further authorised to make, grant or issue such Instruments which would or might require new ordinary shares in the Company to be issued after the expiration of the approval hereof;

provided that:

- (i) the number of shares to be issued pursuant to the authority granted under this resolution, when aggregated with all shares issued and/or shares that are capable of being issued from the Instruments issued in the preceding 12 months (calculated in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad), does not exceed 10% of the issued and paid-up share capital (excluding treasury shares) of the Company at the time of issuance of the shares or issuance, making or granting of the Instruments; and
- (ii) for the purpose of determining the number of shares which are capable of being issued from the Instruments, each Instrument is treated as giving rise to the maximum number of shares into which it can be converted or exercised;

and such authority under this resolution shall continue to be in force until the conclusion of the next annual general meeting of the Company or when it is required by law to be held, whichever is earlier, and that:

- (a) approval and authority be and are given to the Directors of the Company to take all such actions that may be necessary and/or desirable to give effect to this resolution and in connection therewith to enter into and execute on behalf of the Company any instrument, agreement and/or arrangement with any person, and in all cases with full power to assent to any condition, modification, variation and/or amendment (if any) in connection therewith; and
- (b) the Directors of the Company be and are also empowered to obtain, if required, the approval for the listing of and quotation for the additional shares to be or so issued on Bursa Malaysia Securities Berhad."

(Please see Explanatory Note 5)

7. Proposed offer and grant of options to subscribe for new ordinary shares of RM0.20 each in the Company ("Shares") ("Options") under the Company's Employee Share Option Scheme ("ESOS") to the Executive Director/Chief Executive Officer and the Executive Director/Head of Offshore Support Vessels ("OSV") Business of Bumi Armada Berhad.

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

RESOLUTION 7

- (i) offer, grant and/or issue to Hassan Assad Basma, 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 annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held ("**Mandate Period**"), Options to subscribe up to 7,500,000 new Shares (or such number of new Shares as determined pursuant to the provisions of the Company's ESOS); and
- (ii) issue and allot to him, such number of new Shares (whether during or after the Mandate Period) upon exercise by him of such Options which were offered, granted and/or issued to him during the Mandate Period."

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

RESOLUTION 8

- (i) offer, grant and/or issue to Shaharul Rezza bin Hassan, Executive Director/Head of OSV Business 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 annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held ("**Mandate Period**"), Options to subscribe up to 1,250,000 new Shares (or such number of new Shares as determined pursuant to the provisions of the Company's ESOS); and

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

- (ii) issue and allot to him, such number of new Shares (whether during or after the Mandate Period) upon exercise by him of such Options which were offered, granted and/or issued to him during the Mandate Period."

(Please see Explanatory Note 6)

** The resolutions for the ordinary and special businesses at this meeting will be tabled as Ordinary Resolutions.*

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of members at the 18th AGM of the Company to be held on 10 June 2014, a tax exempt final cash dividend of 3.25 sen per share in respect of the financial year ended 31 December 2013 will be paid on 3 July 2014 to the Company's members whose names appear in the Record of Depositors of the Company maintained by Bursa Malaysia Depository Sdn Bhd on 13 June 2014.

A Depositor shall qualify for entitlement to the dividend in respect of:

- i) shares transferred into the Depositor's securities account before 4.00 p.m. on 13 June 2014 in respect of transfers; and
- ii) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board
Noor Hamiza binti Abd Hamid
(MAICSA 7051227)
Company Secretary

Kuala Lumpur
15 May 2014

Chew Ann Nee
(MAICSA 7030413)
Joint Company Secretary

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 and vote for him/her provided that the number of proxies appointed shall not be more than two except in the circumstances set out in Note 2. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(b) of the Companies Act, 1965 (the "Act") shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
2. 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 by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting. For 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. 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.

4. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
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, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or in the case of a poll, not less than 24 hours before the taking of the poll**; 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. Fax copies of the duly executed form of proxy are not acceptable.
6. A proxy may vote on a show of hands and 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.
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. 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.
8. For the purpose of determining members who shall be entitled to attend the 18th 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 4 June 2014 shall be entitled to attend the said meeting or appoint proxies to attend and vote 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 thereon for the financial year ended 31 December 2013, will be laid before the Company at the 18th AGM for consideration of the members pursuant to the Companies Act, 1965 ("CA"). There is no requirement for the members to approve them and hence, the matter will not be put forward for voting.

2) Final cash dividend

The Directors have recommended a tax exempt final cash dividend of 3.25 sen per share in respect of the financial year ended 31 December 2013, which if approved, will be paid on 3 July 2014 to those members whose names appear on the Record of Depositors of the Company maintained by Bursa Malaysia Depository Sdn Bhd on 13 June 2014.

3) Re-election/Election of Directors

Four (4) Directors namely Mr Andrew Philip Whittle, Ms Alexandra Elisabeth Johanna Maria Schaapveld ("Alexandra Schaapveld"), Mr Lim Ghee Keong and Mr Hassan Assad Basma who are of equal seniority are due for retirement at this Annual General Meeting ("AGM"), having all been last re-elected at the 2011 AGM. Mr Andrew Philip Whittle and Mr Lim Ghee Keong have decided not to offer themselves for re-election and will cease to be Directors of the Company on the conclusion of the 18th AGM. Ms Alexandra Schaapveld and Mr Hassan Assad Basma have offered themselves for re-election as Directors of the Company.

The Board of Directors (the "Board") is satisfied 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 and in the case of Ms Alexandra Schaapveld an independent Director, that she continues to fulfil the criteria for independence as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and in the 2012 Malaysian Code on Corporate Governance, based on an annual assessment.

None of the four (4) Independent Non-Executive Directors presently in office, has served for a tenure exceeding a cumulative term of nine years.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Ms Maureen Toh Siew Guat who was appointed as a Director of the Company by the Board on 23 April 2014, being eligible, has offered herself for election pursuant to Article 120 of the Company's Articles of Association. Her recent appointment was based on the Nomination & Corporate Governance Committee's recommendation after considering relevant criteria in respect of her appointment including her experience, qualifications, potential contribution and time commitments. The Board was also satisfied that her appointment will address some of the previously identified diversity needs of the Board.

For details of the Directors who are standing for re-election/election, viz Ms Alexandra Schaapveld, Mr Hassan Assad Basma (our ED/CEO) and Ms Maureen Toh Siew Guat, please refer to the Statement accompanying this Notice as well as the Directors' Profiles on pages 28 to 31 of the Annual Report 2013.

4) Re-appointment of Auditors

Messrs PricewaterhouseCoopers ("PwC"), 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 2014. 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.

5) Authority to issue ordinary shares pursuant to Section 132D of the CA and the MMLR

Proposed **Resolution 6** is to seek a renewal of the general authority pursuant to Section 132D of the CA and the MMLR for the issuance and allotment of new ordinary shares in the Company.

As at 24 April 2014, the Company has issued 2,352,100 new shares from the exercise of options by employees under the ESOS pursuant to the previous mandate. The proceeds from the issuance of the shares of RM7,207,215 were used for working capital purposes. The previous mandate will expire at the conclusion of the 18th AGM to be held on 10 June 2014.

Proposed **Resolution 6**, if passed, will enable 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 pursuant to exercise of any options under the Company's ESOS as well as 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 next annual general meeting of the Company.

At this juncture, there is no decision to issue any new shares other than any such shares that may be issued pursuant to exercising options under the ESOS. Should there be a decision to issue new shares other than pursuant to the ESOS, 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 and grant of options to subscribe for new ordinary shares of RM0.20 each in the Company ("Shares") ("Options") under the Employee Share Option Scheme ("ESOS") to the Executive Director/Chief Executive Officer and Executive Director/Head of Offshore Support Vessels ("OSV") Business of Bumi Armada Berhad

Proposed **Resolutions 7 and 8** are to seek authority in respect of the offer and grant of options to subscribe for new Shares in the Company under the ESOS to the Executive Director/Chief Executive Officer ("ED/CEO") and Executive Director/Head of OSV ("ED/Head of OSV") Business of the Company ("Proposed Offer and Grant of Options to EDs").

The ESOS which came into effect on 28 June 2011, was established in conjunction with our Initial Public Offering and listing on the Main Market of Bursa Malaysia Securities Berhad on 21 July 2011. The ESOS was established for the grant of Options to eligible employees of our Group and our Executive Directors to subscribe for new Shares, not exceeding in aggregate 10% of the issued and paid-up share capital of our Company at any time during the subsistence of the ESOS.

The approval for the listing of the new Shares to be issued pursuant to the exercise of the Options under the ESOS has been obtained from Bursa Malaysia Securities Berhad on 28 June 2011 ("Listing Approval").

On 18 June 2013, we had obtained your approval for the authority to offer, grant and/or issue to the ED/CEO, up to 7,500,000 Options and to the ED/and then Chief Financial Officer ("ED/CFO"), up to 1,250,000 Options pursuant to the provisions of the ESOS, during the period from the last AGM in 2013 up to the forthcoming AGM, and to issue and allot to them, up to a maximum of 7,500,000 and 1,250,000 new Shares respectively, arising from the exercise of Options offered to and accepted by them. On 19 June 2013 and 24 February 2014, the ED/CFO and ED/CEO were offered (and had accepted) an aggregate of 1,250,000 and 6,500,000 Options respectively based on that authority.

The details on the Proposed Offer and Grant of Options to EDs and their interests are set out in the **Circular to Shareholders dated 15 May 2014** which accompanies this Notice. The ED/CEO and ED/Head of OSV Business will abstain from voting on the proposed **Resolution 7** and **Resolution 8** respectively and will ensure that persons connected to them abstain from doing so.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

as at 24 April 2014

STATEMENT ACCOMPANYING NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING OF BUMI ARMADA BERHAD ("Bumi Armada" or the "Company") pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

A. Further details of individuals who are standing for re-election as Directors

Name	Alexandra Elisabeth Johanna Maria Schaapveld
Age	55
Date of Appointment	8 June 2011
Length of Service	2 years 10 months
Nationality	Dutch
Qualification	Degree in Politics, Philosophy and Economics from the Oxford University in the United Kingdom (UK) Master in Development Economics from the Erasmus University in the Netherlands
Position in the Company	Independent Non-Executive Director/Chairman of Remuneration Committee/Member of Audit, Risk Management and Nomination & Corporate Governance Committees
Working Experience and Occupation	Alexandra Schaapveld spent her entire career at ABNAMRO Bank, which she joined in 1984. The first eight years were spent in Corporate Banking and the subsequent eight years in Investment Banking: equity capital markets and mergers and acquisitions. She has 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 business unit global clients and investment banking. After the acquisition of ABNAMRO Bank by a consortium of banks, she became head of Europe for Royal Bank of Scotland in 2008. She is presently the non-executive director of Vallourec S.A. in France, a member of the supervisory board of Holland Casino N.V. and a member of the boards of FMO N.V. Development Bank and Société Générale S.A.
Other directorship of public companies incorporated pursuant to the Companies Act, 1965	None
Details of any interest in the securities of the Company and its subsidiaries	Direct beneficial interest of 600,000 ordinary shares of RM0.20 each in the Company registered in the name of CIMSEC Nominees (Asing) Sdn Bhd.

Name	Hassan Assad Basma
Age	57
Date of Appointment	1 September 2005
Length of Service	8 years 7 months
Nationality	Dutch
Qualification	Bachelor of Science degree (Honours) in Engineering from the University of Manchester Institute of Science and Technology in the UK
Position in the Company	Executive Director/Chief Executive Officer/Member of Executive Committee
Working Experience and Occupation	Hassan Assad Basma has over 34 years of experience in the O&G industry, of which the last 23 years were spent in Asia. Prior to joining the Company, he was the president of Far East Single Buoy Mooring and the managing director of Kvaerner E & C Singapore and has held senior management positions since 1993. His work experience has spanned four continents, covering Europe, Africa, the Middle East, India, South East Asia and Australia, which involved several disciplines from subsea and pipelines, jackets and topsides through to floaters and floating solutions. He was involved in several 'firsts' throughout his career, including the first FPSO for the Kikeh Field in Malaysia, the first gravity actuated pipe application in the world, the first cogeneration power plant in Singapore, the first petrochemical plant in Kuantan, Malaysia for BASF (Malaysia) Sdn Bhd as well as the front-end engineering and design for the first onshore gas field in China, for Shell Changbai. He was appointed as Executive Director and Chief Executive Officer of the Company in 2005. He also sits on the boards of various subsidiaries and joint ventures of the Company.
Other directorship of public companies incorporated pursuant to the Companies Act, 1965	None
Details of any interest in the securities of the Company and its subsidiaries	<p>Direct beneficial interest of 9,000,000 issued ordinary shares of RM0.20 each in the Company registered in the name of CIMSEC Nominees (Asing) Sdn Bhd.</p> <p>Direct interest of 30,500,000 unissued ordinary shares of RM0.20 each in the Company pursuant to the 2011 Employee Share Option Scheme of the Company, of which 3,900,000 options are exercisable. None of these options has been exercised.</p>

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

as at 24 April 2014 (Cont'd)

B. Further details of individual who is standing for election as a Director

Name	Maureen Toh Siew Guat
Age	48
Date of Appointment*	23 April 2014
<p><i>* Was appointed by the Board pursuant to Article 120 of the Company's Articles of Association. She is therefore subject to re-election at this Annual General Meeting of the Company</i></p>	
Nationality	Malaysian
Qualification	<p>Bachelor of Law (LL.B) from the University Malaya, Malaysia</p> <p>Master of Law (LL.M) from the Harvard Law School, United States of America</p>
Position in the Company	Non-Independent Non-Executive Director
Working Experience and Occupation	<p>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.</p> <p>Currently, she is the Group General Counsel of Usaha Tegas Sdn Bhd, a Malaysian based investment holding company which has significant interests in companies operating across diverse industries such as telecommunication, media and entertainment, energy, and real estate and leisure, including the following companies which are listed on Bursa Malaysia Securities Berhad - Maxis Berhad (intergrated communications services group), Bumi Armada Berhad (international offshore services provider) and Astro Malaysia Holdings Berhad (integrated consumer media entertainment group). She is also a director of MEASAT Satellite Systems Sdn Bhd, a regional satellite operator.</p>
Other directorship of public companies incorporated pursuant to the Companies Act, 1965	None
Details of any interest in the securities of the Company and its subsidiaries	None

Note:

Save as disclosed, the above Directors have no family relationship with any Director and/or major shareholder of the Company, have no conflict of interest with the Company and have not been convicted of any offence within the past 10 years.

This page is intentionally left blank.

This page is intentionally left blank.



FORM OF PROXY

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

*I/*We _____ *NRIC (new and old)/*Passport/*Company No. _____
[FULL NAME IN BLOCK LETTERS] [COMPULSORY] [COMPULSORY]
of _____ and telephone no. _____
[ADDRESS]
being a member of Bumi Armada Berhad (the “Company”), hereby appoint _____
[FULL NAME IN BLOCK LETTERS]
*NRIC/*Passport No. _____ of _____
[COMPULSORY] [ADDRESS]
and/or _____ *NRIC/*Passport No. _____
[FULL NAME IN BLOCK LETTERS] [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 Eighteenth Annual General Meeting of the Company to be held at 10.00 a.m. on Tuesday, 10 June 2014 at the Ballroom 1, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 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
1	To declare a tax exempt final cash dividend of 3.25 sen per share.		
2	To re-elect Alexandra Elisabeth Johanna Maria Schaapveld as Director.		
3	To re-elect Hassan Assad Basma as Director.		
4	To elect Maureen Toh Siew Guat as Director.		
5	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company.		
6	To authorise the Directors to allot and issue new ordinary shares pursuant to Section 132D of the Companies Act, 1965 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.		
7	To authorise the Directors to offer, grant and/or issue to Hassan Assad Basma, Executive Director/ Chief Executive Officer of the Company, during the Mandate Period, Options to subscribe up to 7,500,000 new Shares (or such number of new Shares as determined pursuant to the provisions of the Company’s ESOS) and to issue such number of new Shares arising from the exercise of the said Options.		
8	To authorise the Directors to offer, grant and/or issue to Shaharul Rezza bin Hassan, Executive Director/Head of Offshore Support Vessels Business of the Company, during the Mandate Period, Options to subscribe up to 1,250,000 new Shares (or such number of new Shares as determined pursuant to the provisions of the Company’s ESOS) and to issue such number of new Shares arising from the exercise of the said Options.		

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

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

* Delete if inapplicable

NOTES:

- A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote for him/her provided that the number of proxies appointed shall not be more than two except in the circumstances set out in Note 2. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(b) of the Companies Act, 1965 (the “Act”) shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
- 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 by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting. For 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.
- 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.
- Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
- 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, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or in the case of a poll, not less than 24 hours before the taking of the poll; 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. Fax copies of the duly executed Form of Proxy are not acceptable.
- A proxy may vote on a show of hands and 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.
- 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. 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.

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

BUMI ARMADA BERHAD (370398-X)
Level 21, Menara Perak
24, Jalan Perak, 50450 Kuala Lumpur
Malaysia
Tel +603 2171 5799
Fax +603 2163 5799

www.bumiarmada.com