

Bumi Armada explains big jump in payments to directors

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KUALA LUMPUR: Bumi Armada Bhd, which is still on the lookout for a new CEO, said payments to its executive directors for 2014 more than doubled due mainly to a payment to former CEO Hassan Assad Basma upon his resignation.

Hassan served the group for more than nine years before leaving at the beginning of 2015, citing familial commitments for his sudden departure.

In response to a question from the Minority Shareholder Watchdog Group (MSWG) at its AGM yesterday, Bumi Armada explained that salaries, bonuses, allowances and other staff related costs for the executive directors more than doubled to RM12.15 million in 2014 from RM5.9 million in 2013, due mainly to the payment to Hassan. Following that, the total directors' remuneration soared 44.5% from RM16.0 million in 2013 to RM23.12 million in 2014.

Bumi Armada's 2014 annual report, however, did not provide a breakdown of the remuneration for each director.

The offshore oilfield services provider, which posted a 49.28% drop in net profit for the financial year ended Dec 31, 2014, yesterday told the MSWG that it has implemented further cost reduction measures and banks on its floating production storage and offloading (FPSO) segment, to ride out the current low price environment plaguing the oil and gas industry.

The group's acting CEO Chan Chee Beng declined to meet the press after its AGM yesterday.

In admitting to a slowdown in offshore support vessel activity which has impacted its operations, Bumi Armada is banking on continued steady contribution from its floating production storage and offloading (FPSO) segment.

The offshore support vessel (OSV) segment is expected to be subdued in the near term due to low oil price.

"The OSV division regularly reviews its cost structure and has recently implemented further cost reduction measures including lowering crewing rates and in certain cases, stacking vessels which have been idle for a prolonged period," Bumi Armada said, adding that it regularly engages with its key suppliers to further reduce cost and enhance efficiency.

Worth noting is that the company completed a staff retrenchment exercise April this year involving 150 employees. While there was RM20.6 million incurred in retrenchment cost, it is expected to save RM65 million annually from the exercise.

When asked of the likelihood of the recovery for the allowance for doubtful debts amounting to RM66 million, Bumi Armada said it continues to actively pursue the collection of receivables and has recovered about RM15 million in the first quarter this year.

"The allowance for doubtful debts was provided for receivables due from certain OSV and transport & installation (T&I) customers facing difficult financial circumstances due to the current industry conditions," it added.

Besides that, Bumi Armada opined that it could recover RM47.4 million due from its Indonesian joint venture after the commencement of the charter of its FPSO in the first quarter of 2017.

The amount of money was used to fund the purchase of an Indonesian flagged vessel and expenses related to the tender for the Husky Madura Project at the BD Field in the Madura Strait, offshore East Java, Indonesia.

Bumi Armada's net profit for the financial year ended December 31, 2014 (FY14) dropped 49.28% to RM218.69 million compared with the RM431.2 million it made in FY13, due to weaker contributions from OSV, T&I as well as allowances and impairment charges.

However, it posted improved results for the first quarter ended March 31, 2015, with a net profit of RM72.05 million, a 11.22% increase against RM64.78 million from the previous corresponding period.

On another note, Bumi Armada announced yesterday the appointment of Steven Leon Newman as independent non-executive director, effective July 1.