

SCOMI ENERGY SERVICES BHD (397979-A)
(formerly known as Scomi MARINE BHD)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2013

	Current Quarter 3 months ended 30 Sep 2013 RM'000	Cumulative Period 6 months ended 30 Sep 2013 RM'000
Revenue	330,368	651,238
Cost of sales	<u>(253,723)</u>	<u>(492,349)</u>
Gross profit	76,645	158,889
Other operating income	6,001	13,777
Administrative expenses	(27,382)	(59,415)
Marketing and selling expenses	(17,302)	(36,134)
Other operating expenses	(6)	(6)
Finance expenses	(8,329)	(14,972)
Share of results of JV and associates	1,406	2,845
Profit before taxation	31,033	64,984
Taxation	<u>(7,517)</u>	<u>(16,598)</u>
Profit for the period	23,516	48,386
Other comprehensive income		
Currency translation differences	13,687	29,497
Cash flow hedges	<u>(12,273)</u>	<u>(11,147)</u>
	1,414	18,350
Total comprehensive income for the period	24,930	66,736
Profit attributable to :		
Owners of the Company	25,069	48,592
Non-controlling interests	<u>(1,553)</u>	<u>(206)</u>
Profit for the period	23,516	48,386
Total comprehensive income attributable to:		
Owners of the Company	26,483	66,942
Non-controlling interests	<u>(1,553)</u>	<u>(206)</u>
	24,930	66,736
Earnings per share		
- Basic and diluted (Sen)	<u>1.07</u>	<u>2.08</u>

There are no comparative figures for the current period and the cumulative period of the preceding financial year following the change in financial year end from 31 December to 31 March in prior year.

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

SCOMI ENERGY SERVICES BHD (397979-A)
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UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

	Note	As at 30 Sep 2013 RM'000	As at 31 Mar 2013 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		556,222	528,267
Investment properties		1,310	1,382
Investment in associates		281	380
Investment in joint venture		53,384	51,724
Intangible assets		114,242	113,991
Deferred tax assets		12,714	18,502
Receivables		139	262
		<u>738,292</u>	<u>714,508</u>
CURRENT ASSETS			
Inventories		206,913	198,559
Receivables, deposits and prepayments		475,401	409,319
Tax recoverable		20,488	16,006
Short term deposits, cash and bank balances	B8	146,552	152,671
		<u>849,354</u>	<u>776,555</u>
TOTAL ASSETS		<u>1,587,646</u>	<u>1,491,063</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,005,535	1,005,535
Treasury shares		(48)	(48)
Share premium		-	-
Other reserves	B10	(652,589)	(660,680)
Retained earnings	B12	278,769	219,918
Total equity attributable to owners of the Company		<u>631,667</u>	<u>564,725</u>
Non-controlling interests		70,143	70,349
TOTAL EQUITY		<u>701,810</u>	<u>635,074</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term borrowings	B9	271,316	276,812
Provision for retirement benefits		7,688	6,744
Other payables		20,260	19,775
Derivative financial instrument	B11	21,470	6,166
Deferred tax liabilities		2,463	2,837
		<u>323,197</u>	<u>312,334</u>
CURRENT LIABILITIES			
Trade and other payables		319,826	333,881
Short term borrowings	B9	220,765	191,527
Financial guarantee liability		57	57
Derivative financial instruments	B11	4,324	489
Current tax liabilities		17,667	17,701
		<u>562,639</u>	<u>543,655</u>
TOTAL LIABILITIES		<u>885,836</u>	<u>855,989</u>
TOTAL EQUITY AND LIABILITIES		<u>1,587,646</u>	<u>1,491,063</u>
Net assets per share (RM)		<u>0.27</u>	<u>0.24</u>

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

SCOMI ENERGY SERVICES BHD (397979-A)
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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2013

	Attributable to owners of the Company					Total RM '000	Non- controlling interests RM '000	Total equity RM '000
	Share capital RM '000	Treasury shares RM'000	Share premium RM '000	Other reserves RM '000	Retained earnings/ (accumulated losses) RM '000			
As at 1 April 2013	1,005,535	(48)	-	(660,680)	219,918	564,725	70,349	635,074
Total comprehensive income for the period	-	-	-	18,350	48,592	66,942	(206)	66,736
Share options								
- value of options terminated/lapsed	-	-	-	(10,259)	10,259	-	-	-
As at 30 September 2013	1,005,535	(48)	-	(652,589)	278,769	631,667	70,143	701,810
Audited								
As at 1 January 2012	733,009	(47)	121,913	(173,251)	(64,971)	616,653	119,201	735,854
Total comprehensive income/(loss) for the period	-	-	-	(18,340)	90,096	71,756	1,811	73,567
Purchase of treasury shares	-	(1)	-	-	-	(1)	-	(1)
Acquisition of non-controlling interests	-	-	-	-	(150,684)	(150,684)	(73,047)	(223,731)
Dilution of interest in subsidiaries	-	-	-	-	(21,926)	(21,926)	22,112	186
Issuance of share capital	675,681	-	-	-	-	675,681	-	675,681
Capital reduction and repayment	(403,155)	-	(121,913)	26,881	362,127	(136,060)	-	(136,060)
Adjustment arising from predecessor accounting method	-	-	-	(491,929)	-	(491,929)	-	(491,929)
Share options								
- value of employee services	-	-	-	1,235	-	1,235	272	1,507
- value of options lapsed	-	-	-	(5,276)	5,276	-	-	-
As at 31 March 2013	1,005,535	(48)	-	(660,680)	219,918	564,725	70,349	635,074

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

SCOMI ENERGY SERVICES BHD (397979-A)
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UNAUDITED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

	Note	6 months ended 30 Sep 2013 RM'000
Cash Flows From Operating Activities		
Profit before taxation		64,984
Adjustments for non-cash items:		43,353
Changes in working capital:		
Inventories		(8,354)
Receivables, deposits and prepayments		(25,381)
Payables		(10,002)
Cash generated from operations		<u>64,600</u>
Tax paid		(10,596)
Interest received		484
Net cash generated from operating activities		<u>54,488</u>
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment		393
Purchase of property, plant and equipment		(34,497)
Net cash used in investing activities		<u>(34,104)</u>
Cash Flows From Financing Activities		
Repayment of hire purchase		(14)
Repayment of borrowings		(19,705)
Proceeds from borrowings		9,623
Interest paid on borrowings		(14,972)
Decrease in short term deposit pledged as securities		(42,619)
Net cash used in financing activities		<u>(67,687)</u>
Net decrease in cash and cash equivalents		(47,303)
Cash and cash equivalents at beginning of the period		139,292
Currency Translation Differences		(5,307)
Cash and cash equivalents at end of the period	B8	<u><u>86,682</u></u>

There are no comparative figures for the current period and the cumulative period of the preceding financial year following the change in financial year end from 31 December to 31 March in prior year.

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS – FRS 134

A1 Basis of Preparation of interim financial reports

The interim financial statements are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 March 2013 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in associates and joint ventures as at and for the quarter ended 30 September 2013.

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for 31 March 2013.

As of 1 April 2013, the Group and the Company have adopted the following MFRSs and amendments which are effective for annual periods beginning on or after 1 April 2013.

Effective for annual periods commencing on or after 1 April 2013

MFRS 13	Fair Value Measurement
Amendment to MFRS 101	Presentation of items of other comprehensive income
Amendment to MFRS 119	Employee benefits
Amendment to MFRS 7	Financial Instruments: Disclosures
Amendment to MFRS 134	Interim Financial Reporting

The adoption of the above MFRSs and amendments does not have any material impact on the financial statements

The following MFRS, amendments and interpretations to existing standards that are applicable to the Group but not yet effective and have not been early adopted.

Effective for annual periods commencing on or after 1 April 2014

Amendment to MFRS 132	Financial Instruments: Presentation
Amendment to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Effective for annual periods commencing on or after 1 April 2015

MFRS 9	Financial instruments - classification and measurement of financial assets and financial liabilities
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A2 Audit Report for Preceding Annual Financial Statements

The audit report for the Group's annual financial statements for the year ended 31 March 2013 was not subject to any qualification.

A3 Seasonal or Cyclical Factors

The Group's operations are generally not affected by any seasonal or cyclical factors.

A4 Unusual Items

There are no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review.

A5 Significant Estimates and Changes in Estimates

The Group makes assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date including impairment of intangible assets, depreciation on property, plant and equipment, and deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances.

There were no material changes in estimates reported in the current quarter under review.

A6 Debt and Equity Securities

There has been no further repurchase of shares since the last quarter.

A7 Dividends Paid / Payable

There were no dividends paid during the quarter and financial periods ended 30 September 2013.

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A8 Segmental Reporting

Segment information for the financial period as presented in respect of the Group's business segment is as follows:

Revenue and results for six months ended 30 September 2013

	Oilfield Services RM'000	Marine Services RM'000	Total RM'000
REVENUE			
External sales	568,891	82,347	651,238
Total revenue	<u>568,891</u>	<u>82,347</u>	<u>651,238</u>
RESULTS			
Profit from operations	69,983	6,644	76,627
Finance costs	(12,944)	(2,028)	(14,972)
Other operating income	334	150	484
Share of results in associates	-	(95)	(95)
Share of results in joint ventures	-	2,940	2,940
Profit before tax	<u>57,373</u>	<u>7,611</u>	<u>64,984</u>
Taxation	(14,884)	(1,714)	(16,598)
Profit for the period	<u>42,489</u>	<u>5,897</u>	<u>48,386</u>
Other information			
Depreciation and amortisation	20,475	18,851	39,326
Interest income	<u>334</u>	<u>150</u>	<u>484</u>

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A8 Segmental Reporting (“continued”)

	Oilfield Services RM'000	Marine Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 30 September 2013			
ASSETS			
Assets employed in the segment	995,248	505,531	1,500,779
Investment in associates	-	281	281
Investment in joint venture	-	53,384	53,384
	<u>995,248</u>	<u>559,196</u>	<u>1,554,444</u>
<u>Unallocated corporate assets:</u>			
Tax recoverable			20,488
Deferred tax assets			12,714
Total assets			<u><u>1,587,646</u></u>
LIABILITIES			
Liabilities in segment	<u>495,570</u>	<u>344,342</u>	839,912
<u>Unallocated corporate liabilities:</u>			
Tax payable			17,667
Deferred tax liabilities			2,463
Derivatives financial instruments			25,794
Total liabilities			<u><u>885,836</u></u>
Net assets			<u><u>701,810</u></u>

A9 Valuation of Property, Plant and Equipment

There was no change to the valuation of property, plant and equipment brought forward from the previous annual financial statements.

A10 Material Subsequent Events

There are no material events subsequent to the end of the quarter under review that has not been reflected in these condensed financial statements.

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A11 Changes in Composition of the Group

There were no changes in the composition of the Group during the period under review.

A12 Contingent Liabilities

Detail of contingent liabilities of the Group is as follows:-

	RM'000
Contingent liabilities arising from tax matters	<u>774</u>

A13 Capital Commitments

Authorised capital commitments not provided for in the financial statements of the Group are as follows:

	Approved and contracted for RM'000	Approved but not contracted for RM'000	Total RM'000
Property	-	12,191	12,191
Plant & Machinery	11,137	47,717	58,854
Vessels	111,696	32,617	144,313
Others	993	5,454	6,447
	<u>123,826</u>	<u>97,979</u>	<u>221,805</u>

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A13 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 30 September 2013 are as follows:

	Total outstanding RM'000	Expiring within one year RM'000	Expiring between one to five years RM'000
In respect of:			
Land	527	35	492
Building	6,257	3,341	2,916
Plant & Machinery	3,170	1,209	1,961
Others	9,096	8,002	1,094
	<u>19,050</u>	<u>12,587</u>	<u>6,463</u>

A14 Related party transactions

	6 months ended 30 Sep 2013 RM'000
Holding company	
Rental expenses	<u>204</u>

**Transactions with companies in
which certain substantial
shareholders have interest**

Air ticket cost charged	432
Administration fees charged	37
Provision of maintenance services	252
Office rental paid/payable	742
Share registration and other related expenses	<u>45</u>

Transactions with joint ventures

Chartering services paid/payable	<u>17,124</u>
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The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favorable to the Group and the Company than those arranged with independent third parties.

B EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Operating Segments

The Group has two reportable segments which are Oilfield Services and Marine Services. Oilfield Services provides integrated drilling fluids, drilling waste management solutions and production chemicals while Marine Services consist of marine transportation and other shipping related services. There are no comparatives available for the Group due to the change of the financial year from 31 December to 31 March.

For the current quarter, the Group achieved a revenue of RM330.4 million. The major contributor was the Oilfield Services division, which recorded sales of RM290.8 million with Marine Services division making up the balance.

Similarly, the major contributor of net profit was our Oilfield Services division, which posted a net profit of RM22.3 million.

B2 Material Change in Performance as Compared to Preceding Quarter

The Group recorded revenues of RM330.4 million for the current quarter compared to preceding quarter of RM 320.9 million. The increase was mainly due to **Oilfield Services** recording higher revenue from Indonesia with the commencement of a new contract and as well as from West Africa due to increased drilling activities. While for **Marine Services**, the lower tonnage transported contributed to a reduction in revenue compared to the preceding quarter.

The Profit Before Tax for the current quarter of RM31.0 million is lower than the preceding quarter of RM34.0 million mainly due to lower profit contributions at **Marine Services** as a result of lower tonnage transported during the current quarter.

B3 Current Financial Year Prospects

Oilfield Services

Activity in the oil and gas sector continues to be buoyant for Scomi in the Eastern Hemisphere. The division has secured new contracts in the current quarter. With increased activity level expected to continue through the year, the Division will actively participate for new jobs in its markets.

B3 Current Financial Year Prospects (“continued”)

Marine Services

The scale-down of mining activities as a result of lower coal prices in Indonesia has affected production output and consequentially the volume of tonnage transported for the Coal unit. This has affected our carrying volume and we remain cautious for the remainder of the year for this division.

For the Offshore segment, with the continued growth of the oil and gas industry in the region, we are also looking at adding to the existing fleet via acquisition or construction. We have committed to one (1) Accommodation Work Barge that is expected to be delivered mid-2014 in preparation of expected requirement. Our current utilization and contribution from the offshore division has been affected by the current refurbishment of an existing Accommodation Work Barge that is planned to be completed in Q3 of financial year 2014.

B4 Profit Forecast

This section is not applicable as no profit forecast was published.

B5 Corporate Proposals

There were no corporate proposals announced but not completed as at the reporting date.

B6 Profit before taxation

	Current Quarter 3 months ended 30 Sep 2013 RM'000	Cumulative Period 6 months ended 30 Sep 2013 RM'000
The profit before taxation is arrived at after (charging)/crediting:		
Interest income	317	484
Depreciation and amortisation	(20,773)	(39,326)
Recovery/written-back of doubtful debts	517	4,278
Gain on foreign exchange - net	8,203	10,428
Gain on disposal of property, plant and equipment	387	691
Interest expense	(8,329)	(14,972)
Share of results of associates	(71)	(95)
Share of results of joint venture	1,477	2,940
	<u>1,477</u>	<u>2,940</u>

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B7 Taxation

Details of the taxation as at end of the period are as follows:-

	Current Quarter 3 months ended 30 Sep 2013 RM'000	Cumulative Period 6 months ended 30 Sep 2013 RM'000
Malaysian income tax - current year	2,672	6,427
Foreign income tax - current year	4,845	10,171
Total income tax	<u>7,517</u>	<u>16,598</u>
Effective tax rate	<u>24.22%</u>	<u>25.54%</u>

The effective tax rate for the current quarter is lower than Malaysian tax rate of 25% mainly because of the tax effects of the different tax rates in various jurisdiction and certain income and expense not taxable for tax purposes.

The above mentioned income tax is related to the revenues and profits recorded by the operating subsidiaries and there are no group relief for losses.

B8 Short term deposits, cash and bank balances

Short term deposits, cash and bank balances at the end of the reporting period comprise of:-

	RM'000
Cash and bank balances	94,523
Short term deposits with licensed bank	52,029
	<u>146,552</u>
Less : restricted cash	(55,301)
Less : bank overdraft	(4,569)
Cash and cash equivalents	<u>86,682</u>

The restricted cash comprise deposits pledged to financial institutions for loan facility, bank guarantee and repayment towards loan facility granted to subsidiaries.

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B9 Borrowings

The Group borrowings and debts securities as at the end of the reporting period are as follows:

	<u>Current</u> RM'000	<u>Non-Current</u> RM'000	RM'000
Borrowings – secured	<u>220,765</u>	<u>271,316</u>	<u>492,081</u>

The Group borrowings and debt securities are denominated in the following currencies:

	RM'000
Ringgit Malaysia	343,259
US Dollar*	140,969
Others	7,853
Total	<u><u>492,081</u></u>

* These relate to working capital loans.

B10 Other reserves

	As at 30 Sep 2013 RM'000	As at 31 Mar 2013 RM'000
Capital reserve	26,881	26,881
Exchange fluctuation reserves	(214,780)	(244,277)
Hedging reserve	(21,367)	(10,220)
Merger reserve	(443,323)	(443,323)
Share option reserve	-	10,259
	<u><u>(652,589)</u></u>	<u><u>(660,680)</u></u>

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B11 Derivative Financial Instruments

Financial liabilities	<u>Current</u> RM'000	<u>Non- Current</u> RM'000	<u>Total</u> RM'000	<u>Fair value</u> RM'000
Cross currency interest rate swaps ("CCIRS")	4,324	21,470	25,794	25,794

The notional principal amounts of the outstanding CCIRSs at 30 September 2013 were RM265.0 million.

The Group had entered into CCIRS during 2012 and early 2013, that were designated as cash flow hedges to hedge the Group's exposure to foreign exchange risk on its Sukuk Murabahah ("the Sukuk"). These contracts entitled the Group to receive principal and fixed interest amounts in RM and obliged the Group to pay principal and fixed interest amounts in USD. These CCIRS contracts have maturities of up to 5 years from 31 March 2013. Based on the terms of the Sukuk, the semi-annual interest cash flows are built up on a monthly basis in the Financial Services Reserve Account ("FSRA") and the principal is built up in the 6 months preceding the maturity of the Sukuk tranches. The CCIRSs reflect the timing of these cash flows.

B12 Retained Earnings

	As at 30 Sep 2013 RM'000	As at 31 Mar 2013 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,146,664	1,067,940
- Unrealised	<u>(345,913)</u>	<u>(318,978)</u>
	800,751	748,962
Total share of retained earnings from associated companies:		
- Realised	39,912	40,031
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	21,751	17,348
- Unrealised	-	-
	<u>862,414</u>	<u>806,341</u>
Less : Consolidation adjustments	<u>(583,645)</u>	<u>(586,423)</u>
Total retained earnings	<u><u>278,769</u></u>	<u><u>219,918</u></u>

B13 Earnings Per Share

	Current Quarter 3 months ended 30 Sep 2013 RM'000	Cumulative Period 6 months ended 30 Sep 2013 RM'000
<u>Basic and diluted earnings per share</u>		
Profit for the period	25,069	48,592
Issued and paid-up capital	2,341,775	2,341,775
Less : Treasury shares	(145)	(145)
Weighted average number of ordinary shares in issue ('000)	<u>2,341,630</u>	<u>2,341,630</u>
Earnings per share (sen)	<u>1.07</u>	<u>2.08</u>

B14 Material Litigation

There was no pending material litigation at the date of this quarterly report.

B15 Proposed Dividend

No dividend has been proposed in respect of the quarter under review.

B16 Authorised For Issue

The interim financial statements were authorized for issue on 18 November 2013 by the Board of Directors.