

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 31 DECEMBER 2013

	Current Quarter 3 months ended 31 Dec 2013 RM'000	Cumulative Period 9 months ended 31 Dec 2013 RM'000
Revenue	391,751	1,042,989
Cost of sales	(306,530)	(798,879)
Gross profit	85,221	244,110
Other operating income	3,762	17,533
Administrative expenses	(31,909)	(91,324)
Marketing and selling expenses	(18,748)	(54,882)
Finance expenses	(8,275)	(23,247)
Share of results of JV and associates	1,348	4,193
Profit before taxation	31,399	96,383
Taxation	(8,679)	(25,277)
Profit for the period	22,720	71,106
Other comprehensive income		
Currency translation differences	31,749	61,246
Cash flow hedges	3,750	(7,397)
	35,499	53,849
Total comprehensive income for the period	58,219	124,955
Profit attributable to :		
Owners of the Company	21,425	70,017
Non-controlling interests	1,295	1,089
Profit for the period	22,720	71,106
Total comprehensive income attributable to:		
Owners of the Company	56,924	123,866
Non-controlling interests	1,295	1,089
	58,219	124,955
Earnings per share		
- Basic and diluted (Sen)	0.91	2.99

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 31 DECEMBER 2013

	Note	As at 31 Dec 2013 RM'000	As at 31 Mar 2013 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		570,460	528,267
Investment properties		1,275	1,382
Investment in associates		226	380
Investment in joint venture		54,469	51,724
Intangible assets		114,390	113,991
Deferred tax assets		14,067	18,502
Receivables		-	262
		<u>754,887</u>	<u>714,508</u>
CURRENT ASSETS			
Inventories		201,758	198,559
Receivables, deposits and prepayments		503,978	409,319
Tax recoverable		22,419	16,006
Short term deposits, cash and bank balances	B8	168,572	152,671
		<u>896,727</u>	<u>776,555</u>
TOTAL ASSETS		<u>1,651,614</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	(617,090)	(660,680)
Retained earnings	B12	300,194	219,918
Total equity attributable to owners of the Company		<u>688,591</u>	<u>564,725</u>
Non-controlling interests		71,438	70,349
TOTAL EQUITY		<u>760,029</u>	<u>635,074</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term borrowings	B9	224,600	276,812
Provision for retirement benefits		8,179	6,744
Other payables		19,779	19,775
Derivative financial instrument	B11	25,706	6,166
Deferred tax liabilities		2,456	2,837
		<u>280,720</u>	<u>312,334</u>
CURRENT LIABILITIES			
Trade and other payables		336,927	333,881
Short term borrowings	B9	249,301	191,527
Financial guarantee liability		57	57
Derivative financial instruments	B11	4,140	489
Current tax liabilities		20,440	17,701
		<u>610,865</u>	<u>543,655</u>
TOTAL LIABILITIES		<u>891,585</u>	<u>855,989</u>
TOTAL EQUITY AND LIABILITIES		<u>1,651,614</u>	<u>1,491,063</u>
Net assets per share (RM)		<u>0.29</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 31 DECEMBER 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	-	-	-	53,849	70,017	123,866	1,089	124,955
Share options								
- value of options terminated/lapsed	-	-	-	(10,259)	10,259	-	-	-
As at 31 December 2013	1,005,535	(48)	-	(617,090)	300,194	688,591	71,438	760,029
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.

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UNAUDITED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 DECEMBER 2013

	Note	9 months ended 31 Dec 2013 RM'000
Cash Flows From Operating Activities		
Profit before taxation		96,383
Adjustments for non-cash items:		49,508
Changes in working capital:		
Inventories		(3,199)
Receivables, deposits and prepayments		(57,395)
Payables		(19,339)
Cash generated from operations		<u>65,958</u>
Tax paid		(12,692)
Interest received		806
Net cash generated from operating activities		<u>54,072</u>
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment		396
Purchase of property, plant and equipment		(40,122)
Net cash used in investing activities		<u>(39,726)</u>
Cash Flows From Financing Activities		
Repayment of hire purchase		(60)
Repayment of borrowings		(47,576)
Proceeds from borrowings		77,147
Interest paid on borrowings		(23,247)
Decrease in short term deposit pledged as securities		(26,555)
Net cash used in financing activities		<u>(20,291)</u>
Net decrease in cash and cash equivalents		(5,945)
Cash and cash equivalents at beginning of the period		139,292
Currency Translation Differences		(8,973)
Cash and cash equivalents at end of the period	B8	<u><u>124,374</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 31 December 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 31 December 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 nine months ended 31 December 2013

	Oilfield Services RM'000	Marine Services RM'000	Total RM'000
REVENUE			
External sales	904,844	138,145	1,042,989
Total revenue	<u>904,844</u>	<u>138,145</u>	<u>1,042,989</u>
RESULTS			
Profit from operations	97,758	146	97,904
Finance costs	(20,458)	(2,789)	(23,247)
Other operating income	10,841	6,692	17,533
Share of results in associates	-	(147)	(147)
Share of results in joint ventures	-	4,340	4,340
Profit before tax	<u>88,141</u>	<u>8,242</u>	<u>96,383</u>
Taxation	(22,843)	(2,434)	(25,277)
Profit for the period	<u>65,298</u>	<u>5,808</u>	<u>71,106</u>
Other information			
Depreciation and amortisation	31,950	28,351	60,301
Interest income	605	201	806

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A8 Segmental Reporting (“continued”)

	Oilfield Services RM'000	Marine Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 31 December 2013			
ASSETS			
Assets employed in the segment	1,037,339	523,094	1,560,433
Investment in associates	-	226	226
Investment in joint venture	-	54,469	54,469
	<u>1,037,339</u>	<u>577,789</u>	<u>1,615,128</u>
<u>Unallocated corporate assets:</u>			
Tax recoverable			22,419
Deferred tax assets			14,067
Total assets			<u><u>1,651,614</u></u>
LIABILITIES			
Liabilities in segment	<u>489,158</u>	<u>349,685</u>	838,843
<u>Unallocated corporate liabilities:</u>			
Tax payable			20,440
Deferred tax liabilities			2,456
Derivatives financial instruments			29,846
Total liabilities			<u><u>891,585</u></u>
Net assets			<u><u>760,029</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	-	12,500	12,500
Plant & Machinery	9,547	40,028	49,575
Vessels	95,163	20,578	115,741
Others	<u>1,002</u>	<u>6,881</u>	<u>7,883</u>
	<u>105,712</u>	<u>79,987</u>	<u>185,699</u>

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A13 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 31 December 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	540	36	504
Building	4,438	2,255	2,183
Plant & Machinery	5,799	3,590	2,209
Others	8,050	7,474	576
	<u>18,827</u>	<u>13,355</u>	<u>5,472</u>

A14 Related party transactions

	9 months ended 31 Dec 2013 RM'000
Holding company	
Rental expenses	<u>1,583</u>
Transactions with companies in which certain substantial shareholders have interest	
Air ticket cost charged	899
Administration fees charged	50
Lease of office equipment	65
Provision of legal advisory services	22
Office rental paid/payable	178
Provision of human resources services	177
Provision of share registration services	<u>55</u>
Transactions with joint ventures	
Chartering services paid/payable	<u>6,972</u>

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

NOTE: There are no comparatives available for the Group due to the change of the financial year from 31 December to 31 March.

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 coal transportation and offshore support vessel services.

For the current quarter, the Group achieved a revenue of RM391.8 million. The major contributor was the Oilfield Services division, which recorded sales of RM336.0 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 RM21.5 million.

Oilfield Services

The segment's third quarter results were driven by solid activity in key international markets namely West Africa, Myanmar and Russia. Malaysia, Indonesia and Thailand continue to generate steady and positive results in totality for the Group.

Marine Services

The Marine segment continues to be impacted by the weakening of coal price. Nevertheless, the segment had secured a contract with a utility service company which aided the overall results for the segment.

B2 Material Change in Performance as Compared to Preceding Quarter

The Group recorded revenues of RM391.8 million for the current quarter compared to preceding quarter of RM330.4 million. Oilfield Services recorded strong and steady revenue stream from Malaysia, Indonesia, Myanmar, Turkmenistan and West Africa. This was underpinned by two key drivers; primarily increase in rig counts and activity levels, as well as commencement of new contracts. Marine Services also recorded an increase in revenue which was primarily driven by contribution from the carriage of bulk coal contract secured from a utility service company.

The Profit Before Tax for the current quarter of RM31.4 million which approximates the preceding quarter of RM31.0 million, indicating steady performance of the Group.

B3 Current Financial Year Prospects

Oilfield Services

Activity in the oil and gas sector continues to be buoyant for Scomi in the Eastern Hemisphere. New contracts that commenced in Q3 FY2014 contributed to revenue growth in the current quarter. The division has also secured new contracts in the current quarter. With a healthy order book and upsurge in oil and gas sector activity, the outlook for the division remains positive.

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 segment. This has affected our carrying volume and we remain cautious for the remainder of the year for this division.

For the offshore division, 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. Our current utilization and contribution from the offshore division has been affected by the current refurbishment of an existing Accommodation Work Barge that is to be completed in Q4 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.

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B6 Profit before taxation

	Current Quarter 3 months ended 31 Dec 2013 RM'000	Cumulative Period 9 months ended 31 Dec 2013 RM'000
The profit before taxation is arrived at after (charging)/crediting:		
Interest income	322	806
Depreciation and amortisation	(20,975)	(60,301)
Recovery/written-back of doubtful debts	335	4,613
Gain on foreign exchange - net	3,687	11,000
Gain on disposal of property, plant and equipment	126	817
Interest expense	(8,275)	(23,247)
Share of results of associates	(52)	(147)
Share of results of joint venture	1,400	4,340
	<u>1,400</u>	<u>4,340</u>

B7 Taxation

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

	Current Quarter 3 months ended 31 Dec 2013 RM'000	Cumulative Period 9 months ended 31 Dec 2013 RM'000
Malaysian income tax		
- current year	754	5,048
- prior year	(682)	1,451
Foreign income tax		
- current year	10,320	18,778
- prior year	(1,713)	-
Total income tax	<u>8,679</u>	<u>25,277</u>
Effective tax rate	<u>27.64%</u>	<u>26.23%</u>

The effective tax rate for the current quarter is higher than Malaysian tax rate of 25% mainly because of the tax effects of the different tax rates in various jurisdiction and certain 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	106,636
Short term deposits with licensed bank	61,936
	<u>168,572</u>
Less : restricted cash	(39,237)
Less : bank overdraft	(4,961)
Cash and cash equivalents	<u>124,374</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>249,301</u>	<u>224,600</u>	<u>473,901</u>

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

	RM'000
Ringgit Malaysia	349,152
US Dollar*	116,281
Others	8,468
Total	<u>473,901</u>

* These relate to working capital loans.

During the year, an indirect subsidiary has, pursuant to the authorization of the Securities Commission, issued Bonds on 6 December 2013 with the tenure ranging from one (1) year to five point zero two (5.02) years. The proceeds raised from the Bonds was utilized to, amongst other, to refinance the outstanding amount under the Sukuk Murabahah. Therefore, the Sukuk Murabahah has been fully paid and redeemed.

B10 Other reserves

	As at 31 Dec 2013 RM'000	As at 31 Mar 2013 RM'000
Capital reserve	26,881	26,881
Exchange fluctuation reserves	(183,031)	(244,277)
Hedging reserve	(17,617)	(10,220)
Merger reserve	(443,323)	(443,323)
Share option reserve	-	10,259
	<u>(617,090)</u>	<u>(660,680)</u>

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B11 Derivative Financial Instruments

Financial liabilities	<u>Current</u> <u>RM'000</u>	<u>Non-Current</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>	<u>Fair value</u> <u>RM'000</u>
Cross currency interest rate swaps ("CCIRS")	<u>4,140</u>	<u>25,706</u>	<u>29,846</u>	<u>29,846</u>

The notional principal amounts of the outstanding CCIRSs at 31 December 2013 were RM265.0 million.

The Group had entered into CCIRS during 2012 and 2013, that were designated as cash flow hedges to hedge the Group's exposure to foreign exchange risk on its bond. 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 and the CCIRSs reflect the timing of these cash flows. These CCIRS contracts have maturities of up to 5.02 years from 31 March 2013.

B12 Retained Earnings

	<u>As at</u> <u>31 Dec</u> <u>2013</u> <u>RM'000</u>	<u>As at</u> <u>31 Mar</u> <u>2013</u> <u>RM'000</u>
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,139,604	1,067,940
- Unrealised	<u>(314,558)</u>	<u>(318,978)</u>
	825,046	748,962
Total share of retained earnings from associated companies:		
- Realised	39,884	40,031
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	21,688	17,348
- Unrealised	-	-
	<u>886,618</u>	<u>806,341</u>
Less : Consolidation adjustments	<u>(586,424)</u>	<u>(586,423)</u>
Total retained earnings	<u>300,194</u>	<u>219,918</u>

B13 Earnings Per Share

	Current Quarter 3 months ended 31 Dec 2013 RM'000	Cumulative Period 9 months ended 31 Dec 2013 RM'000
<u>Basic and diluted earnings per share</u>		
Profit for the period	21,425	70,017
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)	2,341,630	2,341,630
Basic earnings per share (sen)	0.91	2.99

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 19 February 2014 by the Board of Directors.