

SCOMI ENERGY SERVICES BHD (397979-A)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2014

	Current Quarter 3 months ended 31 Mar 2014 RM'000	Cumulative Period 12 months ended 31 Mar 2014 RM'000
Revenue	372,978	1,415,967
Cost of sales	(289,309)	(1,088,188)
Gross profit	83,669	327,779
Other operating (expense)/income	(3,435)	14,098
Administrative expenses	(26,431)	(117,755)
Marketing and selling expenses	(19,643)	(74,525)
Finance expenses	(7,963)	(31,210)
Share of results of JV and associates	870	5,063
Profit before taxation	27,067	123,450
Taxation	(16,273)	(41,550)
Profit for the period/year	10,794	81,900
Other comprehensive income		
Currency translation differences	1,543	62,789
Cash flow hedges	1,765	(5,632)
	3,308	57,157
Total comprehensive income for the period/year	14,102	139,057
Profit attributable to :		
Owners of the Company	11,428	81,445
Non-controlling interests	(634)	455
Profit for the period/year	10,794	81,900
Total comprehensive income attributable to:		
Owners of the Company	14,736	138,602
Non-controlling interests	(634)	455
	14,102	139,057
Earnings per share		
- Basic and diluted (Sen)	0.49	3.48

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.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Note	As at 31 Mar 2014 RM'000	As at 31 Mar 2013 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		560,795	528,267
Investment properties		1,709	1,382
Investment in associates		124	380
Investment in joint venture		54,935	51,724
Intangible assets		114,333	113,991
Deferred tax assets		10,102	18,502
Receivables		-	262
		<u>741,998</u>	<u>714,508</u>
CURRENT ASSETS			
Inventories		207,385	198,559
Receivables, deposits and prepayments		497,605	409,319
Tax recoverable		18,035	16,006
Short term deposits, cash and bank balances	B8	179,687	152,671
		<u>902,712</u>	<u>776,555</u>
TOTAL ASSETS		<u>1,644,710</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)
Other reserves	B10	(613,782)	(660,680)
Retained earnings	B12	311,622	219,918
Total equity attributable to owners of the Company		<u>703,327</u>	<u>564,725</u>
Non-controlling interests		69,882	70,349
TOTAL EQUITY		<u>773,209</u>	<u>635,074</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term borrowings	B9	231,499	276,812
Provision for retirement benefits		8,218	6,744
Other payables		-	19,775
Derivative financial instrument	B11	25,252	6,166
Deferred tax liabilities		3,355	2,837
		<u>268,324</u>	<u>312,334</u>
CURRENT LIABILITIES			
Trade and other payables		342,639	333,881
Short term borrowings	B9	236,634	191,527
Financial guarantee liability		-	57
Derivative financial instruments	B11	3,841	489
Current tax liabilities		20,063	17,701
		<u>603,177</u>	<u>543,655</u>
TOTAL LIABILITIES		<u>871,501</u>	<u>855,989</u>
TOTAL EQUITY AND LIABILITIES		<u>1,644,710</u>	<u>1,491,063</u>
Net assets per share (RM)		<u>0.30</u>	<u>0.24</u>

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

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2014

	Attributable to owners of the Company							
	Share capital RM '000	Treasury shares RM'000	Share premium RM '000	Other reserves RM '000	Retained earnings/ (accumulated losses) RM '000	Total RM '000	Non- controlling interests RM '000	Total equity 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 year	-	-	-	57,157	81,445	138,602	455	139,057
Dividends to shareholders' of a subsidiary	-	-	-	-	-	-	(922)	(922)
Share options								
- value of options terminated/lapsed	-	-	-	(10,259)	10,259	-	-	-
As at 31 March 2014	1,005,535	(48)	-	(613,782)	311,622	703,327	69,882	773,209
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 MARCH 2014

	12 months ended 31 Mar 2014 RM'000
	Note
Cash Flows From Operating Activities	
Profit before taxation	123,450
Adjustments for non-cash items:	54,160
Changes in working capital:	
Inventories	(8,826)
Receivables, deposits and prepayments	(36,621)
Payables	(13,701)
Cash generated from operations	<u>118,462</u>
Tax paid	(10,596)
Interest received	1,177
Net cash generated from operating activities	<u>109,043</u>
Cash Flows From Investing Activities	
Proceeds from disposal of property, plant and equipment	583
Purchase of property, plant and equipment	(51,661)
Net cash used in investing activities	<u>(51,078)</u>
Cash Flows From Financing Activities	
Dividends to a shareholder of a subsidiary	(922)
Repayment of hire purchase and leasing	(98)
Repayment of borrowings	(82,395)
Proceeds from borrowings	91,287
Interest paid on borrowings	(31,210)
Increase in short term deposit pledged as securities	(48,323)
Net cash used in financing activities	<u>(71,661)</u>
Net decrease in cash and cash equivalents	(13,696)
Cash and cash equivalents at beginning of the period	139,292
Currency Translation Differences	(9,387)
Cash and cash equivalents at end of the year	<u><u>B8 116,209</u></u>

There are no comparative figures for the current period and the cumulative period of the preceeding 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 116	Property, plant and equipment
Amendment to MFRS 119	Employee benefits
Amendment to MFRS 7	Financial Instruments: Disclosures – offsetting financial assets and financial liabilities
Amendment to MFRS 134	Interim Financial Reporting
Amendment to MFRS 132	Financial Instruments: Presentation – Annual improvements 2009 - 2011

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

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

A1 Basis of Preparation of interim financial reports (“continued”)

Effective for annual periods commencing on or after 1 April 2015

MFRS 9	Financial instruments - classification and measurement of financial assets and financial liabilities
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
Amendment to MFRs	Annual Improvements to MFRSs 2010-2012 Cycle
Amendment to MFRs	Annual Improvements to MFRSs 2011-2013 Cycle

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 March 2014.

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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 twelve months ended 31 March 2014

	Oilfield Services RM'000	Marine Services RM'000	Total RM'000
REVENUE			
External sales	1,236,519	179,448	1,415,967
RESULTS			
Profit from operations	142,983	(7,484)	135,499
Finance costs	(27,765)	(3,445)	(31,210)
Other operating income	6,731	7,367	14,098
Share of results in associates	-	(247)	(247)
Share of results in joint ventures	-	5,310	5,310
Profit before tax	121,949	1,501	123,450
Taxation	(36,675)	(4,875)	(41,550)
Profit for the period	85,274	(3,374)	81,900
Other information			
Depreciation and amortisation	44,315	38,609	82,924
Interest income	927	307	1,234

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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 March 2014			
ASSETS			
Assets employed in the segment	1,081,940	479,574	1,561,514
Investment in associates	-	124	124
Investment in joint venture	26	54,909	54,935
	<u>1,081,966</u>	<u>534,607</u>	<u>1,616,573</u>
 <u>Unallocated corporate assets:</u>			
Tax recoverable			18,035
Deferred tax assets			10,102
Total assets			<u><u>1,644,710</u></u>
 LIABILITIES			
Liabilities in segment	<u>508,404</u>	<u>310,586</u>	818,990
 <u>Unallocated corporate liabilities:</u>			
Tax payable			20,063
Deferred tax liabilities			3,355
Derivatives financial instruments			29,093
Total liabilities			<u><u>871,501</u></u>
 Net assets			 <u><u>773,209</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 have 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>1,600</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
Plant & Machinery	8,869	98,239	107,108
Vessels	83,304	-	83,304
Others	1,431	3	1,434
	<u>93,604</u>	<u>98,242</u>	<u>191,846</u>

The future minimum lease payments under non-cancellable operating leases as at 31 March 2014 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	1,666	79	1,587
Building	8,555	3,641	4,914
Plant & Machinery	2,640	1,937	703
Others	11,407	9,210	2,197
	<u>24,268</u>	<u>14,867</u>	<u>9,401</u>

A14 Related party transactions

	Financial year ended 31 March 2014 RM'000
Holding company	
Rental expenses	<u>700</u>
Transactions with companies in which certain substantial shareholders have interest	
Office rental income	(173)
Lease of office equipment	90
Provision of human resources services	227
Provision of share registration services	57
Provision of legal advisory services	179
Administration fees charged	192
Air ticket cost charged	1,375
Office rental paid/payable	1,169
Provision of refurbishment and docking of vessels	<u>512</u>
Transactions with joint ventures	
Chartering services paid/payable	<u>16,504</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 RM373.0 million. The major contributor was the Oilfield Services division, which recorded sales of RM331.7 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 RM18.2 million.

Oilfield Services

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

Marine Services

The Marine segment continues to be impacted by the industry slowdown for coal and low utilization for its offshore fleet. Actions are being taken to address the position.

B2 Material Change in Performance as Compared to Preceding Quarter

The Group recorded revenues of RM373.0 million for the current quarter compared to preceding quarter of RM391.8 million. This was mainly due to lower revenues from the Marine division for the current quarter. The Group's Oilfield division was able to cushion this impact with its sustained solid performance this quarter 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.

The Profit Before Tax for the current quarter of RM27.1 million was lower than the preceding quarter of RM31.4 million due to the Marine division's less than favorable performance.

B3 Current Financial Year Prospects

Oilfield Services

The outlook for the Asian oil and gas sector is expected to be positive in financial year 2015. Malaysia and West Africa are expected to spearhead the growth with the firm support from other South-East Asian operations, particularly Thailand and Indonesia. The division will focus on growing its core business while continuously improve efficiency and service quality.

Marine Services

The scale-down of mining activities as a result of lower coal prices in Indonesia has affected production output and consequently the volume of tonnage transported for the Coal segment. This has affected our carrying volume and we remain cautious for financial year 2015 for this division.

For the offshore division, with the continued growth of the oil and gas industry in the region, we are working to improve the fleet utilization and add to the existing fleet via acquisition or construction. The division has started to rationalize its operations to ensure efficient use of resources and improve its profitability.

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 Mar 2014 RM'000	Cumulative Period 12 months ended 31 Mar 2014 RM'000
The profit before taxation is arrived at after (charging)/crediting:		
Interest income	428	1,234
Depreciation and amortisation	(22,623)	(82,924)
Recovery/written-back of doubtful debts	45	4,658
(Loss)/gain on foreign exchange - net	(1,873)	9,127
(Loss)/gain on disposal of property, plant and equip	(491)	326
Interest expense	(7,963)	(31,210)
Share of results of associates	(100)	(247)
Share of results of joint venture	970	5,310

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B7 Taxation

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

	Current Quarter 3 months ended 31 Mar 2014 RM'000	Cumulative Period 12 months ended 31 Mar 2014 RM'000
Malaysian income tax		
- current year	5,146	10,194
- prior year	643	2,094
Foreign income tax		
- current year	9,905	28,683
- prior year	579	579
Total income tax	<u>16,273</u>	<u>41,550</u>
Effective tax rate	<u>60.1%</u>	<u>33.7%</u>

The effective tax rate for the current quarter is higher than the Malaysian tax rate of 25% mainly because of:-

- (1) Withholding tax incurred on dividend income received;
- (2) Marine segment taxation which is based on revenue instead of profit; and combined with;
- (3) 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	118,998
Short term deposits with licensed bank	60,689
	<u>179,687</u>
Less : restricted cash	(61,005)
Less : bank overdraft	(2,473)
Cash and cash equivalents	<u>116,209</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>236,634</u>	<u>231,499</u>	<u>468,133</u>

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

	RM'000
Ringgit Malaysia	318,520
US Dollar*	141,347
Others	<u>8,266</u>
Total	<u><u>468,133</u></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, amongst others, 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 Mar 2014 RM'000	As at 31 Mar 2013 RM'000
Capital reserve	26,881	26,881
Exchange fluctuation reserves	(181,488)	(244,277)
Hedging reserve	(15,852)	(10,220)
Merger reserve	(443,323)	(443,323)
Share option reserve	-	10,259
	<u><u>(613,782)</u></u>	<u><u>(660,680)</u></u>

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B11 Derivative Financial Liabilities

Derivatives used for hedging	<u>Current</u> RM'000	<u>Non-Current</u> RM'000	<u>Total</u> RM'000
Cross currency interest rate swaps ("CCIRS") at fair value	3,841	25,252	29,093

The notional principal amounts of the outstanding CCIRSs at 31 March 2014 were RM270 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 entitle the Group to receive principal and fixed interest amounts in RM and oblige 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

	As at 31 Mar 2014 RM'000	As at 31 Mar 2013 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,154,660	1,067,940
- Unrealised	<u>(319,057)</u>	<u>(318,978)</u>
	835,603	748,962
Total share of retained earnings from associated companies:		
- Realised	39,784	40,031
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	22,658	17,348
- Unrealised	<u>-</u>	<u>-</u>
	898,045	806,341
Less : Consolidation adjustments	<u>(586,423)</u>	<u>(586,423)</u>
Total retained earnings	<u>311,622</u>	<u>219,918</u>

B13 Earnings Per Share

	Current Quarter 3 months ended 31 Mar 2014 RM'000	Cumulative Period 12 months ended 31 Mar 2014 RM'000
<u>Basic and diluted earnings per share</u>		
Profit for the period	11,428	81,445
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>
Basic earnings per share (sen)	<u>0.49</u>	<u>3.48</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 30 May 2014 by the Board of Directors.