

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 31 DECEMBER 2015

	3 months ended 31 Dec 2015 RM'000	3 months ended 31 Dec 2014 RM'000	Cumulative period 9 months ended 31 Dec 2015 RM'000	Cumulative period 9 months ended 31 Dec 2014 RM'000
Revenue	324,475	419,489	952,727	1,174,571
Cost of sales	(264,583)	(333,791)	(763,361)	(927,505)
Gross profit	59,892	85,698	189,366	247,066
Other income	(752)	268	9,365	1,124
Administrative expenses	(18,892)	(33,427)	(70,941)	(86,594)
Marketing and selling expenses	(17,141)	(19,822)	(51,845)	(58,002)
Other expenses	(1,856)	-	(5,447)	(1,846)
Finance expenses	(7,058)	(6,737)	(21,861)	(20,209)
Finance income	489	-	1,070	320
Share of results of JV and associates	(1,651)	1,173	(1,807)	3,425
Profit before tax	13,031	27,153	47,900	85,284
Taxation	(3,515)	(7,765)	(17,438)	(25,118)
Profit for the period	9,516	19,388	30,462	60,166
Other comprehensive income				
Currency translation differences	14,109	3,393	73,201	18,984
Cash flow hedges	(4,881)	4,021	16,230	8,893
	9,228	7,414	89,431	27,877
Total comprehensive income for the period	18,744	26,802	119,893	88,043
Profit attributable to :				
Owners of the Company	9,969	19,447	34,527	61,620
Non-controlling interests	(453)	(59)	(4,065)	(1,454)
Profit for the period	9,516	19,388	30,462	60,166
Total comprehensive income attributable to:				
Owners of the Company	19,197	26,861	123,958	89,497
Non-controlling interests	(453)	(59)	(4,065)	(1,454)
	18,744	26,802	119,893	88,043
Earnings per share				
- Basic and diluted (Sen)	0.43	0.83	1.47	2.63

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	As at 31 Dec 2015 RM'000	As at 31 Mar 2015 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		602,945	582,225
Investment properties		2,628	2,495
Investment in joint ventures		73,256	68,967
Intangible assets		125,304	115,799
Deferred tax assets		9,509	4,744
Other receivables		6,927	1,125
		<u>820,569</u>	<u>775,355</u>
CURRENT ASSETS			
Inventories		234,970	243,078
Trade and other receivables		543,197	563,950
Current tax assets		36,647	12,687
Cash and bank balances	B8	126,359	202,181
		<u>941,173</u>	<u>1,021,896</u>
TOTAL ASSETS		<u>1,761,742</u>	<u>1,797,251</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	(523,061)	(612,492)
Retained earnings	B12	423,721	389,194
Total equity attributable to owners of the Company		<u>906,147</u>	<u>782,189</u>
Non-controlling interests		62,334	66,399
TOTAL EQUITY		<u>968,481</u>	<u>848,588</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	B9	111,957	168,475
Provision for retirement benefits		8,012	6,644
Other payables		5,584	5,588
Derivative financial liabilities	B11	45,304	40,366
Deferred tax liabilities		7,272	7,982
		<u>178,129</u>	<u>229,055</u>
CURRENT LIABILITIES			
Trade and other payables		363,041	418,553
Loans and borrowings	B9	209,641	262,614
Derivative financial liabilities	B11	21,113	11,784
Current tax liabilities		21,337	26,657
		<u>615,132</u>	<u>719,608</u>
TOTAL LIABILITIES		<u>793,261</u>	<u>948,663</u>
TOTAL EQUITY AND LIABILITIES		<u>1,761,742</u>	<u>1,797,251</u>
Net assets per share (RM)		<u>0.39</u>	<u>0.33</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 2015

	<u>Attributable to owners of the Company</u>						
	Share capital RM '000	Treasury shares RM'000	Other reserves RM '000	Retained earnings RM '000	Total RM '000	Non- controlling interests RM '000	Total equity RM '000
As at 1 April 2015	1,005,535	(48)	(612,492)	389,194	782,189	66,399	848,588
Total comprehensive income for the year	-	-	89,431	34,527	123,958	(4,065)	119,893
As at 31 December 2015	1,005,535	(48)	(523,061)	423,721	906,147	62,334	968,481
Audited							
As at 1 April 2014	1,005,535	(48)	(644,177)	312,052	673,362	68,483	741,845
Total comprehensive income for the year	-	-	31,685	77,142	108,827	(1,860)	106,967
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	(224)	(224)
As at 31 March 2015	1,005,535	(48)	(612,492)	389,194	782,189	66,399	848,588

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 2015

	Note	9 months ended 31 Dec 2015 RM'000	9 months ended 31 Dec 2014 RM'000
Cash Flows From Operating Activities			
Profit before tax		47,900	85,284
Adjustments for non-cash items:		83,544	71,434
Changes in working capital:			
Inventories		8,108	(15,758)
Receivables		16,700	660
Payables		(32,702)	(34,195)
Cash generated from operations		<u>123,550</u>	<u>107,425</u>
Tax paid		(18,189)	(19,158)
Interest received		1,070	1,372
Net cash generated from operating activities		<u>106,431</u>	<u>89,639</u>
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		720	-
Purchase of property, plant and equipment		(20,924)	(53,086)
Additional investment in joint controlled entity		(1,403)	-
Additions to intangible assets		(4,159)	-
Net cash used in investing activities		<u>(25,766)</u>	<u>(53,086)</u>
Cash Flows From Financing Activities			
Repayment of borrowings		(110,466)	(90,734)
Proceeds from borrowings		-	75,172
Interest paid on borrowings		(19,980)	(20,209)
Decrease in short term deposit pledged as securities		25,268	51,763
Dividend received from/(paid to) minority shareholders of subsidiary		-	(219)
Net cash used in financing activities		<u>(105,178)</u>	<u>15,773</u>
Net increase in cash and cash equivalents		(24,513)	52,326
Cash and cash equivalents at beginning of the year		151,693	125,435
Currency translation differences		(25,993)	(7,221)
Cash and cash equivalents at end of the period	B8	<u>101,187</u>	<u>170,540</u>

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 2015 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 2015.

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 year ended 31 March 2015.

As of 1 April 2015, the Group and the Company have adopted the following MFRSs and amendments which are effective for annual periods beginning on or after 1 January 2014.

Effective for annual periods commencing on or after 1 January 2014

Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Investment Entities</i>
Amendments to MFRS 127	<i>Separate Financial Statements (2011): Investment Entities</i>
Amendments to MFRS 132	<i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 136	<i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
IC Interpretation 21	<i>Levies</i>

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.

A1 Basis of Preparation of interim financial reports ("continued")

Effective for annual periods commencing on or after 1 July 2014

Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)</i>
Amendments to MFRS 2	<i>Share-based Payment (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 3	<i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>
Amendments to MFRS 8	<i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 13	<i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 119	<i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i>
Amendments to MFRS 124	<i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 138	<i>Intangible Assets (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 140	<i>Investment Property (Annual Improvements 2011-2013 Cycle)</i>

Effective for annual periods commencing on or after 1 January 2016

Amendments to MFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i>
Amendments to MFRS 11	<i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements – Disclosure Initiative</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>

A1 Basis of Preparation of interim financial reports ("continued")

Amendments to MFRS 116	<i>Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants</i>
Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 127	<i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>
Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)</i>

Effective for annual periods commencing on or after 1 January 2017

MFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods commencing on or after 1 January 2018

MFRS 9 *Financial Instruments (2014)*

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

A2 Audit Report for Preceding Annual Financial Statements

The audit report for the Group's annual financial statements for the year ended 31 March 2015 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

The company had performed a share buy-back transaction on 24 November 2015 which consists of 2,000 shares at RM0.275 each.

A7 Dividends Paid /Payable

There were no dividends paid during the quarter and financial period ended 31 December 2015.

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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 2015

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	806,998	145,036	693	952,727
RESULTS				
Profit from operations	72,818	(10,418)	(197)	62,203
Realised gain on foreign exchange	4,986	389	-	5,375
Unrealised gain/(loss) on foreign exchange	8,847	(3,288)	-	5,559
Finance costs	(21,418)	(443)	-	(21,861)
Other operating income	(1,542)	(27)	-	(1,569)
Share of results in joint ventures	-	1,032	(2,839)	(1,807)
Profit before tax	63,691	(12,755)	(3,036)	47,900
Taxation	(16,331)	(1,107)	-	(17,438)
Profit for the period	47,360	(13,862)	(3,036)	30,462
Other information				
Depreciation and amortisation	39,082	35,508	-	74,590
Interest income	1,009	61	-	1,070
Addition to non-current assets other than financial instruments and deferred tax assets	3,582	34,992	(3,927)	34,647

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A8 Segmental Reporting (“continued”)

Revenue and results for nine months ended 31 December 2014

	Drilling Services RM'000	Marine Services RM'000	Total RM'000
REVENUE			
External sales	956,199	218,372	1,174,571
	-		
RESULTS			
Profit from operations	101,493	(869)	100,624
Finance costs	(18,488)	(1,721)	(20,209)
Other operating income	1,312	132	1,444
Share of results in associates	-	(124)	(124)
Share of results in joint ventures	-	3,549	3,549
Profit before tax	84,317	967	85,284
Taxation	(22,873)	(2,245)	(25,118)
Profit for the period	61,444	(1,278)	60,166
Other information			
Depreciation and amortisation	35,266	30,588	65,854
Interest income	868	504	1,372
Addition to non-current assets other than financial instruments and deferred tax assets	9,199	7,556	16,755

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A8 Segmental Reporting ("continued")

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2015				
ASSETS				
Assets employed in the segment	1,070,850	571,480	-	1,642,330
Investment in joint venture	708	66,883	5,665	73,256
	<u>1,071,558</u>	<u>638,363</u>	<u>5,665</u>	<u>1,715,586</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				36,647
Deferred tax assets				9,509
Total assets				<u><u>1,761,742</u></u>
LIABILITIES				
Liabilities in segment	<u>614,756</u>	<u>71,497</u>	<u>10,572</u>	696,825
<u>Unallocated corporate liabilities:</u>				
Tax payable				22,746
Deferred tax liabilities				7,272
Derivatives financial instruments				66,418
Total liabilities				<u><u>793,261</u></u>
Net assets				<u><u>968,481</u></u>

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A8 Segmental Reporting ("continued")

	Drilling Services RM'000	Marine Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2014			
ASSETS			
Assets employed in the segment	1,070,409	529,611	1,600,020
Investment in associates	-	-	-
Investment in joint venture	454	66,842	67,296
	<u>1,070,863</u>	<u>596,453</u>	<u>1,667,316</u>
<u>Unallocated corporate assets:</u>			
Tax recoverable			18,878
Deferred tax assets			5,212
Total assets			<u><u>1,691,406</u></u>
LIABILITIES			
Liabilities in segment	<u>391,623</u>	<u>415,768</u>	807,391
<u>Unallocated corporate liabilities:</u>			
Tax payable			21,645
Deferred tax liabilities			4,852
Derivatives financial instruments			27,849
Total liabilities			<u><u>861,737</u></u>
Net assets			<u><u>829,669</u></u>

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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.

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>2,200</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	-	4,860	4,860
Plant & Machinery	3,782	75,996	79,778
Vessels	-	29,437	29,437
Others	146	7,885	8,031
	<u>3,928</u>	<u>118,178</u>	<u>122,106</u>

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A13 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 31 December 2015 are as follows:

	31 Dec 2015 RM'000
Less than one year	6,962
Between one and five years	10,042
	<u>17,004</u>

A14 Related party transactions

	3 months ended 31 Dec 2015 RM'000	9 months ended 31 Dec 2015 RM'000
Holding company		
Rental expenses	470	1,498
	<u>470</u>	<u>1,498</u>
Transactions with companies in which certain substantial shareholders have interest		
Lease of office equipment	24	93
Provision of human resources services	52	157
Administration fees charged	15	44
Air ticket cost charged	168	611
Office rental paid/payable	44	134
	<u>44</u>	<u>134</u>
Transactions with joint ventures		
Chartering services paid/payable	-	3,520
	<u>-</u>	<u>3,520</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

The Group has three reportable segments which are Drilling Services, Marine Services and Development and Production Asset and Services. Drilling Services provides integrated drilling fluids, drilling waste management solutions and production chemicals while Marine Services consist of coal transportation and offshore support vessel services. Development and Production Asset and Services provides subsurface, field development and production management services, provision of products and project management services of offshore facilities encompassing pre-development through ready for start-up, operations and maintenance services.

Current quarter vs. corresponding quarter of the preceding year

	Revenue		Profit/(loss) before tax	
	3 Months to		3 Months to	
	31 Dec	31 Dec	31 Dec	31 Dec
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	272,312	350,392	18,792	29,065
Marine Services	51,469	69,097	(5,388)	(1,912)
Development and Production Asset and Services	694	-	(373)	-
	<u>324,475</u>	<u>419,489</u>	<u>13,031</u>	<u>27,153</u>

Group

Group revenue for the current quarter decreased by RM95 million or 22.6% compared to the corresponding quarter of the preceding year ("3QFY2015") due to lower activity in both Drilling Services and Marine Services under pinned by low oil price and weak coal market.

Profit before tax for the current quarter decreased by RM14.1 million or 52.0% compared to 3QFY2015 contributed by lower revenue, allowance for inventories and doubtful debt and higher losses from Marine Services. Cost optimization has been a focus area and operating expenses were lower in US\$ terms by 41.8% compared to 3QFY2015 though in RM terms it only showed a reduction of 28.8% due to the depreciation of RM against the USD.

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B1 Review of Operating Segments (“continued”)

Drilling Services

The segment’s revenue for the current quarter decreased by RM78.1 million or 22.3% as compared to 3QFY2015, mainly due to drop in rig count and lower activity level in countries such as Malaysia, Thailand, Myanmar, West Africa and Indonesia in line with the slower activities in the Oil and Gas sector.

Profit before tax recorded a decrease of RM10.3 million or 35.3% compared to 3QFY2015, mainly due to the lower revenue and allowance for inventories and doubtful debts. However, cost optimisation exercises carried out in the last one year has improved the quality of profits.

Marine Services

The segment revenue for the current quarter was lower by RM17.6 million or 25.5% compared to 3QFY2015 mainly due to lower utilisation of offshore vessels.

The segment posted higher loss before tax of RM5.4 million compared to 3QFY2015 due to lower revenue with fixed costs in place.

Development & Production Asset and Services

The loss of RM0.4 million relates to the share of losses in a joint venture – Ophir Production Sdn Bhd (“OPSB”).

3Q YTD FY2016 vs. 3Q YTD FY2015

	Revenue		Profit/(loss) before tax	
	9 Months to		9 Months to	
	31 Dec	31 Dec	31 Dec	31 Dec
	2015	2014	2015	2014
	RM’000	RM’000	RM’000	RM’000
Operating Segments:				
Drilling Services	806,997	956,199	63,691	84,317
Marine Services	145,036	218,372	(12,755)	967
Development and Production Asset and Services	694	-	(3,036)	-
	<u>952,727</u>	<u>1,174,571</u>	<u>47,900</u>	<u>85,284</u>

Group

Group revenue for the 3Q YTD FY2016 decreased by RM221.8 million or 18.9% compared to 3Q YTD FY2015, as a result of lower activity in both Drilling Services and Marine Services.

B1 Review of Operating Segments (“continued”)

Profit before tax for the 3Q YTD FY2016 decreased by RM37.4 million or 43.8% compared to 3Q YTD FY2015, primarily due to higher losses in Marine Services and allowance for inventories and doubtful debts in Drilling Services. The decrease was also contributed by share of losses in a joint venture – OPSB but offset by higher exchange gain and lower operating cost. Operating cost has reduced in US\$ terms by 28.4% compared to 3Q YTD FY2015 though in RM term it only showed a reduction of 12.4% due to the depreciation of RM against the USD.

Drilling Services

The segment’s revenue for current quarter showed a decrease of RM149.2 million due to lower activity in West Africa, Thailand, Myanmar, Malaysia and Indonesia.

Profit before tax recorded a decrease of RM20.6 million or 24.5% compared to 3Q YTD FY2015, mainly due to drop in revenue as a result of lower activity level and allowance for inventories and doubtful debts. During the year, various cost-cutting initiatives carried out and higher exchange gains cushioned the drop in Profit Before Tax despite significantly lower revenue.

Marine Services

The segment revenue for the current year was lower by RM73.3 million compared to 3Q YTD FY2015 mainly due to lower shipments on coal contracts and lower utilisation of offshore vessels.

The segment posted a Loss Before Tax of RM12.8 million compared to RM1.0 million profit in 3Q YTD FY2015 due to lower revenue and certain fixed costs in place.

Development & Production Asset and Services

The loss of RM3.0 million mainly relates to the share of losses in a joint venture – OPSB.

B2 Profit Before Tax as Compared to Preceding Quarter

Profit Before Tax for the current quarter is RM4.3 million lower than preceding quarter mainly due to higher Loss Before Tax in Marine Services and allowance for inventories and doubtful debts at Drilling Services.

B3 Current Financial Year Prospects

Group

The low oil price and reduced rig activity combined with the weak coal market continues to impact our results. While the tendering process is still robust in the Oil and Gas sector, awards are being delayed in line with the current challenging market. Cash flow and cost optimisation continue to remain our focus areas.

Drilling Services

We expect the market will continue to remain challenged in the coming quarters. Global upstream spending is expected to decline in 2016 for the second consecutive year, the first time since late '80's. We are working with our customers to improve efficiency through new products, but lower activity and pricing pressures will continue to impact the margins. We are also increasing our marketing efforts of production chemicals, in both our existing and new markets.

Marine Services

Market continues to remain challenging, but management has secured further wins over the quarter as a result of increased bidding activities. Management continues to focus their efforts in managing costs as well as expanding marketing efforts across a wider geographical area. On the offshore side, persistent low oil price have curbed demand for offshore vessels. Competition in this area continues to be tough but management remains focused on prioritising utilisation of our vessels by being very competitive with our charter rates.

Development and Production Asset and Services

We continue to bid and evaluate opportunities in the area of Development and Production.

B4 Profit Forecast

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

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B5 Corporate Proposals

There are no corporate proposals that have been announced but not completed.

B6 Profit before taxation

	Current quarter 3 months ended 31 Dec 2015 RM'000	Current quarter 3 months ended 31 Dec 2014 RM'000	Cumulative period 9 months ended 31 Dec 2015 RM'000	Cumulative period 9 months ended 31 Dec 2014 RM'000
The profit before taxation is arrived at after (charging)/crediting:				
Interest income	489	262	1,070	1,372
Allowance of doubtful debt	(2,753)	(817)	(3,568)	(817)
Recovery/written-back of doubtful debts	70	-	1,904	-
Allowance for inventories	(9,979)	-	(9,979)	-
Depreciation and amortisation	(27,501)	(22,632)	(74,590)	(65,854)
Gain/(loss) on foreign exchange - net	1,755	751	10,934	(1,429)
Gain/(loss) on disposal of property, plant and equipment	24	58	311	1
Interest expense	(6,398)	(6,737)	(19,980)	(20,209)
Share of results of associate	-	(4)	-	(124)
Share of results of joint ventures	(1,651)	1,177	(1,807)	3,549

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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 Dec 2015 RM'000	Current quarter 3 months ended 31 Dec 2014 RM'000	Cumulative period 9 months ended 31 Dec 2015 RM'000	Cumulative period 9 months ended 31 Dec 2014 RM'000
Malaysian income tax				
- current year	197	53	4,936	1,782
Foreign income tax				
- current year	<u>3,318</u>	<u>7,712</u>	<u>12,502</u>	<u>23,336</u>
Total income tax	<u>3,515</u>	<u>7,765</u>	<u>17,438</u>	<u>25,118</u>
Effective tax rate	<u>27.0%</u>	<u>28.6%</u>	<u>36.4%</u>	<u>29.5%</u>

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

- The tax effects of the different tax rates in various jurisdictions and certain expenses not deductible 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.
- Offset with reversal of deferred tax liability no longer required in Marine Segment.

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B8 Cash and bank balances

Cash and bank balances at the end of the reporting period comprise of:-

	As at 31 Dec 2015 RM'000
Cash and bank balances	99,222
Short term deposits with licensed banks	27,137
	<u>126,359</u>
Less : restricted cash	(22,746)
Less : bank overdraft	(2,426)
Cash and cash equivalents	<u>101,187</u>

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

B9 Loans and borrowings

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

	Current RM'000	Non- Current RM'000	Total RM'000
Borrowings – secured	<u>209,641</u>	<u>111,957</u>	<u>321,598</u>

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

	RM'000
Ringgit Malaysia	202,132
US Dollar*	115,912
Others	3,554
Total	<u>321,598</u>

* These relate to working capital loans.

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B10 Other reserves

	As at 31 Dec 2015 RM'000	As at 31 March 2015 RM'000
Capital reserve	26,881	26,881
Translation reserves	(111,245)	(184,446)
Hedging reserve	4,626	(11,604)
Merger reserve	(443,323)	(443,323)
	<u>(523,061)</u>	<u>(612,492)</u>

B11 Derivative Financial Liabilities

	Current RM'000	Non- Current RM'000	Total RM'000
Derivatives used for hedging			
Cross currency interest rate swaps ("CCIRS") at fair value	<u>21,113</u>	<u>45,304</u>	<u>66,417</u>

The notional principal amounts of the outstanding CCIRSs at 31 December 2015 were RM160 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 Guaranteed Serial 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 CCIRS reflect the timing of these cash flows. These CCIRS contracts have maturities of up to 3 years from 31 March 2015.

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B12 Retained Earnings

	As at 31 Dec 2015 RM'000	As at 31 March 2015 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,314,981	1,347,613
- Unrealised	<u>(311,968)</u>	<u>(381,927)</u>
	1,003,013	965,686
Total share of retained earnings from associated companies:		
- Realised	(16,733)	(16,857)
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	21,541	24,465
- Unrealised	<u>-</u>	<u>-</u>
	1,007,821	973,294
Less : Consolidation adjustments	<u>(584,100)</u>	<u>(584,100)</u>
Total retained earnings	<u><u>423,721</u></u>	<u><u>389,194</u></u>

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B13 Earnings Per Share

	3 months ended 31 Dec 2015 RM'000	3 months ended 31 Dec 2014 RM'000	9 months ended 31 Dec 2015 RM'000	9 months ended 31 Dec 2014 RM'000
<u>Basic and diluted earnings per share</u>				
Profit for the period	9,969	19,447	34,527	61,620
Issued and paid-up capital	2,341,775	2,341,775	2,341,775	2,341,775
Less : Treasury shares	(149)	(149)	(149)	(149)
Weighted average number of ordinary shares in issue ('000)	<u>2,341,626</u>	<u>2,341,626</u>	<u>2,341,626</u>	<u>2,341,626</u>
Basic earnings per share (sen)	<u>0.43</u>	<u>0.83</u>	<u>1.47</u>	<u>2.63</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 authorised for issue on 25 February 2016 by the Board of Directors.