

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2016

	3 months ended 31 Mar 2016 RM'000	3 months ended 31 Mar 2015 RM'000 (Restated)	Cumulative period 12 months ended 31 Mar 2016 RM'000	Cumulative period 12 months ended 31 Mar 2015 RM'000 (Restated)
Revenue	296,017	385,668	1,248,744	1,560,239
Cost of sales	(231,488)	(300,616)	(994,849)	(1,228,121)
Gross profit	64,529	85,052	253,895	332,118
Other (expenses) / income	(29,750)	12,201	(20,385)	13,325
Administrative expenses	(35,005)	(43,965)	(105,946)	(130,559)
Marketing and selling expenses	(17,788)	(17,868)	(69,633)	(75,870)
Other expenses	(1,857)	(5,417)	(7,304)	(7,263)
Finance expenses	(5,675)	(8,218)	(27,536)	(28,427)
Finance income	167	2,762	1,237	3,082
Share of results of JV and associates	(8,521)	(2,432)	(10,328)	993
Profit before tax	(33,900)	22,115	14,000	107,399
Taxation	(9,016)	(17,469)	(26,454)	(42,587)
Profit for the period	(42,916)	4,646	(12,454)	64,812
Other comprehensive income				
Currency translation differences	(55,516)	7,746	17,685	26,730
Cash flow hedges	2,535	(3,938)	18,765	4,955
	(52,981)	3,808	36,450	31,685
Total comprehensive income for the period	(95,897)	8,454	23,996	96,497
Profit attributable to :				
Owners of the Company	(37,412)	5,052	(2,885)	66,672
Non-controlling interests	(5,504)	(406)	(9,569)	(1,860)
Profit for the period	(42,916)	4,646	(12,454)	64,812
Total comprehensive income attributable to:				
Owners of the Company	(90,393)	8,860	33,565	98,357
Non-controlling interests	(5,504)	(406)	(9,569)	(1,860)
	(95,897)	8,454	23,996	96,497
Earnings per share				
- Basic and diluted (Sen)	(1.60)	0.22	(0.12)	2.85

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 2016

	Note	As at 31 Mar 2016 RM'000	As at 31 Mar 2015 RM'000 (Restated)	As at 1 April 2014 RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		537,016	582,225	561,757
Investment properties		2,440	2,495	2,516
Investment in associates		7,350	-	124
Investment in joint ventures		65,666	68,967	54,935
Intangible assets		117,879	115,799	114,332
Deferred tax assets		7,838	4,744	9,157
Other receivables		332	1,125	141
		<u>738,521</u>	<u>775,355</u>	<u>742,962</u>
CURRENT ASSETS				
Inventories		205,516	232,608	214,739
Trade and other receivables		463,746	563,950	508,000
Current tax assets		32,949	12,687	11,952
Cash and bank balances	B8	156,458	202,181	184,443
		<u>858,669</u>	<u>1,011,426</u>	<u>919,134</u>
TOTAL ASSETS		<u>1,597,190</u>	<u>1,786,781</u>	<u>1,662,096</u>
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital		1,005,535	1,005,535	1,005,535
Treasury shares		(48)	(48)	(48)
Other reserves	B10	(576,042)	(612,492)	(644,177)
Retained earnings	B12	375,839	378,724	312,052
Total equity attributable to owners of the Company		<u>805,284</u>	<u>771,719</u>	<u>673,362</u>
Non-controlling interests		56,830	66,399	68,483
TOTAL EQUITY		<u>862,114</u>	<u>838,118</u>	<u>741,845</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Loans and borrowings	B9	108,514	168,475	223,460
Provision for retirement benefits		7,345	6,644	5,952
Other payables		5,584	5,588	2,676
Derivative financial liabilities	B11	28,845	40,366	23,715
Deferred tax liabilities		8,182	7,982	5,418
		<u>158,470</u>	<u>229,055</u>	<u>261,221</u>
CURRENT LIABILITIES				
Trade and other payables		341,094	418,553	390,567
Loans and borrowings	B9	193,516	262,614	246,090
Derivative financial liabilities	B11	15,247	11,784	5,378
Current tax liabilities		26,749	26,657	16,995
		<u>576,606</u>	<u>719,608</u>	<u>659,030</u>
TOTAL LIABILITIES		<u>735,076</u>	<u>948,663</u>	<u>920,251</u>
TOTAL EQUITY AND LIABILITIES		<u>1,597,190</u>	<u>1,786,781</u>	<u>1,662,096</u>
Net assets per share (RM)		<u>0.34</u>	<u>0.33</u>	<u>0.29</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 MARCH 2016

	<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 (as previously reported)	1,005,535	(48)	(612,492)	389,194	782,189	66,399	848,588
Prior year adjustment	-	-	-	(10,470)	(10,470)	-	(10,470)
As at 1 April 2015 (restated)	1,005,535	(48)	(612,492)	378,724	771,719	66,399	838,118
Total comprehensive income for the year	-	-	36,450	(2,885)	33,565	(9,569)	23,996
As at 31 March 2016	1,005,535	(48)	(576,042)	375,839	805,284	56,830	862,114
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 MARCH 2016

	Note	12 months ended 31 Mar 2016 RM'000	12 months ended 31 Mar 2015 RM'000 (Restated)
Cash Flows From Operating Activities			
Profit before tax		14,000	107,399
Adjustments for non-cash items:		118,164	116,410
Changes in working capital:			
Inventories		27,549	(14,063)
Receivables		107,984	(52,379)
Payables		(82,939)	(7,494)
Cash generated from operations		<u>184,758</u>	<u>149,873</u>
Tax paid		(29,995)	(18,845)
Retirement benefits paid		-	(255)
Interest received		1,237	3,082
Net cash generated from operating activities		<u>156,000</u>	<u>133,855</u>
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		3,646	5,875
Purchase of property, plant and equipment		(28,912)	(60,064)
Repayment of advance from jointly controlled entity		-	9
Additional investment in joint controlled entity		(4,531)	(10,017)
Additions to intangible assets		(5,826)	(781)
Net cash used in investing activities		<u>(35,623)</u>	<u>(64,978)</u>
Cash Flows From Financing Activities			
Repayment of borrowings		(131,386)	(149,027)
Proceeds from borrowings		-	106,566
Interest paid on borrowings		(24,995)	(19,718)
Decrease in short term deposit pledged as securities		3,975	8,521
Dividend paid to minority shareholders of subsidiary		-	(224)
Net cash used in financing activities		<u>(152,406)</u>	<u>(53,882)</u>
Net increase in cash and cash equivalents		(32,029)	14,995
Cash and cash equivalents at beginning of the year		151,693	125,435
Currency translation differences		(9,706)	11,263
Cash and cash equivalents at end of the year	B8	<u>109,958</u>	<u>151,693</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 March 2016.

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.

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Prior Year Adjustment

During the current quarter, the Group has restated the inventories amount and the Cost of Sales for the comparative year (for the Financial Year 31 March 2015) due to the variance discovered in the inventories value reported previously. This variance has been now fully provided in the results.

The inventory variance was discovered in one of its foreign subsidiaries during its physical inventory count. A detailed physical inventory count was carried out after the management observed inconsistent inventory build-up during its regular financial review of its subsidiary.

Subsequent to the ascertainment of the total inventory variance, management conducted its internal investigation and its preliminary view was that the inventory variance was as a result of fraudulent act. In order to determine the parties involved in the fraudulent act, management lodged an official report with the foreign subsidiary's local law enforcement authorities ("Authorities") in order for investigation to be carried out. Investigation is currently ongoing.

	As previously reported as at 31 Mar 2015	Prior Year Adjustments	Restated as at 31 Mar 2015
Condensed Consolidated Statement of Financial Position			
Current Asset			
Inventories	243,078	(10,470)	232,608
Equity			
Retained earnings	(389,194)	10,470	(378,724)
Condensed Consolidated Statement Income Statement			
Cost of sales	(1,217,651)	(10,470)	(1,228,121)
Profit before tax	117,869	(10,470)	107,399
Profit for the year	75,282	(10,470)	64,812
Profit attributable to Owners of the Company	77,142	(10,470)	66,672

Note : There are no restatement required for the opening balance sheet as at 1 April 2014.

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

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 period ended 31 March 2016.

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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 2016

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	1,052,681	194,926	1,137	1,248,744
RESULTS				
Profit from operations	93,212	(20,868)	(95)	72,249
Realised gain/(loss) on foreign exchange	16,590	(79)	-	16,511
Unrealised loss on foreign exchange	(17,533)	(1,816)	-	(19,349)
Finance costs	(27,019)	(517)	-	(27,536)
Other operating income	288	(17,835)	-	(17,547)
Share of results in joint ventures	-	(7,450)	(2,878)	(10,328)
Profit before tax	65,538	(48,565)	(2,973)	14,000
Taxation	(22,335)	(4,119)	-	(26,454)
Profit for the period	43,203	(52,684)	(2,973)	(12,454)
Other information				
Depreciation and amortisation	53,186	47,468	-	100,654
Interest income	(1,160)	(77)	-	(1,237)
Addition to non-current assets other than financial instruments and deferred tax assets	(24,116)	(15,185)	166	(39,135)

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A8 Segmental Reporting (“continued”)

Revenue and results for twelve months ended 31 March 2015

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	1,282,310	277,929	-	1,560,239
RESULTS				
Profit from operations	131,151	(174)	(8)	130,969
Realised gain on foreign exchange	(10,273)	98	-	(10,175)
Unrealised gain/(loss) on foreign exchange	(2,894)	3,608	-	714
Finance costs	(25,898)	(2,529)	-	(28,427)
Other income	16,024	(2,699)	-	13,325
Share of results in associates	-	(124)	-	(124)
Share of results in joint ventures	-	2,980	(1,863)	1,117
Profit before tax	108,110	1,160	(1,871)	107,399
Taxation	(39,709)	(2,878)	-	(42,587)
Profit for the period	68,401	(1,718)	(1,871)	64,812
Other information				
Depreciation and amortisation	47,520	39,414	-	86,934
Interest income	(2,360)	(722)	-	(3,082)
Addition to non-current assets other than financial instruments and deferred tax assets	14,419	11,811	9,592	35,822

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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 MARCH 2016				
ASSETS				
Assets employed in the segment	1,021,611	461,091	685	1,483,387
Investment in associates	-	7,350	-	7,350
Investment in joint venture	780	55,128	9,758	65,666
	<u>1,022,391</u>	<u>523,569</u>	<u>10,443</u>	<u>1,556,403</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				32,949
Deferred tax assets				7,838
Total assets				<u>1,597,190</u>
LIABILITIES				
Liabilities in segment	<u>610,246</u>	<u>44,312</u>	<u>1,495</u>	656,053
<u>Unallocated corporate liabilities:</u>				
Tax payable				26,749
Deferred tax liabilities				8,182
Derivatives financial instruments				44,092
Total liabilities				<u>735,076</u>
Net assets				<u>862,114</u>

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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 MARCH 2015				
ASSETS				
Assets employed in the segment	1,209,173	491,079	131	1,700,383
Investment in joint venture	454	60,784	7,729	68,967
	<u>1,209,627</u>	<u>551,863</u>	<u>7,860</u>	<u>1,769,350</u>
<u>Unallocated corporate assets:</u>				
Tax recoverable				12,687
Deferred tax assets				4,744
Total assets				<u>1,786,781</u>
LIABILITIES				
Liabilities in segment	<u>830,196</u>	<u>21,947</u>	<u>9,731</u>	861,874
<u>Unallocated corporate liabilities:</u>				
Tax payable				26,657
Deferred tax liabilities				7,982
Derivatives financial instruments				52,150
Total liabilities				<u>948,663</u>
Net assets				<u>838,118</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.

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>2,000</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	-	4,414	4,414
Plant & Machinery	2,691	73,392	76,083
Vessels	-	20,739	20,739
Others	133	7,161	7,294
	<u>2,824</u>	<u>105,706</u>	<u>108,530</u>

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A13 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 31 March 2016 are as follows:

	31 March 2016 RM'000
Less than one year	6,349
Between one and five years	10,918
	<u>17,267</u>

A14 Related party transactions

	3 months ended 31 March 2016 RM'000	12 months ended 31 March 2016 RM'000
Holding company		
Rental expenses	485	1,983
Transactions with companies in which certain substantial shareholders have interest		
Lease of office equipment	28	121
Provision of human resources services	52	209
Administration fees charged	24	68
Air ticket cost charged	200	811
Office rental paid/payable	45	179
	<u>485</u>	<u>1,983</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

	3 Months to	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Revenue		
Drilling Services	245,683	326,111
Marine Services	49,890	59,557
Development and Production Asset and Services	444	-
	<u>296,017</u>	<u>385,668</u>
Core Profits/(loss) before tax^{N1}		
Drilling Services	13,466 ^{N2}	23,793
Marine Services	(3,114) ^{N3}	193
Development and Production Asset and Services	63	(1,871)
	<u>10,415</u>	<u>22,115</u>
Reported Profits/(loss) before tax		
Drilling Services	1,846	23,793
Marine Services	(35,809)	193
Development and Production Asset and Services	63	(1,871)
	<u>(33,900)</u>	<u>22,115</u>

N1 : Core Profit/ (Loss) refers to Profit/(Loss) before tax excluding Non-recurring Charges

N2 : Core Profit Before Tax for Drilling Services is excluding Non-Recurring Charges of RM11.6 million which includes Forex Losses and Inventory Adjustment.

N3 : Core Loss Before Tax for Marine Services is excluding Non-Recurring Charges of RM32.7 million which includes accelerated amortisation for Dry-Docking Cost, Goodwill and Vessel impairment.

B1 Review of Operating Segments (“continued”)

Group

Group revenue for the current quarter decreased by RM89.7 million or 23.2% compared to the corresponding quarter of the preceding year (“4QFY2015”) due to lower activities in both Drilling Services and Marine Services.

Core Profits Before Tax for the current quarter decreased by RM11.7 million compared to 4QFY2015 in line with the lower revenue. After incorporating the Non-Recurring Charges of RM44.3 million, Loss Before Tax is RM33.9 million. Marine Services continue to impact the Group results with its low utilisation of offshore vessels and weak coal market. Continuous cost optimization initiatives have resulted in 14.6% lower operating expenses compared to the corresponding period.

Drilling Services

The segment’s revenue for the current quarter decreased by RM80.4 million or 24.7% as compared to 4QFY2015, mainly due to softer drilling activities particularly in Malaysia, Middle-East and West Africa. Due to the low oil prices, customers have been cautious in their drilling plans, resulting in activities being deferred or delayed.

Core Profits Before Tax was RM13.4 million, a decrease of RM10.4 million due to lower top line as a result of softer activity level. With the inclusion of Non-Recurring Charges of RM11.6 million, the Profit Before Tax for the quarter is RM1.9 million.

Marine Services

The segment revenue for the current quarter was lower by RM9.7 million or 16.2% compared to 4QFY2015 mainly due to lower tonnage carried and low utilisation of offshore vessels.

Core Loss Before Tax was RM3.1 million due to lower revenue and fixed costs in place. After incorporating Non-Recurring Charges of RM32.7 million, the Loss Before Tax for the segment is RM35.8 million.

Development & Production Asset and Services

The profit of RM0.01 million relates to the share of gain in a joint venture – Ophir Production Sdn Bhd (“OPSB”).

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B1 Review of Operating Segments ("continued")

4Q YTD FY2016 vs. 4Q YTD FY2015

	12 Months to	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Revenue		
Drilling Services	1,052,681	1,282,310
Marine Services	194,926	277,929
Development and Production Asset and Services	<u>1,137</u>	<u>-</u>
	<u><u>1,248,744</u></u>	<u><u>1,560,239</u></u>
Core Profits/(loss) before tax^{N1}		
Drilling Services	73,909 ^{N2}	108,110
Marine Services	(15,870) ^{N3}	1,160
Development and Production Asset and Services	<u>(2,973)</u>	<u>(1,871)</u>
	<u><u>55,066</u></u>	<u><u>107,399</u></u>
Reported Profits/(loss) before tax		
Drilling Services	65,538	108,110
Marine Services	(48,565)	1,160
Development and Production Asset and Services	<u>(2,973)</u>	<u>(1,871)</u>
	<u><u>14,000</u></u>	<u><u>107,399</u></u>

N1 :Core Profit/ (Loss) refers to Profit/(Loss) before tax excluding Non-recurring Charges

N2 :Core Profit Before Tax for Drilling Services is excluding Non-Recurring Charges of RM8.4 million which includes Forex Losses and Inventory Adjustment.

N3 :Core Loss Before Tax for Marine Services is excluding Non-Recurring Charges of RM32.7 million which includes accelerated amortisation for Dry-Docking Cost, Goodwill and Vessel impairment.

Group

Group revenue for the 4Q YTD FY2016 decreased by RM311.5 million or 20.0% compared to 4Q YTD FY2015, as a result of lower activity in both Drilling Services and Marine Services.

Core Profits Before Tax of RM55.1 million for the current year is a decrease of RM52.3 million compared to prior year in line with the lower top line and the share of losses in a joint venture – OPSB of RM3 million. The Profit Before Tax after incorporating Non-Recurring Charges of RM41.1 million is RM14 million. The strict control over operating expenses, specifically in the Drilling Services has resulted in 15% reduction in operating expenses compared to the corresponding period.

B1 Review of Operating Segments (“continued”)

Drilling Services

The segment’s revenue for current year showed a decrease of RM229.6 million, a 17.9% drop from last year due to generally lower activity globally especially in Malaysia, West Africa and Indonesia.

Consequently, Core Profits Before Tax recorded a decrease of RM34.2 million or 31.6% compared to 4Q YTD FY2015, mainly due to drop in revenue as a result of lower activity level. The Profit Before Tax after Non-Recurring Charges of RM8.4 million is RM65.5 million.

Marine Services

The segment revenue for the current year was lower by RM83.0 million or 29.9% compared to 4Q YTD FY2015 mainly due to lower shipments on coal contracts and low utilisation of offshore vessels.

Core Loss Before Tax was RM15.9 million due to lower revenue and certain fixed costs in place. The Loss Before Tax after incorporating Non-Recurring Charges of RM32.7 million is RM48.6 million.

Development & Production Asset and Services

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

B2 Review of Operating Segments as Compared to Preceding Quarter

Core Profits Before Tax was RM10.4 million, a drop of RM2.6 million from the preceding quarter due to lower activity at Drilling Services and low utilisation of offshore vessels. The Loss Before Tax after incorporating Non-Recurring Charges of RM44.3 million is RM33.9 million.

B3 Current Financial Year Prospects

Drilling Services

We expect the uncertainty in the oil prices to impact our revenue in the coming quarters. Unless there is a significant upward movement in the oil prices, activity is likely to remain soft, resulting in delay in projects and capex spending and greater pricing pressures. In this tough market condition, we are constantly working with our customers to improve efficiency through new products. We continue to focus on protecting our market share, actively manage our cost, improve liquidity while also looking to tap into new markets.

Marine Services

Market continues to remain challenging, and demand for vessels is weak. Management will focus its efforts in managing costs as well as expanding marketing efforts across a wider geographical area. Competition in this area will remain tough but management remains focused on prioritising utilisation of our vessels.

Development and Production Asset and Services

The segment continues to explore opportunities in the area of Development and Production and exploring projects that requires innovative and cost-efficient solutions. OPSB continues to streamline its Capex and Operating expenses in order to operate within a lean cost structure to mitigate the impact of low oil prices.

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 Mar 2016 RM'000	Current quarter 3 months ended 31 Mar 2015 RM'000 (Restated)	Cumulative period 12 months ended 31 Mar 2016 RM'000	Cumulative period 12 months ended 31 Mar 2015 RM'000 (Restated)
The profit before taxation is arrived at after (charging)/crediting:				
Interest income	167	1,710	1,237	3,082
Allowance of doubtful debt	(186)	(6,810)	(3,754)	(7,857)
Recovery/written-back of doubtful debts	26	1,083	1,930	1,934
Allowance/written-off for inventories	5,144	(11,498)	(4,835)	(11,498)
Reversal of inventories written-off	-	4,834	-	4,834
Depreciation and amortisation	(26,064)	(21,080)	(100,654)	(86,934)
Gain/(loss) on foreign exchange - net	(13,772)	10,890	(2,838)	9,461
Gain/(loss) on disposal of property, plant and equipment	(281)	(147)	30	(147)
Impairment of goodwill	(7,015)	-	(7,015)	-
Reversal of impairment loss in associate	7,350	-	7,350	-
Interest expense	(5,015)	(8,218)	(24,995)	(28,427)
Share of results of associate	-	-	-	(124)
Share of results of joint ventures	(8,521)	(2,432)	(10,328)	1,117

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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 2016 RM'000	Current quarter 3 months ended 31 Mar 2015 RM'000	Cumulative period 12 months ended 31 Mar 2016 RM'000	Cumulative period 12 months ended 31 Mar 2015 RM'000
Malaysian income tax				
- current year	6,967	1,327	11,903	3,109
Foreign income tax				
- current year	2,049	16,142	14,551	39,478
Total income tax	<u>9,016</u>	<u>17,469</u>	<u>26,454</u>	<u>42,587</u>
Effective tax rate	<u>-26.6%</u>	<u>79.0%</u>	<u>189.0%</u>	<u>39.7%</u>

The variance in the effective tax rate for the current quarter compared to the Malaysian tax rate of 24% mainly because of:-

- Losses in certain tax jurisdictions not qualifying for tax relief.
- Reversal of deferred tax liability no longer required in Marine Segment.
- 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.

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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 Mar 2016 RM'000
Cash and bank balances	109,330
Short term deposits with licensed banks	47,128
	<u>156,458</u>
Less : restricted cash	(44,039)
Less : bank overdraft	(2,461)
Cash and cash equivalents	<u>109,958</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>193,516</u>	<u>108,514</u>	<u>302,030</u>

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

	RM'000
Ringgit Malaysia	199,279
US Dollar*	99,523
Others	3,228
Total	<u>302,030</u>

* These relate to working capital loans.

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B10 Other reserves

	As at 31 March 2016 RM'000	As at 31 March 2015 RM'000
Capital reserve	26,881	26,881
Translation reserves	(166,761)	(184,446)
Hedging reserve	7,161	(11,604)
Merger reserve	(443,323)	(443,323)
	<u>(576,042)</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>15,247</u>	<u>28,845</u>	<u>44,092</u>

The notional principal amounts of the outstanding CCIRSs at 31 March 2016 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 March 2016 RM'000	As at 31 March 2015 RM'000 (Restated)
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,297,947	1,337,143
- Unrealised	<u>(334,295)</u>	<u>(381,927)</u>
	963,652	955,216
Total share of retained earnings from associated companies:		
- Realised	(16,733)	(16,857)
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	13,020	24,465
- Unrealised	<u>-</u>	<u>-</u>
	959,939	962,824
Less : Consolidation adjustments	<u>(584,100)</u>	<u>(584,100)</u>
Total retained earnings	<u><u>375,839</u></u>	<u><u>378,724</u></u>

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B13 Earnings Per Share

	3 months ended 31 Mar 2016 RM'000	3 months ended 31 Mar 2015 RM'000 (Restated)	12 months ended 31 Mar 2016 RM'000	12 months ended 31 Mar 2015 RM'000 (Restated)
<u>Basic and diluted earnings per share</u>				
Profit for the period	(37,412)	5,052	(2,885)	66,672
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>(1.60)</u>	<u>0.22</u>	<u>(0.12)</u>	<u>2.85</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 Comparative Figures

Comparatives have been restated following the Prior Year Adjustments as disclosed in A1.

B17 Authorised For Issue

The interim financial statements were authorised for issue on 31 May 2016 by the Board of Directors.