



UZMA BERHAD

(Company No: 769866-V)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2011

1. BASIS OF REPORTING PREPARATION

The interim financial statement is unaudited and has been prepared in accordance with the Financial Reporting Standards 134 (FRS134): “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and Appendix 9B part A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2010.

The accounting policies, methods of computation and the basis of consolidation used in the preparation of this interim financial report are consistent with those applied in the audited annual financial statements for the year ended 31 December 2010.

On 1 January 2011, the Group adopted the following new FRSS, Amendments to FRS and IC Interpretations:-

FRS 1 (Revised)	First- time Adoption of Financial Reporting Standard
FRS 3 (Revised)	Business Combinations
FRS 127 (Revised)	Consolidated and Separate Financial Statements
Amendments to FRS 1 (Revised)	Limitation Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Scope of FRS 2 and FRS 3 (Revised)
Amendments to FRS 2	Group Cash settled- Share based Payment Transactions
Amendments to FRS 5	Plan to Sell the Controlling Interest in a Subsidiary
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 138	Consequential Amendments Arising from FRS 3 (Revised)
Amendments to IC Interpretation 9	Scope of IC Interpretation 9 and FRS 3 (Revised)
IC Interpretation 4	Determining Whether An Arrangement Contains a Lease
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of a Non-cash Assets to Owners
IC Interpretation 18	Transfer of Assets from Customer
Annual Improvements to FRS (2010)	

1. BASIS OF REPORTING PREPARATION (CONT'D)

The above accounting standard and interpretations (including the consequential amendments) are not relevant to the Group's operations except as follows:-

- (i) FRS 3 (Revised) introduces significant changes to accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all transaction costs, other than share and debt issue costs, will be expensed as incurred. This revised standard will be applied prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial period but may impact the accounting for future transaction or arrangements.
- (ii) FRS 127 (Revised) required accounting for changes in ownership interests by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the minority interest to be absorbed by the minority interest instead of by the parent. The Group will apply the major changes of FRS 127 (Revised) prospectively and therefore there will not have any financial impact on the financial statements of the Group for the current financial period but may impact the accounting its future transactions or arrangements.

At the date of authorisation of these interim financial statements, the following FRSs, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been adopted by the Group:

		Effective date
FRS 124 (Revised)	Related Party Disclosures	1 January 2012
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreement for the Construction of Real Estate	1 January 2012
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2010.

3. SEASONAL OR CYCLICAL FACTORS

The principal business operations of the Group are not significantly affected by seasonal or cyclical factors during the period under review.

4. ITEMS OF UNUSUAL NATURE AND AMOUNT

There were no items affecting assets, liabilities, equity, net income or cash flow that are unusual because of their nature, size or incidence in the interim financial reports.

5. MATERIAL CHANGES IN ESTIMATES

There were no changes in the estimates of amount relating to the prior financial years that have a material effect in the current quarter under review.

6. ISSUANCES, REPURCHASES, AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There have been no issuances, repurchases, and repayments of debt and equity securities during the current quarter and period to date.

7. DIVIDENDS PAID

No dividend had been paid and/or recommended for the current financial period.

8. SEGMENTAL INFORMATION

The Group is organised into 3 main business segments as follows:-

- (i) Services segment - involved in provision of geoscience and reservoir engineering, drilling, project and oilfield operations services, and other specialised services.
- (ii) Trading segment - involved in manufacturing, marketing, distribution and supply of oilfield chemicals, petrochemical and chemical products, equipment and services.
- (iii) Investment holding

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
REVENUE					
External revenue	110,245	21,163	-	-	131,408
Inter-segment revenue	22	-	135	(157)	-
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Total revenue	110,267	21,163	135	(157)	131,408
RESULTS					
Segment results	9,241	1,682	1,442	(1,603)	10,762
Finance costs	(480)	(3)	-	-	(483)
Share of loss in a jointly controlled entity					(24)
Profit from ordinary activities before taxation					10,255
Income tax expense					(1,585)
Profit from ordinary activities after taxation					8,670
Minority interest					(512)
Net profits attributable to owners of the Company					8,158

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment in the current period under review.

10. CAPITAL COMMITMENTS

Approved and contracted for property, plant and equipment Nil

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF PERIOD REPORTED

There are no material events subsequent to 30 September 2011 that has not been reflected in the financial statement for the financial quarter ended 30 September 2011.

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the current financial quarter under review.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in the contingent liabilities and contingent assets of the Group during the quarter under review.

The Company has given corporate guarantees to licensed financial institutions for banking facilities granted to its subsidiary company. In relation thereto, the Company has contingent liabilities amounting to approximately RM18 million as at 30 September 2011.

14. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

	Cumulative Period To Date 30.09.2011 RM'000	Cumulative Period To Date 30.09.2010 RM'000	Difference	
			RM'000	%
Revenue	131,408	79,954	51,454	64.4
Gross profit	26,905	15,535	11,370	73.2
Profit/(Loss) before taxation	10,255	(2,448)	N/A	N/A

14. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (CONT'D)

The Group's revenue in cumulative period-to-date ("PTD") 2011 registered an increase of RM51.5 million or 64.4% as compared to PTD 2010. Overall, all business divisions have registered higher revenue in PTD 2011. The increase in revenue was mainly contributed by Manpower division registered the highest revenue increase of RM15.1 million, Project Oilfield Operation Services ("POOS") division's revenue increased by RM13.4 million and Geoscience & Petroleum Engineering Services ("GPE") division's revenue increased by RM9.8 million in PTD 2011. In addition, Wireline Services ("Wireline") division has also start to contribute revenue in PTD 2011 to the Group.

In line with the increase of revenue above, the Group's gross profit has increased significantly by RM11.4 million from RM15.5 million reported in PTD 2010 to RM26.9 million in PTD 2011. Overall, most business divisions have registered higher gross profit in PTD 2011. The increase in gross profit was mainly contributed by POOS division registered the highest gross profit increase of RM5.2 million, GPE division gross profit increased by RM1.4 million.

In line with the significant improvement in revenue and gross profit, the Group's results before taxation has turned around from a loss before taxation of RM2.4 million in PTD 2010 to profit before taxation of RM10.3 million in PTD 2011.

15. MATERIAL CHANGES IN THE RESULTS OF THE CURRENT QUARTER COMPARED TO THE RESULTS OF THE PRECEDING QUARTER

	Current Quarter Ended 30.09.2011 RM'000	Preceding Quarter Ended 30.06.2011 RM'000	Difference	
			RM'000	%
Revenue	56,257	40,025	16,232	40.5
Gross profit	9,430	8,689	741	8.5
Profit before taxation	4,719	2,817	1,902	67.5

Compared to the previous quarter, the Group's revenue has increased by RM16.2 million in the current quarter which represented an increase of 40.5%. The increase in revenue was mainly due to improved sales from most of divisions in Uzma Engineering Sdn Bhd and other subsidiary companies. In line with the increase in revenue, the gross profit increased accordingly.

Compared to previous quarter, the Group reported a substantial increase in profit before taxation of RM1.9 million or 67.4% was mainly due the continuous cost saving strategy implemented by the Group.

16. PROSPECTS AND PROGRESS TO ACHIEVE FORECAST FOR THE REMAINING PERIOD TO THE END OF FINANCIAL PERIOD OR NEXT FINANCIAL YEAR

Barring any unforeseen circumstances, the Directors remain optimistic with the Group's prospects for the next financial year based on the positive developments within the oil and gas industry and the Company specific in 2011 as follows:

- (i) Oil price kicked off with around USD 90 per barrel in beginning of 2011 and gradually surged above USD110 per barrel by end of April 2011. Thereafter, the oil price has since retreated to a low below USD80 per barrel in August and October 2011. Currently oil price is trading around USD 100 per barrel. We view that the current level of oil price is supportive of the overall oil and gas exploration and production activities as invitations to bid for contracts from oil majors have increased in 2011 compare to 2010.
- (ii) In March 2011 one of the subsidiary companies, Uzma Engineering Sdn. Bhd. has been awarded by PETRONAS Carigali Sdn Bhd ("PETRONAS"), a long term service agreement to provide a Low Pressure System ("LPS") for its domestic upstream operations. The contract value is estimated to be RM200 million for three years, effective from 18 February 2011 to 17 February 2014. The contract is expected to contribute positively to the earnings of the Group. As at the reporting date, the Group has secured necessary financing to fund the implementation of the said agreement.
- (iii) As announced on 26 July 2011, UESB has been awarded by PETRONAS a contract for the provision of integrated equipment and services for idle well reactivation project. The value of the contact is estimated at RM170 million for three years effective from 25 July 2011 to 24 July 2014. The contract is expected to contribute positively to the earnings of the Group commencing in the fourth quarter 2011.
- (iv) As announced on 20 September 2011, UESB has been awarded a contract by PETRONAS to provide marine 2D and 3D seismic data acquisition services ("Umbrella Contract"). The Umbrella Contract period shall be effective from 18 August 2011 and shall continue for a primary period of three (3) years with an extension option of two (2) years.

17. STATEMENT BY DIRECTORS

Not applicable.

18. VARIANCE BETWEEN ACTUAL PROFIT AND FORECAST PROFIT

Not applicable as the Group has not previously disclosed or announced any revenue or profit forecast, estimate, projection or internal targets since the beginning of financial period ending 2011.

19. TAXATION

	(Unaudited) Current Quarter Ended 30.09.2011 RM'000	(Unaudited) Corresponding Quarter Ended 30.09.2010 RM'000	(Unaudited) Cumulative Period To Date 30.09.2011 RM'000	(Unaudited) Corresponding Period To Date 30.09.2010 RM'000
Current tax:				
- for the current financial period	(1,281)	81	(2,529)	(20)
- deferred tax	16	-	944	-
	(1,265)	81	(1,585)	(20)

20. PROFIT FROM SALE OF UNQUOTED INVESTMENTS AND/ OR PROPERTIES

There were no disposal of unquoted investment and properties for the current quarter and financial period-to-date.

21. QUOTED SECURITIES

There was no purchase or disposal of quoted securities for the current quarter and financial period-to-date.

22. STATUS OF CORPORATE PROPOSAL

On 26 May 2011, Uzma announced that the company proposes to issue new ordinary shares of RM0.50 each in Uzma ("Placement Shares") not exceeding 10% of the issued and paid-up share capital of the Company through a private placement exercise ("Proposed Private Placement"). Bursa Malaysia Securities Berhad had, vide its letter dated 7 July 2011, approved Uzma's application for the listing of and quotation of up to 8,000,000 new ordinary shares of RM0.50 each in Uzma pursuant to the Proposed Private Placement. Currently, the Company is in the midst of identifying potential places to subscribe for the Placement Shares.

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 30 September 2011 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowing:-</u>			
Bank borrowings	3,338	-	3,338
Hire purchase payables	59	-	59
	3,397	-	3,397
<u>Long-term borrowings:-</u>			
Bank borrowings	8,892	-	8,892
Hire purchase payables	95	-	95
	8,987	-	8,987
Total	12,384	-	12,384

24. OFF STATEMENT OF FINANCIAL POSITION FINANCIAL INSTRUMENTS

The Group does not have any financial instruments with off statement of financial position risk.

25. MATERIAL LITIGATION

As at 22 November 2011, neither the Company nor its subsidiaries is involved in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company or its subsidiaries.

26. PROPOSED DIVIDEND

No dividend has been proposed for the current quarter financial period to date.

27. EARNINGS / (LOSS) PER SHARE

	Unaudited Current Quarter ended 30.09.2011 RM'000	Unaudited Corresponding Quarter ended 30.09.2010 RM'000	Unaudited Cumulative Period to date 30.09.2011 RM'000	Unaudited Corresponding Period to date 30.09.2010 RM'000
Net profit / (loss) attributable to owners of the Company (RM'000)	3,291	286	8,158	(2,517)
Number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings / (loss) per share (sen)	4.11	0.36	10.20	(3.15)

(a) Basic earnings / (loss) per share

The basic earnings / (loss) per share is calculated based on the Group's profit / (loss) attributable to owners of the Company divided by the number of ordinary shares in issue during the reporting period.

(b) Fully diluted earnings / (loss) earnings per share

Fully diluted earnings / (loss) per share were not computed as there were no outstanding potential ordinary shares to be issued as at the end of the reporting period.

28. REALISED AND UNREALISED PROFITS DISCLOSURE

The retained profits as at 30 September 2011 and 31 December 2010 are analysed as follows:-

	As at 30.09.11 RM'000	(Audited) As at 31.12.10 RM'000
Total retained profits of the Company and the subsidiaries		
- Realised	22,172	14,098
- Unrealised	1,787	1,679
	<u>23,959</u>	<u>15,777</u>
Total share of losses from a jointly controlled entity		
- Realised	(142)	(118)
	<u>(142)</u>	<u>(118)</u>
Total Group retained profits	<u>23,817</u>	<u>15,659</u>