



EMAS Offshore Limited

3rd Quarter FY2016

**Unaudited Consolidated
Financial Information**

Together We Deliver

1. Introduction

EMAS Offshore Limited (“EOL”, “the Company” or “the Group”), formerly known as EOC Limited, was incorporated on February 2007, and is an established offshore oil and gas services provider which offers offshore support, accommodation and offshore production services to customers in the offshore oil and gas industry throughout the oilfield lifecycle, spanning exploration, development, production and decommissioning stages. It was listed on the Oslo Børs in 2007 and subsequently secondary-listed on the SGX-ST on 8 October 2014 and became a dual-listed company in both Norway and Singapore.

The Company’s excellent operational and HSE (health, safety and environment) track record allowed the Company to establish strong working relationships with leading international oil majors, national oil companies and various independent operators.

2. Company Profile

Headquartered in Singapore, EOL holds a leading market position in Asia Pacific, with global operations across Latin America, Africa and Australia. The Group’s business activities are carried out by two business segments, namely (i) Offshore Support and Accommodation Services division, and (ii) Offshore Production Services division.

The Offshore Support and Accommodation Services division specialises in the provision of offshore support and accommodation vessels for charter to service customers in the offshore oil and gas industry, with a focus on the development and production phases of the oilfield lifecycle. This division also provides ship management services for third party vessels.

The Offshore Production Services division specialises in the provision and operations of FPSO systems and related services which are key assets enabling the extraction, storage and offloading of crude oil and gas from offshore hydrocarbon reservoirs. In addition, our Offshore Production Services division provides engineering and project management services for the conversion of FPSOs and production facilities to third party clients.

3. Strategy

The Group's strategies are as follows:

Geographical Strategy - consolidate in Southeast Asia and expand in selected areas with growth potential such as East Africa, North Africa, West Africa, as well as the Middle East.

Operational excellence – continuously build up our capabilities with our workforce and developing operational reliability with fleet maintenance programmes in line with stringent industry standards.

Asset optimisation – review and optimise our fleet in terms of size and composition so that our fleet remains relevant to market drivers and retain operational flexibility. The Group will constantly identify trends in demand and supply dynamics to optimise our fleet which may include disposals from time to time.

Leveraging on synergies with Ezra Group to win tenders – combining the Group's global platform and strong track record in clinching tenders with the global business network of the Ezra Group will provide us with quick access to new markets.

4. Outlook

The recent moderate increase in oil prices has yet to result in significant increase of activities in the oil and gas sector. This trend is expected to continue and will have an impact on the Group's financial performance.

The Group is in discussions with various parties on its financial obligations, which includes securing additional working capital facilities. This is targeted to be finalised by the end of the current financial year.

The Group will continue to execute its plans to improve operational efficiency and overall fleet utilisation as well as dispose of non-core assets.

4. Outlook (Cont'd)

Business Combination

The Company entered into a business combination agreement with Ezra Holdings Limited (“Ezra”) (the “Business Combination Agreement”) in connection with the proposed acquisition of the following companies held by Ezra (the “OSS companies”) on 10 July 2014:

- (i) Aries Warrior AS;
- (ii) Aries Warrior DIS;
- (iii) Bayu Emas Maritime Sdn Bhd;
- (iv) Bayu Intan Offshore Sdn Bhd;
- (v) Emas Offshore (Labuan) Bhd;
- (vi) Emas Offshore (M) Sdn Bhd;
- (vii) Emas Offshore (Thailand) Ltd;
- (viii) Emas Offshore Pte Ltd;
- (ix) Emas Offshore Services (Australia) Pty Ltd;
- (x) Emas Offshore Services (B) Sdn Bhd;
- (xi) Emas Offshore Services (M) Sdn Bhd;
- (xii) Emas Offshore Services Nigeria Limited;
- (xiii) Emas Offshore Services Pte Ltd;
- (xiv) Genesis Offshore Sdn Bhd;
- (xv) Lewek Altair Shipping Private Limited;
- (xvi) Lewek Aries Pte Ltd;
- (xvii) Lewek Crusader Shipping Pte Ltd;
- (xviii) Lewek Ebony Shipping Pte Ltd;
- (xix) Lewek Ivory Shipping Pte Ltd;
- (xx) Lewek LB 1 Shipping Pte Ltd;
- (xxi) Lewek Robin Shipping Pte Ltd;
- (xxii) Lewek Shipping Pte Ltd;
- (xxiii) Lewek Ruby Shipping Pte Ltd;
- (xxiv) Tunis Oil Pte Ltd;
- (xxv) Lewek Antares Shipping Pte Ltd;
- (xxvi) Intan Offshore Sdn Bhd and its subsidiaries; and
- (xxvii) Emas Offshore Services (Philippines) Inc.

In exchange for the sale of the OSS companies, the Company will make pay a consideration of USD520.0 million, to be satisfied via the following:

- USD25.0 million, payable in cash;
- USD370.0 million, shall be satisfied by the allotment and issue by the Company to Ezra of the consideration shares based on the issue price of NOK 8.18 per share; and
- deferred cash payment of USD125.0 million (“Deferred Consideration”) over a period of 3 years (the “Payment Period”), with interest payable at the rate of 3.5% per annum on the outstanding principal amount of the Deferred Consideration in the second and third years of the Payment Period.

The shareholders’ approval for the Business Combination Agreement was obtained in a Shareholders’ Extraordinary General Meeting (“EGM”) held on 19 August 2014. The Business Combination Agreement was completed together with the Company’s secondary public offering (“secondary public offering”) of 48,585,000 shares on the SGX-ST on 3 October 2014.

4. Outlook (Cont'd)

Business Combination (cont'd)

The Company was listed on the Main Board of SGX-ST, placing it as the first company to dual list in Norway and Singapore for capital raising on 8 October 2014. Ezra became the holding company of EMAS Offshore Limited.

As a consequence of applying the reverse acquisition accounting, the results for the comparative period comprises the results of the OSS companies for the financial period then ended, and those of the pre-existing EOL entities from 3 October 2014 (the date of reverse acquisition) to 31 May 2015.

Included in the comparative period is provisional goodwill amounting to USD142.2 million, which arose from the difference between the fair value of the pre-existing EOL's share capital and the fair value of its net assets at the reverse acquisition date. The provisional goodwill was subsequently finalised in 4Q FY2015 at USD154.7 million.

5. Consolidated Statement of Profit or Loss and Other Comprehensive Income (in USD thousands)

	3 months ended		%	9 months ended		%
	31 May 2016	31 May 2015 ⁽¹⁾		31 May 2016	31 May 2015 ⁽¹⁾	
Revenue	35,076	59,241	(41)	115,337	192,863	(40)
Cost of sales	(47,521)	(53,239)	(11)	(144,253)	(162,160)	(11)
Gross (loss)/profit	(12,445)	6,002	nm	(28,916)	30,703	nm
Other (expense)/income, net	(2,647)	242	nm	(101,414)	144,617	nm
Administrative expenses	(4,625)	(4,351)	6	(34,575)	(17,870)	93
(Loss)/profit from operations	(19,717)	1,893	nm	(164,905)	157,450	nm
Financial income	946	718	32	2,419	1,910	27
Financial expenses	(6,802)	(4,555)	49	(17,739)	(11,499)	54
Share of results of associates	1,285	3,962	(68)	6,297	8,201	(23)
Share of results of joint ventures	1,481	3,769	(61)	7,889	10,789	(27)
(Loss)/profit before tax	(22,807)	5,787	nm	(166,039)	166,851	nm
Income tax	(345)	(604)	(43)	(804)	(3,602)	(78)
(Loss)/profit after tax	(23,152)	5,183	nm	(166,843)	163,249	nm
Other comprehensive income:						
<u>Items that may be reclassified to profit or loss:</u>						
Effective portion of changes in fair value of cash flow hedges	58	3	nm	105	(11)	nm
Exchange difference on translation of foreign operations	695	(401)	nm	69	(3,924)	nm
Change in fair value of available for sale investment	(189)	(9,330)	(98)	(1,405)	(39,042)	(96)
Share of other comprehensive income of associates	-	77	nm	-	77	nm
Total comprehensive income for the financial period	(22,588)	(4,468)	406	(168,074)	120,349	nm
Total comprehensive income for the financial period attributable to:						
Equity holder of the Company	(22,588)	(4,468)	406	(168,074)	120,349	nm
Non-controlling interests	-	*	nm	-	*	nm
Total comprehensive income for the financial period	(22,588)	(4,468)	406	(168,074)	120,349	nm
(Loss)/earnings per share (US cents)	(0.05)	0.01	nm	(0.38)	0.39	nm

* Less than USD1,000

nm – Not meaningful

(1) Presentation includes results of the OSS entities from 1 September 2014 to 31 May 2015 and that of the pre-existing EOL entities from 3 October 2014 to 31 May 2015

5. Consolidated Statement of Profit or Loss and Other Comprehensive Income (in USD thousands) (cont'd)

Notes:

(Loss)/profit for the financial period is arrived at after (charging)/crediting the following:

	3 months ended		%	9 months ended		%
	31 May 2016	31 May 2015 ⁽¹⁾		31 May 2016	31 May 2015 ⁽¹⁾	
Exchange (loss)/gain, net	(1,483)	(597)	148	(1,632)	3,236	nm
Depreciation	(12,126)	(11,674)	4	(37,903)	(33,509)	13
Provisional bargain purchase arising from the reverse takeover	-	-	-	-	142,206	nm
Provisional bargain purchase arising from step-acquisition of joint venture	-	-	-	-	1,290	nm
Remeasurement loss arising from step-acquisition of joint venture	-	-	-	-	(6,030)	nm
Impairment loss on joint ventures	-	-	-	(38,293)	-	nm
Impairment of goodwill	-	-	-	-	(311)	nm
(Loss)/gain on disposal of property, plant and equipment	(1,717)	147	nm	(7,349)	1,217	nm
Impairment loss on property, plant and equipment	-	-	-	(51,377)	-	nm
Allowance for doubtful receivables	-	-	-	(1,646)	-	nm
Bad debts written off	-	-	-	(18,878)	-	nm
Bad debts recovered	-	-	-	14	343	(96)
Loss recognised on remeasurement to fair value less costs to sell	-	-	-	(3,469)	-	nm

nm – Not meaningful

(1) Presentation includes results of the OSS entities from 1 September 2014 to 31 May 2015 and that of the pre-existing EOL entities from 3 October 2014 to 31 May 2015

6. Statements of Financial Position (in USD thousands)

	Group		% increase/ (decrease)	Company		% increase/ (decrease)
	As at 31 May 2016	As at 31 Aug 2015		As at 31 May 2016	As at 31 Aug 2015	
ASSETS						
Non-current assets						
Property, plant and equipment	772,987	755,887	2	-	-	-
Investment in subsidiaries	-	-	-	153,299	153,299	-
Investment in associates	36,564	110,384	(67)	-	-	-
Investment in joint ventures	149,203	181,622	(18)	141,103	148,364	(5)
Long term receivables	59,576	37,591	58	-	-	-
Lease receivables	1,305	-	nm	-	-	-
	<u>1,019,635</u>	<u>1,085,484</u>	(6)	<u>294,402</u>	<u>301,663</u>	(2)
Current assets						
Inventories and work-in-progress	5,521	6,262	(12)	-	-	-
Lease receivables	486	-	nm	-	-	-
Trade receivables	26,517	33,155	(20)	-	-	-
Other receivables and deposits	38,207	83,057	(54)	7,026	164	nm
Prepayments	12,158	17,292	(30)	525	1,465	(64)
Balances due from						
- holding company	10,484	13,600	(23)	-	5,809	nm
- subsidiaries	-	-	-	333,400	322,000	4
- related parties	114,730	129,074	(11)	323	3,005	(89)
- associates	11,093	35,222	(69)	-	-	-
- joint ventures	16,744	15,989	5	15,517	13,094	19
Available for sale investment	8,584	9,989	(14)	8,584	9,989	(14)
Cash and cash equivalents	42,951	61,333	(30)	217	6,307	(97)
	<u>287,475</u>	<u>404,973</u>	(29)	<u>365,592</u>	<u>361,833</u>	1
Asset held for sale	76,322	-	nm	-	-	-
	<u>363,797</u>	<u>404,973</u>	(10)	<u>365,592</u>	<u>361,833</u>	1
Total assets	<u>1,383,432</u>	<u>1,490,457</u>	(7)	<u>659,994</u>	<u>663,496</u>	(1)
LIABILITIES AND EQUITY						
Non-current liabilities						
Bank term loans	409,862	412,726	(1)	45,000	45,000	-
Balances due to						
- holding company	166,000	125,000	33	145,000	125,000	16
- related party	-	31,970	nm	-	-	-
Deferred income	29,086	5,822	400	-	-	-
Lease obligations	54,554	10,169	436	-	-	-
Derivative financial instruments	299	404	(26)	-	-	-
Deferred tax liabilities	1,655	11	nm	-	-	-
Total non-current liabilities	<u>661,456</u>	<u>586,102</u>	13	<u>190,000</u>	<u>170,000</u>	12

6. Statements of Financial Position (in USD thousands) (cont'd)

	Group		% increase/ (decrease)	Company		% increase/ (decrease)
	As at 31 May 2016	As at 31 Aug 2015		As at 31 May 2016	As at 31 Aug 2015	
Current liabilities						
Trade payables	13,721	12,789	7	-	-	-
Other payables and accruals	82,695	106,237	(22)	2,404	3,081	(22)
Balances due to						
- holding company	10,234	14	nm	2,285	-	nm
- subsidiaries	-	-	-	156,879	149,535	5
- related parties	32,177	28,183	14	905	164	452
- associates	12,294	7,398	66	-	-	-
- joint ventures	347	-	nm	-	-	-
Bills payable to banks	99,787	120,923	(17)	20,500	42,000	(51)
Deferred income	4,376	436	904	-	-	-
Lease obligations	1,464	1,188	23	-	-	-
Bank term loans	92,195	84,879	9	-	-	-
Income tax payable	6,272	7,820	(20)	112	115	(3)
Total current liabilities	355,562	369,867	(4)	183,085	194,895	(6)
Capital and reserves						
Share capital	229,541	235,939	(3)	357,211	357,211	-
Treasury shares	(718)	(718)	-	(718)	(718)	-
Accumulated profits/(losses)	184,910	351,753	(47)	(25,918)	(15,631)	66
Translation reserve	(5,164)	(5,233)	(1)	-	-	-
Hedging reserve	108	3	nm	-	-	-
Fair value adjustment reserve	(47,420)	(46,015)	3	(43,666)	(42,261)	3
Capital reserve	5,157	(1,241)	nm	-	-	-
Total equity	366,414	534,488	(31)	286,909	298,601	(4)
Total liabilities and equity	1,383,432	1,490,457	(7)	659,994	663,496	(1)

7. Consolidated Statement of Changes in Equity (in USD thousands)

(i) Statement of changes in equity for the financial period ended 31 May 2016

	Group								
	Attributable to owners of the Company							Non-controlling interest	Total equity
	Share capital	Treasury shares	Hedging reserve	Fair value adjustment reserve	Capital reserve	Translation reserve	Accumulated profits	Total equity attributable to owners of the Company	
At 1 September 2015	235,939	(718)	3	(46,015)	(1,241)	(5,233)	351,753	534,488	- 534,488
Total comprehensive income for the financial period	-	-	105	(1,405)	-	69	(166,843)	(168,074)	- (168,074)
Strike off of holding companies	(6,398)	-	-	-	6,398	-	-	-	-
Total transactions with owners in their capacity as owners	(6,398)	-	-	-	6,398	-	-	-	-
At 31 May 2016	229,541	(718)	108	(47,420)	5,157	(5,164)	184,910	366,414	- 366,414

7. Consolidated Statement of Changes in Equity (in USD thousands) (cont'd)

(ii) Statement of changes in equity for the financial period ended 31 May 2015

	Group								Non-controlling interest	Total equity
	Attributable to owners of the Company									
	Share capital	Treasury shares	Hedging reserve	Fair value adjustment reserve	Capital reserve	Translation reserve	Accumulated profits	Total equity attributable to owners of the Company		
At 1 September 2014	13,248	-	-	-	(1,241)	367	302,209	314,583	-	314,583
Total comprehensive income for the financial period	-	-	(11)	(39,042)	-	(3,847)	163,249	120,349	*	120,349
Capital injection by parent	92,000	-	-	-	-	-	-	92,000	-	92,000
Effects of reverse acquisition	-	-	-	-	-	-	(150,000)	(150,000)	233	(149,767)
Issuance of ordinary shares pursuant to reverse acquisition	86,534	-	-	-	-	-	-	86,534	-	86,534
Issuance of ordinary shares pursuant to share placement	46,045	-	-	-	-	-	-	46,045	-	46,045
Expenses on issue of ordinary shares	(1,888)	-	-	-	-	-	-	(1,888)	-	(1,888)
Purchase of treasury shares	-	(718)	-	-	-	-	-	(718)	-	(718)
Total transactions with owners in their capacity as owners	222,691	(718)	-	-	-	-	(150,000)	71,973	233	72,206
At 31 May 2015	235,939	(718)	(11)	(39,042)	(1,241)	(3,480)	315,458	506,905	233	507,138

* Less than USD1,000

7. Statement of Changes in Equity (in USD thousands) (cont'd)

(iii) *Statement of changes in equity for the financial period ended 31 May 2016*

	Company							
	Share capital	Treasury shares	Hedging reserve	Fair value adjustment reserve	Capital reserve	Translation reserve	Accumulated losses	Total equity
At 1 September 2015	357,211	(718)	-	(42,261)	-	-	(15,631)	298,601
Total comprehensive income for the financial period	-	-	-	(1,405)	-	-	(10,287)	(11,692)
At 31 May 2016	357,211	(718)	-	(43,666)	-	-	(25,918)	286,909

7. Statement of Changes in Equity (in USD thousands) (cont'd)

(iv) Statement of changes in equity for the financial period ended 31 May 2015

	Company							
	Share capital	Treasury shares	Hedging reserve	Fair value adjustment reserve	Capital reserve	Translation reserve	Accumulated profits/(losses)	Total equity
At 1 September 2014	94,578	-	-	10,832	-	-	25,838	131,248
Total comprehensive income for the financial period	-	-	-	(46,121)	-	-	(12,157)	(58,278)
Issuance of ordinary shares pursuant to reverse acquisition	218,476	-	-	-	-	-	-	218,476
Issuance of ordinary shares pursuant to share placement	46,045	-	-	-	-	-	-	46,045
Expenses on issue of ordinary shares	(1,888)	-	-	-	-	-	-	(1,888)
Purchase of treasury shares	-	(718)	-	-	-	-	-	(718)
One-tier tax exempt dividends of Norwegian Krone 1.12 per share	-	-	-	-	-	-	(19,331)	(19,331)
Total transactions with owners in their capacity as owners	262,633	(718)	-	-	-	-	(19,331)	242,584
At 31 May 2015	357,211	(718)	-	(35,289)	-	-	(5,650)	315,554

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The discussion below refers to the three months ended 31 May 2016 ("3Q FY2016") and the corresponding figures covers the three months ended 31 May 2015 ("3Q FY2015") for the Group's consolidated financial information. The discussion should be read in conjunction with the first quarter announcement for the period ended 30 November 2015 released on 11 January 2016 and the first half announcement released on 14 April 2016 to obtain an overall understanding of the results for the nine months ended 31 May 2016.

Revenue

Revenue for 3Q FY2016 amounted to USD35.1 million, a 41% decrease from the corresponding period. The decrease was mainly due to general weakness in the offshore industry. The shallow water platform support vessels ("PSV") and anchor handling, towing and supply vessels ("AHTS") segment continues to remain weak. The softening of demand in the offshore accommodation vessels ("OAV") segment also contributed to the decline in revenue.

Cost of sales

Cost of sales for 3Q FY2016 amounted to USD47.5 million, as compared to USD53.2 million in 3Q FY2015, an 11% decrease. The decrease was mainly due to the cost reduction in vessel related operational costs, in particular crew wages.

Other (expense)/income, net

Included in other expense, net for 3Q FY2016 are foreign exchange rate losses arising from unfavorable exchange rate movements of USD against Singapore Dollar, Malaysia Ringgit and Norwegian Krone and losses incurred due to the revision of terms on sale and leaseback transactions.

Financial income

Financial income is recognised mainly in relation to the interest accrued on the loan extended to an associate and the amortisation of interest income on the long term receivables. Financial income increased by 32% in 3Q FY2016, which is in line with the higher balance in long term receivables following the refinancing of leased vessels.

Financial expenses

Financial expenses refer to interest incurred on bank loans. The increase in 3Q FY2016 relates to the loan drawdowns for working capital and vessels acquisition in 3Q FY2015 and 3Q FY2016.

Share of results of associates

The share of results of associates for the current quarter refers to the share of results of Intan Offshore Sdn Bhd. Share of results of associates decreased by 68% quarter-on-quarter as the Group ceased to share the profits of PV Keez Pte Ld with effect from 1 March 2016, following its reclassification to asset held for sale.

Share of results of joint ventures

The share of results of joint ventures is mainly derived from Emas Victoria (L) Bhd. 3Q FY2016 share of results decreased by 61% from the previous corresponding quarter due to the reduction in charter rates for *Perisai Kamelia* effected in this quarter.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Income tax

Income tax relates to the amount paid or expected to be paid to the respective tax authorities. The Group has exposure to income tax in various jurisdictions. The tax rates and tax laws used to compute the amounts are those that had been enacted or substantively enacted at the end of the reporting periods.

Consolidated Statement of Financial Position

The discussion below refers to the financial position of the Group as at 31 May 2016 and 31 August 2015.

The Group's total assets amounted to USD1,383.4 million as at 31 May 2016 and USD1,490.5 million as at 31 August 2015. Property, plant and equipment increased by USD17.1 million mainly due to net increase from the acquisition of vessels amounting to USD109.2 million. This is partially offset by the impairment of vessels amounting to USD51.4 million in 2Q FY2016 and depreciation of USD37.9 million.

Investments in joint ventures decreased by USD32.4 million, following an impairment charge of USD38.3 million in 2Q FY2016, which is partially offset by the share of results of joint ventures.

Long term receivables increased by USD22.0 million following sellers' credits provided for the sale and leaseback of four vessels.

Other receivables and deposits decreased by USD44.9 million as a result of the write-off of other receivables of USD37.0 million (gross basis) and receipt of USD20.3 million from previous sale and leaseback transactions. The above decrease is partially offset by the increase of cash receivable from the sale and leaseback of a vessel.

Balances due to the holding company (net) increased by USD54.3 million and balances from related parties (net) increased by USD13.6 million due to advances received and an intercompany reassignment exercise conducted by the holding company.

Balances due from associates (net) decreased by USD29.0 million mainly due to the repayment of a shareholder's loan by an associate.

The investment in an associate has been reclassified to assets held for sale in 2Q FY2016. The amount is carried at fair value less costs to sell, amounting to USD76.3 million.

The carrying value of certain fixed assets, joint venture companies and receivables were negatively impacted due to the depressed conditions and reduced activity in the offshore support sector.

The Group's total liabilities increased by USD61.0 million to USD1,017.0 million as at 31 May 2016.

Total lease obligations and deferred income increased by USD44.7 million and USD27.2 million due to the finance lease accounting on the refinancing of two leased vessels.

Other payables and accruals decreased by USD23.5 million mainly due to the reversal of operating lease arrangements, which is partially offset by the cash payable on the refinancing of a leased vessel.

8. Consolidated Statement of Cash Flows (in USD thousands)

	3 months ended		9 months ended	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Cash flows from operating activities				
(Loss)/profit before tax	(22,807)	5,787	(166,039)	166,851
Adjustments for:				
Depreciation expense	12,126	11,674	37,903	33,509
Impairment of property, plant and equipment	-	-	51,377	-
Loss/(gain) on disposal of property, plant and equipment	1,717	(147)	7,349	(1,217)
Remeasurement loss arising from step-acquisition of joint venture	-	-	-	6,030
Realised loss/(gain) on derivative instruments	98	(22)	96	(47)
Share of results of associates	(1,285)	(3,962)	(6,297)	(8,201)
Share of results of joint ventures	(1,481)	(3,769)	(7,889)	(10,789)
Bad debts written off	-	-	18,878	-
Bad debts recovered	-	-	(14)	(343)
Unrealised exchange loss/(gain)	2,036	325	2,278	(2,912)
Interest expense	6,802	4,555	17,739	11,499
Interest income	(946)	(718)	(2,419)	(1,910)
Loss recognised on remeasurement to fair value less costs to sell	-	-	3,469	-
Allowance for doubtful debts	-	-	1,646	-
Provisional bargain purchase arising from the reverse takeover	-	-	-	(142,206)
Provisional bargain purchase arising from step-acquisition of joint venture	-	-	-	(1,290)
Impairment loss on joint ventures	-	-	38,293	-
Impairment of goodwill	-	-	-	311
Operating cash flows before movements in working capital	(3,740)	13,723	(3,630)	49,285
(Increase)/decrease in:				
Inventories and work-in-progress	694	(356)	741	(2,093)
Trade receivables	976	2,221	5,006	17,739
Other debtors, deposits and prepayments	(13,106)	904	(10,601)	3,880
Due from holding company	(2,605)	(12,269)	3,117	(16,850)
Due from related parties	10,186	6,309	14,342	39,632
Due from associates	(451)	2,382	1,815	(17,995)
Due from joint ventures	905	-	(705)	-
(Decrease)/increase in:				
Trade payables	(3,901)	(1,380)	932	(13,545)
Other payables and accruals	10,472	(2,134)	8,374	(24,124)
Due to holding company	(560)	(8,832)	19,250	(91,952)
Due to associates	2,583	-	4,896	-
Due to joint ventures	347	(4,238)	347	61,721
Due to related parties	5,315	-	3,994	-
Cash generated from/(used in) operations	7,115	(3,670)	47,878	5,698
Interest paid	(5,234)	(4,389)	(13,112)	(9,094)
Interest income received	26	(173)	1,862	448
Income taxes paid	(337)	(1,786)	(708)	(5,580)
Net cash flow generated from/(used in) operating activities	1,570	(10,018)	35,920	(8,528)

8. Consolidated Statement of Cash Flows (in USD thousands) (cont'd)

	3 months ended		9 months ended	
	31 May 2016	31 May 2015	31 May 2016	31 May 2015
Cash flows from investing activities				
Return of capital from joint ventures	-	-	1,239	-
Receipt of loan repayment from an associate	-	-	21,385	-
Acquisition of subsidiary, net of cash paid (Note 17)	-	-	-	15,862
Purchase of property, plant and equipment	(27,062)	(12,962)	(104,036)	(16,957)
Proceeds from disposal of assets held for sale	-	-	-	15,300
Proceeds from disposal of property, plant and equipment	28,600	-	47,270	4,074
Dividend received from joint venture	728	-	728	-
Decrease/(increase) in cash pledged	3,340	(1,913)	2,859	(2,374)
Net cash flow generated from/(used in) investing activities	5,606	(14,875)	(30,555)	15,905
Cash flows from financing activities				
Proceeds from bills payable	-	-	-	5,000
Repayment of bills payable	(1,500)	(14,000)	(21,500)	(35,894)
Purchase of treasury shares	-	-	-	(718)
Proceeds from bank loans	232	82,910	60,017	126,542
Repayment of bank loans	(14,035)	(28,146)	(55,639)	(107,664)
Proceeds from issuance of placement shares, net of transactions costs	-	-	-	44,157
Repayment of lease obligations	(2,610)	(732)	(3,714)	(732)
(Payment)/receipt of derivative instrument, net	(98)	22	(97)	47
Net cash flow (used in)/generated from financing activities	(18,011)	40,054	(20,933)	30,738
Net (decrease)/increase in cash and cash equivalents	(10,835)	15,161	(15,568)	38,115
Effects of exchange on cash and cash equivalents	56	136	47	(340)
Cash and cash equivalents at beginning of the financial period	19,293	38,207	24,035	15,729
Cash and cash equivalents at end of the financial period	8,514	53,504	8,514	53,504

Note:

Breakdown of cash and cash equivalents is as follows:

	As at	
	31 May 2016	31 Aug 2015
Cash and bank balances	42,951	61,333
Less: Restricted cash	(34,437)	(37,298)
Cash and cash equivalents	<u>8,514</u>	<u>24,035</u>

9. Borrowings (in USD thousands)

a) Bank borrowings

	As at	
	31 May 2016	31 Aug 2015
<u>Amount repayable in one year or less, or on demand</u>		
Secured	143,495	157,679
Unsecured	48,487	48,123
	<u>191,982</u>	<u>205,802</u>
 <u>Amount repayable after one year</u>		
Secured	409,862	412,726
	<u>409,862</u>	<u>412,726</u>
 Total	<u>601,844</u>	<u>618,528</u>

Details of any collateral

The above bank loans are secured by way of legal mortgages on the vessels, cash deposits and the available for sale investment of the Group.

b) Lease obligations

	As at	
	31 May 2016	31 Aug 2015
<u>Amount repayable in one year or less, or on demand</u>		
Secured	1,464	1,188
	<u>1,464</u>	<u>1,188</u>
 <u>Amount repayable after one year</u>		
Secured	54,554	10,169
	<u>54,554</u>	<u>10,169</u>
 Total	<u>56,018</u>	<u>11,357</u>

10. Share capital

	As at	
	31 May 2016	31 Aug 2015
Number of ordinary shares		
<u>Issued and paid up share capital</u>		
As at 1 September	439,672,754	110,954,502
Issuance of ordinary shares pursuant to reverse acquisition	-	280,133,252
Share placement	-	48,585,000
As at 31 May/31 August	439,672,754	439,672,754

The Group acquired 1,240,430 shares through the Oslo Børs and SGX in October 2014 and November 2014. The total amount paid to acquire the shares has been deducted from shareholders' equity. The shares are held as treasury shares and all shares were fully paid for.

11. Dividends

No dividends were declared during the current and previous financial periods.

12. Segment Information

For management reporting purposes, the Group is organised into two main operating divisions:

- Marine Services division is mainly engaged in the owning, chartering and the management of offshore support vessels serving the oil and gas industry; and
- Production Services division provides engineering and project management services for the conversion of FPSOs and production facilities to third party clients.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit from operations.

Inter-segment pricing, if any, is determined on an arm's length basis.

Income taxes are managed on a group basis and are not allocated to the operating segments.

In presenting geographical information, segment revenue is based on the billing location of customers. Non-current assets are based on the location of the companies that own those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise net gains arising from the Business Combination.

12. Segment Information (in USD thousands) (cont'd)

Business segments

The following table presents revenue and results information regarding the Group's business segments for the financial period ended 31 May 2016 and 31 May 2015:

	Marine		Production		Corporate		Total	
	9 months ended 31 May 2016	9 months ended 31 May 2015	9 months ended 31 May 2016	9 months ended 31 May 2015	9 months ended 31 May 2016	9 months ended 31 May 2015	9 months ended 31 May 2016	9 months ended 31 May 2015
Revenue	114,059	191,495	1,278	1,368	-	-	115,337	192,863
(Loss)/profit from operations	(49,429)	26,973	2,294	(46)	(5,753)	(6,632)	(52,888)	20,295
Financial income	1,895	753	522	1,155	2	2	2,419	1,910
Financial expenses	(11,136)	(8,819)	(1,652)	(1,418)	(4,951)	(1,262)	(17,739)	(11,499)
Share of results of associates	3,668	3,151	2,629	5,050	-	-	6,297	8,201
Share of results of joint ventures	-	-	10,504	12,313	(2,615)	(1,524)	7,889	10,789
Impairment loss on property, plant and equipment	(51,377)	-	-	-	-	-	(51,377)	-
Bad debts written off	(18,878)	-	-	-	-	-	(18,878)	-
Impairment loss on joint ventures	-	-	(33,968)	-	(4,325)	-	(38,293)	-
Loss recognised on remeasurement to fair value less costs to sell	-	-	(3,469)	-	-	-	(3,469)	-
Unallocated other income, net							-	137,155
Income tax							(804)	(3,602)
(Loss)/profit for the financial period							<u>(166,843)</u>	<u>163,249</u>
Other information								
Capital expenditure	137,279	29,130	-	-	-	-	137,279	29,130
Depreciation	37,903	33,506	-	3	-	-	37,903	33,509

12. Segment Information (in USD thousands) (cont'd)

Business segments

Marine		Production		Corporate		Total	
As at 31 May 2016	As at 31 Aug 2015	As at 31 May 2016	As at 31 Aug 2015	As at 31 May 2016	As at 31 Aug 2015	As at 31 May 2016	As at 31 Aug 2015

Assets

Segment assets	1,122,901	1,157,062	214,481	264,689	46,050	68,706	1,383,432	1,490,457
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Liabilities

Segment liabilities	686,461	625,328	114,352	115,281	216,205	215,360	1,017,018	955,969
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Other information

Investment in associates	36,564	33,222	-	77,162	-	-	36,564	110,384
Investment in joint ventures	-	-	128,451	152,749	20,752	28,873	149,203	181,622
Asset held for sale	-	-	76,322	-	-	-	76,322	-

12. Segment Information (in USD thousands) (cont'd)

Geographical segment

Revenue and non-current assets by geographical segment are presented below:

a) Revenue – Note 1

	9 months ended 31 May 2016	9 months ended 31 May 2015
Singapore	2,118	6,720
Southeast Asia	51,677	132,899
Africa	42,252	22,759
Brazil	10,189	15,305
India	8,171	11,895
Others	930	3,285
Total	115,337	192,863

b) Non-current assets – Note 2

	As at 31 May 2016	As at 31 Aug 2015
Singapore	709,744	806,403
Malaysia	172,150	153,305
India	44,321	59,703
Others	33,844	28,482
Total	960,059	1,047,893

Information about major customers

At the end of the financial period, revenue from the Group's major customers per segment was as follows:

	9 months ended 31 May 2016	9 months ended 31 May 2015
Marine division:		
Customer 1	17,113	27,084
Customer 2	9,232	18,084
Customer 3	9,072	17,482
Production division	868	793

Notes:

- 1) Revenue is based on the location of customers
- 2) Non-current assets are based on the location of the companies that own those assets and consist of property, plant and equipment, investment in associates and joint ventures and lease receivables

13. Significant Related Party Transactions (in USD thousands)

	9 months ended 31 May 2016	9 months ended 31 May 2015
<u>Income</u>		
Revenue from related parties	40,691	30,618
Revenue from associates	1,536	1,193
Revenue from joint ventures	16	795
Management fee income charged to the holding company	40	-
Interest income from an associate	521	1,297
<u>Expenses</u>		
Cost of sales charged by related parties	(536)	(824)
Interest expenses charged by the holding company	(2,929)	(582)
Management fees charged by the holding company	(1,523)	(3,533)
Management fees charged by a related party	(571)	(861)
Key management personnel compensation		
- Salaries, bonus and allowance	(1,123)	(2,050)
- Defined contribution plan expense	(22)	(33)

14. Fair values of financial assets and liabilities (in USD thousands)

The management considers that the carrying amounts of cash and bank balances, trade and other current receivables and payables to approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The management estimates that the fair value of the bank loans approximates their carrying value as the borrowings bear interest at floating rates or approximate floating rates. At the reporting date, the fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis are disclosed below:

	As at 31 May 2016		As at 31 Aug 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial asset</u>				
Long term receivables	59,576	65,200	37,591	38,213
<u>Financial liabilities</u>				
Balance due to holding company	125,000	128,281	125,000	126,455
Balance due to holding company	41,000	*	-	-
Balance due to a related company	-	-	31,970	*

Long term receivables and balance due to holding company – Fair values are estimated based on a discounted cash flow basis using the Group's weighted average interest rate of floating rate loans of 3.24% (2015: 2.76%) which is representative of the market rate applicable to companies with similar risk profile.

* Balance due to a related company and holding company – The amount is unsecured, non-interest bearing and have no fixed repayment terms and are repayable only when the Group's cash flow permits. Accordingly, fair value is not determinable as the timing of the future cash flows for the balance due to the related party and holding company cannot be estimated reliably.

14. Fair values of financial assets and liabilities (in USD thousands) (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair values of the Group's available-for-sale investment are based on the quoted closing market prices translated at closing rate on the last market day at the end of the reporting period to the financial statements and is classified as Level 1.

The Group's derivative financial instrument is classified as Level 2. There were no transfers between the different levels of the fair value hierarchy during the financial period.

15. Operations in the interim period

The Group's operations in Asia are subject to seasonal fluctuations due to monsoon. As a result, revenues and results for the first half of the financial year may be lower.

16. Commitments (USD thousands)

As at the end of the reporting period, the Group had the following capital commitments relating to purchase of equipment, vessel and newbuilds.

	As at 31 May 2016	As at 31 Aug 2015
Purchase of vessel equipment	13,115	17,454
Vessel purchase/newbuilds	60,278	71,578
	<u>73,393</u>	<u>89,032</u>

17. Reverse acquisition undertaken by the Group (USD thousands)

Following the completion of the Business Combination on 3 October 2014, the OSS entities have been consolidated as a reverse acquisition. For the purpose of the reverse acquisition, the cost of acquisition of the legal subsidiaries listed under the OSS entities (the "Acquiring Group"), is recorded as equity. The cost of acquisition is determined using the fair value of the issued equity of the Group before the acquisition, being 110,952,502 shares at the market price of Norwegian Krone 5.09 (equivalent to USD 0.78) per share at the date of acquisition. It is deemed to be incurred by the Acquiring Group in the form of equity issued to Ezra.

The fair values of assets and liabilities of the pre-existing EOL entities acquired or assumed in the transaction, and the bargain purchase arising, are as follows:

17. Reverse acquisition undertaken by the Group (USD thousands) (cont'd)

Non-current assets

Property, plant and equipment	116,248
Investment in associates	71,272
Investment in joint ventures	179,851
Long term receivables	22,645
	<u>390,016</u>

Current assets

Trade receivables	6,772
Other receivables, deposits and prepayments	8,742
Balances due from	
- related companies	23
- associates	29,731
- joint ventures	15,034
Available for sale investment	56,003
Cash and bank balances	70,167
	<u>186,472</u>

Non-current liabilities

Bank loans	46,953
Balances due to related company	48,080
Derivative financial instruments	407
	<u>95,440</u>

Current liabilities

Trade payables	5,983
Other payables and accruals	71,241
Balances due to related companies	44,367
Bills payable to banks	121,872
Bank loans	18,375
Income tax payable	1,347
	<u>263,185</u>

Net assets and liabilities	217,863
Less: Net assets and liabilities attributable to non-controlling interest	(233)
Net assets acquired and liabilities assumed	<u>217,630</u>
Less: Provisional bargain purchase from acquisition of pre-existing EOL entities	(142,206)
Total consideration	<u>75,424</u>

17. Reverse acquisition undertaken by the Group (USD thousands) (cont'd)

The fair values of assets acquired and liabilities assumed, the remeasurement loss on existing stake in joint venture and the bargain purchase arising out of the step-up acquisition of the remaining 50% stake of Lewek Antares Shipping Pte Ltd, are as follows:

Non-current assets

Property, plant and equipment	66,000
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Current assets

Balances due from related companies	143
Cash and bank balances	695
	<u>838</u>

Non-current liability

Bank loans	26,775
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Current liabilities

Trade payables	61
Balances due to related companies	10,441
Bank loans	4,760
	<u>15,262</u>

Net assets acquired and liabilities assumed	24,801
Less: Book value of pre-existing 50% interest	(18,431)
Less: Remeasurement loss on pre-existing 50% interest	6,030
Less: Provisional bargain purchase from step-acquisition of joint venture	(1,290)
Total consideration	<u>11,110</u>

Net cash outflow on reverse acquisition

Cash and cash equivalent balances acquired	70,862
Less: Restricted cash	(30,000)
Less: Consideration paid in cash	(25,000)
Net cash inflow on reverse acquisition	<u>15,862</u>

Impact of acquisition on the results of the Group

Included in the profit for 3Q FY2015 is USD0.7 million attributable to the additional business generated by pre-existing EOL entities. Revenue for the period from pre-existing EOL entities amounted to USD29.6 million.

Had the Business Combination been effected on 1 September 2014, the revenue of the Group from continuing operations would have increased by USD3.5 million, and the profit for the period would have decreased by USD4.3 million.

18. Selected Notes to the Accounts

(i) Basis of preparation

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”). The financial statements are also in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial information should be read in conjunction with the Group’s FY2015 annual financial statements, which include a full description of the Group’s accounting policies.

The consolidated financial information has not been audited or reviewed.

(ii) Adoption of New And Revised Standards

The Group has adopted all the new and revised FRSs and Interpretations of FRSs (“INT FRSs”) that are relevant to its operations and effective for annual periods beginning on 1 September 2015. The adoption of these new/revised FRSs, INT FRSs and amendments to FRSs has no material effect on the amounts reported for the current or prior periods.

(iii) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimated useful lives of vessels

Vessels are depreciated on a straight-line basis over their estimated useful lives. The estimated useful life reflects the management’s estimate of the periods that the Group intends to derive future economic benefits from the use of vessels. Management has assessed that the residual value of the vessels are not material. Changes in the business plans and strategies, expected level of usage and future technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

18. Selected Notes to the Accounts (cont'd)

(iii) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

a) *Key sources of estimation uncertainty (cont'd)*

Impairment of receivables

The Group assesses at each reporting date whether there is objective evidence that receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such allowances are adjusted periodically to reflect the actual and past experience.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use. The fair value less costs to dispose calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. It also enjoys tax incentives in Singapore. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

b) *Critical judgments made in applying accounting policies*

The following are the judgments made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Accounting for sale and leaseback arrangements

At the inception of the respective sale and leaseback arrangements, the Group has evaluated the substance of the transactions in accordance with the requirements of FRS 17 (revised) *Leases*, and concluded that the sales should be recognised upon completion of the respective transactions and the leasebacks should be accounted for as operating leases or finance lease respectively.

18. Selected Notes to the Accounts (cont'd)

b) Critical judgments made in applying accounting policies (cont'd)

Recoverability of AFS investments

At the reporting date, the Group has evaluated whether impairment charge on AFS investments is required due to significant or prolonged decline in the fair value below its cost. Pursuant to an undertaking provided on 15 December 2015, the ultimate holding company, Ezra Holdings Limited, has undertaken to buy from the Group its entire AFS investments at its initial cost and accordingly no impairment loss was recognised. The Group has until 31 December 2016 to sell its stake to Ezra Holdings Limited, subject to entering into definitive agreement.

(iv) Foreign currencies

The Group's consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Foreign currency transactions and balances

Transactions in a currency other than the respective functional currencies ("foreign currency") of the Company and its subsidiaries are recorded on initial recognition in the functional currencies at foreign exchange rates approximating those ruling at the dates of the transactions. Foreign currency monetary items are translated into the functional currency using foreign exchange rate ruling at the end of the reporting period. Non-monetary assets and liabilities measured at historical cost in foreign currencies are translated into the functional currency using foreign exchange rates at the dates of the transactions. Non-monetary items measured at fair value in foreign currencies are translated into the functional currency at exchange rates ruling at the dates the fair value was measured.

Exchange differences arising on the settlement of monetary items or translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Foreign operations

For consolidation purpose, the assets and liabilities of operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at average exchange rates for the financial year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss of the Group.

In the case of partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

18. Selected Notes to the Accounts (cont'd)

(iv) Foreign currencies (cont'd)

(c) Translation of goodwill and fair value adjustments

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entities and are recorded in the functional currencies of the foreign entities and translated at the exchange rates prevailing at the reporting date.

(v) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or accumulated profits, as appropriate.

18. Selected Notes to the Accounts (cont'd)

(vi) Available-for-sale financial assets

AFS financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial recognition, AFS financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

(vii) Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's net investment in the associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

18. Selected Notes to the Accounts (cont'd)

(vii) Associates and joint ventures (cont'd)

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

(viii) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Reverse acquisition

The acquisition of certain subsidiaries of the holding company ("Acquiring Group") on 3 October 2014 has been accounted for as a reverse acquisition and the Acquiring Group are considered the acquirer for accounting purposes. Accordingly, the consolidated financial statements for the financial period then ended are those of the Acquiring Group's consolidated financial statements. Since such consolidated financial statements represent a continuation of the financial statements of the Acquiring Group:

18. Selected Notes to the Accounts (cont'd)

(viii) Business combinations (cont'd)

Reverse acquisition (cont'd)

- the assets and liabilities of the Acquiring Group are recognised and measured in the statement of financial position of the Group at their pre-acquisition carrying amounts;
- the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the Acquiring Group immediately before the Business Combination;
- the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the Acquiring Group immediately before the Business Combination, less the costs of the reverse acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent, including the equity instruments issued by the Company to reflect the reverse acquisition; and
- the comparative figures presented in these consolidated financial statements are those of the Acquiring Group.

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent. Therefore, the cost of the reverse acquisition for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria at their fair values as at 3 October 2014. The excess of the Acquiring Group's interest in the net fair value of those items over the cost of the reverse acquisition is recognised as bargain purchase in the profit or loss.

19. Principal Risks and Uncertainties

The Group is exposed to various known and unknown risks and uncertainties. These uncertainties and risks could develop into actual events that could materially and adversely affect our business or financial conditions, the results of our operations or our prospects. These uncertainties and risks could include, among others:

- Changes in financial markets
- Changes in socioeconomic environments
- The availability of substitute services
- The competitive nature of the offshore oil and gas industry
- Oil and gas prices
- Oil and gas demand
- Improvements in technology
- Changes in local and foreign government regulations
- Changes in economic conditions or political events
- The inability of the Group to obtain financing for potential new builds or to maintain existing assets on favourable financing terms
- Changes in the spending plans of our customers
- Changes in the Group's operating expenses, including crew wages, insurance, dry-docking, repairs and maintenance
- Redeployment risks

As disclosed in the Financial Risk Management section of the EMAS Offshore Limited 2015 Annual Report, the Group is exposed to a number of financial risks including but not limited to credit risk, liquidity risk, foreign currency risk and interest rate risks. It is the policy of the Group to continuously monitor and review these risks and take the necessary steps to minimise the potential effects of these risks on the Group's performance.

Although some factors might be outside our control, as described above, the Group is actively managing any possible operational risk that could arise, through continuous improvements to the current business operational workflow, processes, practices and activities.

20. Event occurring after the reporting period

EMAS Offshore Production Service (Vietnam) Pte Ltd ("EOPS"), a fully owned subsidiary of the Group, have on 1 July 2016 entered into a share purchase agreement for the sale of the entire 41.7% equity share in PV Keez Pte Ltd ("PV Keez") to PetroFirst Infrastructure 2 Limited ("Purchaser"). The aggregate consideration to be received by EOPS shall be an amount in cash equal to:

- i) USD17.8 million, less the aggregate amount of shareholders' loan made by EOPS to PV Keez including all accrued interests outstanding as at 31 May 2016 amounting to USD6.9 million), and to be paid on or before 30 September 2016 (the "Closing Date"); and
- ii) deferred consideration, subject to certain exceptions, in the maximum aggregate amount of USD63.0 million, to be determined on the basis of 20.9% of certain excess operating cash flows in PV Keez generated from the Vessel, if any, to be received by the Purchaser in the form of shareholder distributions or shareholder loans during the period from 1 January 2021 to (and including) 31 December 2025, and such amounts, if any, net of relevant costs, taxes and other specified amounts, to be paid annually.

It is expected that the initial proceeds of USD17.8 million payable on Closing Date will be utilised by EOPS for debt repayment.

The Group is still assessing the fair value of the deferred consideration, the call option and the put option and there are no changes to the provisional estimate made when PV Keez was reclassified to asset held for sale in 2Q FY2016.

21. Key Financial Figures

		9 months ended	9 months ended
	Notes	31 May 2016	31 May 2015
Net (loss)/profit (in USD thousands)		(166,843)	163,249
EBITDA (in USD thousands)		(112,816)	209,949
EBIT (in USD thousands)		(150,719)	176,440
Earnings per share			
– Basic and diluted (in USD cents)	A	(0.38)	0.39
Weighted average number of shares ('000)		438,432	420,844
Interest cover ratio (times)	B	-7.36	21.89
Return on equity	C	-37.0%	39.7%
		As at	As at
	Notes	31 May 2016	31 Aug 2015
Net interest bearing debt (in USD thousands)	D	558,893	557,195
Net tangible assets attributable to the Parent (in USD thousands)		366,414	534,488
Debt equity ratio (times)	E	1.53	1.04
Current ratio (times)	F	1.02	1.09
Net asset value per ordinary share (in USD)	G	0.84	1.22

Notes:

- A. Net profit / Weighted average number of shares
- B. EBITDA / Net interest expenses
- C. Net profit / Average book equity
- D. Interest bearing bank debts less cash and bank balances
- E. Net interest bearing bank debts / Equity
- F. Current assets / Current liabilities
- G. Net asset value / Issued share capital at end of the financial period