Company Registration No. 200702224N

EMAS Offshore Limited and Subsidiaries
(Incorporated in Singapore)

Annual Financial Statements
31 August 2016



EMAS Offshore Limited and Subsidiaries

General Information

Directors

Mr. Lee Kian Soo	(Executive Chairman)
Capt. Adarash Kumar A/L Chranji Lal Amarnath	(Executive Director) (Appointed Chief Executive Officer on 25 September 2015)
Dr. Wang Kai Yuen	(Non-executive Director)
Mr. Cuthbert (Chas) I.J. Charles	(Non-executive Director)
Mr. Dale Bruce Alberda	(Resigned on 28 February 2017)

Company Secretary

Mr. Shannon Ong	(Appointed on 15 July 2016) (Resigned on 28 August 2017)
Mr. Yeo Keng Nien	(Resigned on 15 July 2016)

Registered Office

51 Shipyard Road
Singapore 628139

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Mr. Shekaran Krishnan (appointed since financial year ended 31 August 2015)

Share Registrar

DNB Bank ASA
Dronning Eufemias gate 30
0191 Oslo, Norway

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Principal Bankers

Chinatrust Commercial Bank Co. Ltd
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
RHB Bank Berhad
United Overseas Bank Limited

EMAS Offshore Limited and Subsidiaries

General Information

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The directors are pleased to present their statement to the members together with the audited consolidated financial statements of EMAS Offshore Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 August 2016 (the "FY2016 Financial Statements").

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2016 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, the Company has entered into a binding term sheet with potential investors for the injection of an aggregate amount of US$50 million into the Company ("**Investment**") as part of the financial restructuring of the Group ("**Restructuring**"), and subject to the completion of the Investment and the successful Restructuring, there are reasonable grounds for the FY2016 Financial Statements to be prepared under the assumption of going concern. Further details on the Investment and the Restructuring can be found at note 40 of the notes to the FY2016 Financial Statements.

2. Directors

The directors of the Company in office at the date of this statement are:

Mr. Lee Kian Soo	(Executive Chairman)
Capt. Adarash Kumar A/L Chranji Lal Amarnath	(Executive Director)
Dr. Wang Kai Yuen	(Non-executive Director)
Mr. Cuthbert (Chas) I.J. Charles	(Non-executive Director)

3. Arrangements to enable directors to acquire shares and debentures

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' interests in shares and debentures

The following directors who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
	At 1 September 2015	At 31 August 2016	At 21 September 2016	At 1 September 2015	At 31 August 2016	At 21 September 2016
The Company						
Ordinary shares						
Mr. Lee Kian Soo	–	–	–	–	–	–
Dr. Wang Kai Yuen	75,000	75,000	75,000	–	–	–
Capt. Adarash Kumar A/L Chranji Lal Amarnath	164,000	164,000	164,000	–	–	–

	Direct interest			Deemed interest		
	At 1 September 2015	At 31 August 2016	At 21 September 2016	At 1 September 2015	At 31 August 2016	At 21 September 2016
Ultimate holding company						
Ezra Holdings Limited						
Ordinary shares						
Mr. Lee Kian Soo	45,390,800	45,390,800	45,390,800	–	–	–
Capt. Adarash Kumar A/L Chranji Lal Amarnath	8,203,592	8,392	8,392	–	–	–
Mr. Dale Bruce Alberda	20,800	20,800	20,800	–	–	–
Related company						
Triyards Holdings Limited						
Ordinary shares						
Mr. Lee Kian Soo	1,505,000	1,505,000	1,505,000	–	–	–
Capt. Adarash Kumar A/L Chranji Lal Amarnath	788,807	788,807	788,807	–	–	–

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr. Lee Kian Soo is deemed to have an interest in all the related corporations of the Company from the start to the end of the financial year.

Except as disclosed in this statement, no other director who held office at the end of financial year had interests in shares, share options or debentures of the Company or of related corporations, either at the beginning or at the end of the financial year.

5. Share options

In 2007, the shareholders approved the EOC Employee Share Option Scheme ("EOC ESOS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to directors and key employees of the Company.

The EOC ESOS will be administered by the EOC Remuneration Committee, or such other committee comprising directors duly authorised and appointed by the Board of Directors, which will decide the provisions and terms and condition of each grant.

There are no share option schemes for other corporations in the Group.

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company were granted.

(b) Options exercised

During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company under option.

6. Employee Share Plan

The Company implemented the Employee Share Plan (the "Plan") with the approval of shareholders at the Extraordinary General Meeting held on 22 August 2014. The Plan shall continue to be in force up to a maximum of ten years from 22 August 2014. This Plan gives the flexibility to either allot and issue new shares or purchase and deliver existing treasury shares upon the vesting of awards.

Participants will receive fully paid shares free of charge, upon the Participant satisfying the criteria set out in the Plan. The vesting period for the shares granted is three years. The number of shares to be allocated to each participant will be determined at the end of the performance period based on the level of attainment of the performance targets and the prevailing market price of the Company's share at grant date.

The Remuneration Committee is responsible for administering the share option and employee share plan. At the date of this statement, the members of the Remuneration Committee are as follows:

Mr. Cuthbert (Chas) I.J. Charles (Chairman)
Dr. Wang Kai Yuen

As at date of this statement, no shares have been granted under the Plan for performance period ended 31 August 2016.

7. Audit Committee

The Audit Committee ("AC") comprises two board members, all of whom are non-executive directors. The members of the AC at the date of this statement are:

Dr. Wang Kai Yuen (Chairman)
Mr. Cuthbert (Chas) I.J. Charles

The Company has adopted the Best Practices Guide and the Code of Corporate Governance 2012 in relation to the roles and responsibilities of the AC. The AC performed the following functions:

(a) reviewed the audit plans of the internal and external auditors of the Company and the co-operation given by the Company's management to the external and internal auditors;

(b) reviewed the internal auditor's evaluation of the adequacy of the Group's system of internal accounting controls;

(c) reviewed the annual financial statements and the independent auditor's report on the annual financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the Board of Directors;

(d) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(e) met with the external auditor to discuss the results of their examinations;

(f) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(g) reviewed the independence and objectivity of the external auditor;

(h) reviewed the nature and extent of non-audit services provided by the external auditor;

(i) recommended to the Board of Directors the external auditor to be nominated and reviewed the scope and results of the audit;

(j) reviewed actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;

(k) reviewed interested person transactions; and

(l) reviewed the budget for the Group before its submission to the Board of Directors.

Apart from the above functions, the AC will commission and review the findings of internal investigations into matters where there is suspicion of fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation, which has or is likely to have a material impact on the Group's operating results and/or financial position. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

7. Audit Committee (cont'd)

During the financial year ended 31 August 2016, the AC has held six (6) meetings. The AC reviewed and approved the quarterly financial announcements prior to recommending their release to the Board, as applicable. Interested person transactions of the Group during the financial year have also been reviewed by the AC. The AC has been given full access to and obtained the co-operation of the Company's management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has met with the internal and external auditors without the presence of the management. The AC has met with the internal auditors independently to discuss on the results of their examinations and their evaluation of the system of internal accounting controls. The AC also met with the external auditor to discuss the results of their examinations relevant for their financial statements attestation purposes.

The AC has reviewed the non-audit services rendered to the Group by the external auditor, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor, is pleased to recommend their re-appointment.

Further details regarding the AC are disclosed in the Corporate Governance Report.

8. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Mr. Lee Kian Soo
Director

Capt Adarash Kumar A/L Chranji Lal Amarnath
Director

Singapore

8 DEC 2017

Independent Auditor's Report to the Members of Emas Offshore Limited

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Emas Offshore Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 August 2016, income statements, statements of comprehensive income and statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance to Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. *Use of the going concern assumption*

   As disclosed in Note 2.1 to the financial statements, the Group and the Company have reported a loss of US$535,240,000 and US$254,612,000 for the year and were in net current (liabilities)/assets position of (US$678,907,000) and US$79,941,000 as at 31 August 2016, respectively. In addition, the cashflows of the Group has been extremely challenging and the Group has not been paying its principal and interests to financial institutions as well as bareboat charter payments to its lessors. The Group has also received various letters of demand from vendors, financial institutions and lessors. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

Auditor's Responsibility (cont'd)

***Basis for Disclaimer of Opinion* (cont'd)**

1. *Use of the going concern assumption (cont'd)*

The financial statements have been prepared using the going concern assumption as the Directors are of the view that the Group and the Company will be able to successfully complete the restructuring exercise as discussed in Note 40(iv) to enable the Group to meet its liabilities as and when they fall due. However, we are unable to obtain sufficient appropriate evidence to conclude whether the use of going concern assumption to prepare the these financial statements is appropriate as the outcome of the financial restructuring exercise has yet to be concluded satisfactorily at the date of these financial statements and is inherently uncertain.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to reclassify its non-current assets as current assets. No such adjustments have been made to these financial statements.

2. *Carrying amount of assets*

The balance sheet of the Group and the Company includes the following classes of assets as at 31 August 2016:

	Carrying amount	
	Group	**Company**
	US$'000	US$'000
Property, plant and equipment (Note 4)	742,943	—
Investment in subsidiaries (Note 6)	—	27,917
Investment in associates (Note 7)	17,116	—
Investment in joint ventures (Note 8)	103,943	103,392
Long term receivables (Note 9)	12,634	—
Other receivables (Note 12)	136,922	343,680

Auditor's Responsibility (cont'd)

***Basis for Disclaimer of Opinion* (cont'd)**

2. *Carrying amount of assets (cont'd)*

Management has made various assumptions and exercised significant judgements in determining the carrying amounts of assets. The key ones relate to:

- The reasonableness of the recoverable amount of the vessels under property, plant and equipment. This requires judgment regarding future charter rates, charter periods and vessel utilization for value in use assessment. Further, in instances where the recoverable amount is determined based on fair value less cost of disposal, management has assessed that the fair values of vessels, as determined by independent professional valuers, are appropriate. However, given the material uncertainties over the going concern of the Group and the Company, we were unable to determine the reasonableness and appropriateness of the carrying values of these assets recognized in these financial statements.

- The recoverable amounts of investments in subsidiaries, associates and joint ventures are determined based on the adjusted net assets value of these investments. This takes into account the fair values of the underlying vessels in the respective entities. However, we were unable to determine the reasonableness of these recoverable amounts in view of the disclaimer opinions and emphasis of matter considerations relating to going concern considerations expressed by the auditors of these entities as discussed in more details in the respective notes.

- As discussed more fully in Note 9 and Note 12, the carrying amounts of both long term and other receivables is based on management's judgment about the successful conclusion of the financial restructuring exercise and the ability of related parties to repay on a timely basis and recovery of receivables from lessors. As at the date of these financial statements, the outcome of the financial restructuring exercise has yet to be concluded satisfactorily and the recoverability of the amounts due from related parties and long term receivables are predicated on the satisfactory completion of the restructuring exercise as discussed in the respective notes.

We have not been able to obtain sufficient and appropriate audit evidence for us to obtain reasonable assurance on the carrying amounts for the above classes of assets. Consequently, we are also unable to determine whether any adjustments to the impairment loss recorded for the year and to the carrying values of the abovementioned assets are required.

Independent Auditor's Report to the Members of Emas Offshore Limited

Auditor's Responsibility (cont'd)

***Basis for Disclaimer of Opinion* (cont'd)**

3. *Completeness of liabilities and provisions*

As at the date of these financial statements, the conclusion of some of the events after reporting period as disclosed in Note 40 to the financial statements remains uncertain. Upon their conclusion, they might require significant adjustments to the liabilities and provisions recognised in these financial statements as at 31 August 2016.

We have not been able to obtain sufficient appropriate evidence to ascertain if the liabilities and provisions recorded as at 31 August 2016 are complete. As a result, we are unable to determine whether any adjustments might be necessary in respect of these financial statements for the financial year ended 31 August 2016.

In view of the matters set out in the preceding paragraphs, we are unable to determine the appropriateness, completeness and accuracy of the financial statements, nor are we able to quantify the extent of further adjustments that might be necessary in respect of these financial statements of the Group and the balance sheet of the Company for the financial year ended 31 August 2016.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph above, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion, we are unable to report on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

8 DEC 2017

EMAS Offshore Limited and Subsidiaries

Statements of financial position
As at 31 August 2016

(Amounts expressed in United States dollars)

	Note	Group		Company	
		2016	2015	2016	2015
		US$'000	US$'000	US$'000	US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	742,943	755,887	–	–
Investments in subsidiaries	6	–	–	27,917	153,299
Investments in associates	7	17,116	110,384	–	–
Investments in joint ventures	8	103,943	181,622	103,392	148,364
Long term receivables	9	12,634	37,591	–	–
Lease receivables	11	1,222	–	–	–
Total non-current assets		877,858	1,085,484	131,309	301,663
Current assets					
Inventories and work-in-progress	10	1,764	6,262	–	–
Lease receivables	11	592	–	–	–
Trade receivables	12	16,471	33,155	–	–
Other receivables	12	136,922	276,942	343,680	344,072
Prepayments		14,165	17,292	1,206	1,465
Available-for-sale ("AFS") investment	13	–	9,989	–	9,989
Cash and cash equivalents	14	12,484	61,333	362	6,307
Total current assets		182,398	404,973	345,248	361,833
Assets held for sale	15	29,597	–	–	–
Total assets		1,089,853	1,490,457	476,557	663,496

Statements of financial position
As at 31 August 2016 (cont'd)

(Amounts expressed in United States dollars)

	Note	Group		Company	
		2016	2015	2016	2015
		US$'000	US$'000	US$'000	US$'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank term loans	20	466,829	84,879	45,000	–
Trade payables	16	36,039	12,789	–	–
Other payables and accruals	16	132,035	141,832	177,455	152,780
Derivative financial instruments	8	20,719	–	20,719	–
Bills payable to banks	17	101,464	120,923	22,000	42,000
Deferred income	18	4,108	436	–	–
Lease obligations	19	97,002	1,188	–	–
Onerous contracts	21	24,225	–	–	–
Income tax payable		8,481	7,820	133	115
Total current liabilities		890,902	369,867	265,307	194,895
Net current (liabilities)/assets		(678,907)	35,106	79,941	166,938
Non-current liabilities					
Bank term loans	20	–	412,726	–	45,000
Other payables	16	125,000	156,970	125,000	125,000
Derivative financial instruments		266	404	–	–
Deferred income	18	26,396	5,822	–	–
Lease obligations	19	–	10,169	–	–
Deferred tax liabilities	22	1,675	11	–	–
Total non-current liabilities		153,337	586,102	125,000	170,000
NET ASSETS		45,614	534,488	86,250	298,601
EQUITY					
Share capital	23	229,541	235,939	357,211	357,211
Treasury shares	25	(718)	(718)	(718)	(718)
Accumulated (losses)/profits		(183,487)	351,753	(270,243)	(15,631)
Translation reserve	24	(4,879)	(5,233)	–	–
Hedging reserve	24	–	3	–	–
Fair value adjustment reserve	24	–	(46,015)	–	(42,261)
Capital reserve	24	5,157	(1,241)	–	–
TOTAL EQUITY		45,614	534,488	86,250	298,601

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

EMAS Offshore Limited and Subsidiaries

Consolidated statement of profit or loss and other comprehensive income
For the financial year ended 31 August 2016

(Amounts expressed in United States dollars)

	Note	Group 2016 US$'000	Group 2015 US$'000
Revenue	26	167,579	247,171
Cost of sales		(215,659)	(217,818)
Gross (loss)/profit		(48,080)	29,353
Other (expense)/income, net	27	(378,107)	192,950
Administrative expenses		(97,844)	(27,584)
(Loss)/profit from operations		(524,031)	194,719
Financial income	30	3,482	2,651
Financial expenses	31	(27,951)	(16,220)
Share of results of associates		7,645	11,616
Share of results of joint ventures		9,394	14,751
(Loss)/profit before tax	28	(531,461)	207,517
Tax	22	(3,779)	(7,973)
(Loss)/profit after tax		(535,240)	199,544
Attributable to:			
Owners of the Company		(535,240)	199,544
Non-controlling interests		–	*
		(535,240)	199,544
(Loss)/earnings per share (US cents per share)	32		
- basic		(1.22)	0.47
- diluted		(1.22)	0.47

** Less than US$1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

EMAS Offshore Limited and Subsidiaries

Consolidated statement of profit or loss and other comprehensive income
For the financial year ended 31 August 2016

(Amounts expressed in United States dollars)

	Note	Group 2016 US$'000	2015 US$'000
(Loss)/profit after tax		(535,240)	199,544
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		(3)	3
Changes in fair value of AFS investment	13	(9,989)	(46,015)
Impairment on available for sale investment	13	56,004	–
Exchange difference on translation of foreign operations		431	(5,677)
Share of other comprehensive income of a joint venture		(77)	77
Total comprehensive income for the financial year		(488,874)	147,932
Total comprehensive income attributable to:			
Owners of the Company		(488,874)	147,932
Non-controlling interests		–	*
Total comprehensive income for the financial year		(488,874)	147,932

** Less than US$1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

EMAS Offshore Limited and Subsidiaries

Statements of changes in equity
For the financial year ended 31 August 2016

(Amounts expressed in United States dollars)

	Attributable to owners of the Company									
Group	**Share Capital (Note 23)**	**Treasury shares (Note 25)**	**Hedging reserve**	**Fair value adjustment reserve**	**Capital reserve**	**Translation reserve**	**Accumulated profits/(losses)**	**Total equity attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 September 2014	13,248	–	–	–	(1,241)	367	302,209	314,583	–	314,583
Profit for the year	–	–	–	–	–	–	199,544	199,544	*	199,544
Other comprehensive income for the year	–	–	3	(46,015)	–	(5,600)	–	(51,612)	–	(51,612)
Total comprehensive income for the year	–	–	3	(46,015)	–	(5,600)	199,544	147,932	–	147,932
Contributions by and distributions to owners										
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)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	(233)	(233)
Total contributions by and distributions to owners	222,691	(718)	–	–	–	–	(150,000)	71,973	–	71,973
Total transactions with owners in their capacity as owners	222,691	(718)	–	–	–	–	(150,000)	71,973	–	71,973
Balance at 31 August 2015	235,939	(718)	3	(46,015)	(1,241)	(5,233)	351,753	534,488	–	534,488
Loss for the year	–	–	–	–	–	–	(535,240)	(535,240)	–	(535,240)
Other comprehensive income for the year	–	–	(3)	46,015	–	354	–	46,366	–	46,366
Total comprehensive income for the year	–	–	(3)	46,015	–	354	(535,240)	(488,874)	–	(488,874)
Contributions by and distributions to owners										
Strike off of holding companies	(6,398)	–	–	–	6,398	–	–	–	–	–
Total contributions by and distributions to owners	(6,398)	–	–	–	6,398	–	–	–	–	–
Total transactions with owners in their capacity as owners	(6,398)	–	–	–	6,398	–	–	–	–	–
Balance at 31 August 2016	229,541	(718)	–	–	5,157	(4,879)	(183,487)	45,614	–	45,614

** Less than US$1,000*

Statements of changes in equity
For the financial year ended 31 August 2016 (cont'd)

(Amounts expressed in United States dollars)

Company	Share Capital (Note 23)	Treasury shares (Note 25)	Fair value adjustment reserve	Accumulated profits/(losses)	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 September 2014	94,578	–	10,832	25,838	131,248
Loss for the financial year	–	–	–	(22,138)	(22,138)
Other comprehensive income for the financial year	–	–	(53,093)	–	(53,093)
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 Kroner 1.12 per share (Note 39)	–	–	–	(19,331)	(19,331)
	262,633	(718)	–	(19,331)	242,584
Balance at 31 August 2015	357,211	(718)	(42,261)	(15,631)	298,601
Loss for the financial year	–	–	–	(254,612)	(254,612)
Other comprehensive income for the financial year	–	–	42,261	–	42,261
Balance at 31 August 2016	357,211	(718)	–	(270,243)	86,250

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

EMAS Offshore Limited and Subsidiaries

Consolidated statement of cash flows
For the financial year ended 31 August 2016

(Amounts expressed in United States dollars)

	Note	Group 2016 US$'000	2015 US$'000
Cash flows from operating activities			
(Loss)/profit before tax		(531,461)	207,517
Adjustments for:			
Depreciation expense	4	55,747	45,813
Property, plant and equipment written off	4	8,664	–
Impairment loss on property, plant and equipment	4	108,695	–
Loss/(gain) on disposal of property, plant and equipment	27	7,402	(33,954)
Remeasurement loss arising from step-acquisition of joint venture	27	–	6,030
Realised loss/(gain) on derivative instruments	27	165	(92)
Share of results of associates		(7,645)	(11,616)
Share of results of joint ventures		(9,394)	(14,751)
Fair value changes of derivative instruments	27	20,578	–
Impairment on AFS investment	27	56,004	–
Bad debts written off	28	67,608	–
Bad debts recovered	27	(14)	(343)
Unrealised exchange loss/(gain)		2,436	(5,810)
Interest expense	31	27,951	16,220
Interest income	30	(3,482)	(2,651)
Loss recognised on remeasurement to fair value less costs to sell on assets held for sale	27	50,194	–
Allowance for doubtful debts, net	28	11,911	4,607
Bargain purchase arising from the reverse acquisition	27	–	(154,686)
Bargain purchase arising from step-acquisition of joint venture	27	–	(1,290)
Impairment loss on joint ventures	27	81,621	–
Impairment loss on an associate	27	20,686	–
Impairment of goodwill	27	–	311
Amortisation of deferred income	27	(1,423)	–
Provision for onerous contracts	21	24,225	–
Operating cash flows before movements in working capital		(9,532)	55,305
Decrease/(increase) in:			
Inventories and work-in-progress		4,498	(2,085)
Trade receivables		13,279	22,835
Other debtors, deposits and prepayments		11,404	727
Due from holding company		4,404	3,572
Due from related companies		35,973	55,369
Due from associates		1,622	(3,938)
Due from joint ventures		(816)	(15,989)
Increase/(decrease) in:			
Trade payables		23,250	(10,462)
Other payables and accruals		(18,871)	(35,285)
Due to holding company		20,067	(107,450)
Due to associates		7,882	2,504
Due to joint ventures		103	–
Due to related companies		(19,021)	45,963
Cash generated from operations		74,242	11,066
Interest paid		(17,680)	(13,487)
Interest income received		1,949	723
Income taxes paid		(1,456)	(7,246)
Net cash flow generated from/(used in) operating activities		57,055	(8,944)

Consolidated statement of cash flows
For the financial year ended 31 August 2016 (cont'd)

(Amounts expressed in United States dollars)

	Note	Group 2016 US$'000	Group 2015 US$'000
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	6	–	15,862
Purchase of property, plant and equipment	A	(120,388)	(37,611)
Proceeds from disposal of assets held for sale		–	17,750
Proceeds from disposal of property, plant and equipment	B	47,645	4,240
Dividend received from a joint venture		728	–
Decrease/(increase) in cash pledged		36,416	(3,868)
Net cash flows used in investing activities		(12,975)	(3,627)
Cash flows from financing activities			
Payment of dividends by a subsidiary to non-controlling interests		–	(233)
Proceeds from bills payable		1,500	5,000
Repayment of bills payable		(21,500)	(38,894)
Purchase of treasury shares		–	(718)
Proceeds from bank loans		62,616	115,747
Repayment of bank loans		(93,284)	(102,348)
Proceeds from issuance of placement shares, net of transaction costs		–	44,157
Repayment of lease obligations		(5,796)	(1,282)
(Payment)/receipt of derivative instrument, net		(166)	92
Net cash flows (used in)/from financing activities		(56,630)	21,521
Net (decrease)/increase in cash and cash equivalents		(12,550)	8,950
Effects of exchange on cash and cash equivalents		117	(644)
Cash and cash equivalents at beginning of the financial year		24,035	15,729
Cash and cash equivalents at end of the financial year	14	11,602	24,035

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the consolidated statement of cash flows

A. Purchase of property, plant and equipment

	Group	
	2016	**2015**
	US$'000	US$'000
Aggregate cost of property, plant and equipment acquired	195,548	87,268
Option price payable (Note 16)	–	(37,720)
Purchases paid in advance	(2,129)	–
Purchase by way of lease obligation	(73,031)	(11,937)
Purchase of property, plant and equipment in cash	120,388	37,611

B. Disposal of property, plant and equipment, net of cash received

The Group disposed certain property, plant and equipment on a sale and leaseback arrangement during the financial year. The proceeds received were calculated as follows:

	2016	**2015**
	US$'000	US$'000
Carrying amount of the property, plant and equipment (Note 4)	35,448	40,889
(Loss)/gain on disposal of property, plant and equipment (Note 27)	(7,402)	33,954
Fair value of sales consideration	28,046	74,843
Disposal by way of lease receivables	(1,760)	–
Disposal by way of other receivables	(3,500)	–
Disposal by way of sale and leaseback arrangement	41,839	–
Amount due from a related company	–	(145)
Deferred consideration at amortised cost	(25,018)	(72,092)
Selling expenses payable	8,038	1,634
	47,645	4,240

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

EMAS Offshore Limited (the "Company") is a limited liability company, incorporated and domiciled in Singapore and is listed on the Oslo Børs, Norway and the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 51 Shipyard Road, Singapore 628139.

The principal activities of the Company are those of investment holding and provision of ship management services. The principal activities of the subsidiaries, associates and joint venture are as shown in Notes 6, 7 and 8 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The immediate and ultimate holding company is Ezra Holdings Limited which is incorporated in the Republic of Singapore.

The Group operates in Singapore, South East Asia, Australia, India, Africa and Americas.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

As at 31 August 2016, the Group and the Company have reported a loss of US$535,240,000 and US$254,612,000 for the year and were in net current (liabilities)/assets position of (US$678,907,000) and US$79,941,000 respectively, and have breached certain financial covenants during the financial year. In addition, the cashflows of the Group has been extremely challenging in which the Group has not been paying its principal and interests to financial institutions as well as bareboat payments to its lessors. The Group has also received various letters of demand from vendors, financial institutions and lessors. As such, the Group has started its refinancing discussion with the various financial institutions to refinance its financial obligations. The Group was in initial discussion with all its financial lenders to refinance its financial obligations over a period of 5 years from December 2016 ("Refinancing") and retrospectively exempt the Group from complying with financial covenants until FY2020. The agreement also contemplates the raising of new working capital facilities, which is subject to certain conditions ("Ongoing Initiatives").

In March 2017, the Company announced that the completion of the above Ongoing Initiatives have been delayed as the ultimate holding company had voluntarily filed a petition for relief under Chapter 11 of the United States Bankruptcy Code to obtain the protection of the United States Bankruptcy Court while a restructuring is being pursued. Such action has impacted the completion of the Ongoing Initiatives negatively. As such, the Group is unable to complete the Ongoing Initiatives in a timely manner, and it will not be able to discharge its liabilities in the ordinary course of business hence significantly affecting the Group's going concern and its daily operations.

2. Summary of significant accounting policies (cont'd)

2.1 *Basis of preparation (cont'd)*

In August 2017, the Company entered into a binding term sheet with certain potential investors as part of the financial restructuring of the Group ("Restructuring Exercise"). The Group intends to undertake a Restructuring Exercise to restructure its existing secured and unsecured liabilities as well as any outstanding obligations and any contingent liabilities to substantially deleverage the Group and Company's balance sheet and strengthen its working capital position to enable the Group to continue as a going concern.

The Restructuring Exercise is proposed to be carried out mainly by way of: (i) a scheme of arrangement under Section 210 or Section 211 of the Companies Act (Chapter 50 of Singapore) in Singapore to deal with settlement and discharge of outstanding debts (the "Scheme"); and (ii) the issuance of new shares in the Company for subscription by each of the potential investors. The total investment amount to be made by the potential investors is estimated to be US$50 million for the Restructuring Exercise.

In connection with the Restructuring Exercise, the Company, together with its wholly owned subsidiaries, Emas Offshore Pte Ltd and Emas Offshore Services Pte Ltd (collectively the "Entities"), made a voluntarily application to the High Court of the Republic of Singapore under section 211(B)(1) of the Companies Act (Chapter 50).

Pursuant to section 211B(8) of the Companies Act, during the period commencing on the filing of the application and ending on the earlier of 30 days after the applications are made and the date on which the applications are decided by the Court, a moratorium takes effect and no order may be made for winding up of the Entities. This will thus provide stability for the daily operations of the Group to continue with support of the key trade suppliers and allow the Entities an opportunity and adequate time to pursue the Restructuring Exercise.

Upon the completion of the Restructuring Exercise and the injection of new funds, the balance sheet of the Group and Company will be deleveraged substantially and the new funds will provide working capital support to enable the Group to continue as a going concern. The directors of the Company believed that the Group and the Company will be able to successfully complete the financial restructuring exercise and accordingly, the directors are of the opinion that the use of going concern assumption in preparing the accompanying financial statements is appropriate.

If the financial statements are presented on a realisation basis, the carrying value of its assets and liabilities may be materially different. If the Group and Company is unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and Company may have to reclassify its non-current assets as current assets. No such adjustments have been made to these financial statements.

The financial statements are presented in United States Dollars ("USD" or "US$" or "$") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

(a) *Adoption of revised FRS and INT FRS*

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except in the current financial year, the Group and the Company have adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 September 2015. The adoption of these standards and Interpretations did not have any effect on the financial performance or position of the Group and the Company.

(b) *FRS and INT FRS not yet effective*

The Group and the Company have not adopted the following standards and interpretations that are applicable to the Group that have been issued but not yet effective:

Description	***Effective for annual periods beginning on or after***
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sales and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendments to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 116 *Leases*	1 January 2019

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

(b) *FRS and INT FRS not yet effective (cont'd)*

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 *Leases*

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities.

2. Summary of significant accounting policies (cont'd)

2.3 *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 US$ 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 a 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.

(c) *Translation of goodwill and fair value adjustments*

Goodwill and fair value adjustments arising on the acquisition of foreign entities are deemed to be assets and liabilities of the Company and continue to be recorded at the exchange rates at the respective dates of the acquisition.

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations*

(a) *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.

(b) *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.

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations (cont'd)*

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. The accounting policy for goodwill is set out in Note 2.10. 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:

(i) 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;
(ii) 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; and
(iii) 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.

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations (cont'd)*

Reverse acquisition (cont'd)

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.

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.7 *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

2. Summary of significant accounting policies (cont'd)

2.7 *Joint arrangements (cont'd)*

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.8.

2.8 *Associates and joint ventures*

An associates 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 account 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.

2. Summary of significant accounting policies (cont'd)

2.8 *Associates and joint ventures (cont'd)*

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.

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.

2.9 *Property, plant and equipment*

Property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses unless stated otherwise below. The cost includes the cost of replacing part of the fixed assets and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying fixed asset. The accounting policy for borrowing costs is set out in Note 2.18. The cost of a fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit or loss.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

A property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss resulting from derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

Depreciation is calculated on a straight-line basis to write off the cost of fixed assets over their estimated useful lives. The estimated useful lives of fixed assets are as follows:

Renovations	-	5 years
Assets on board the vessels	-	3 - 20 years
Motor vehicles	-	5 years
Furniture, fittings and office equipment	-	3 years
Plant and machinery	-	10 years
Vessels	-	20 to 25 years
Dry-docking costs	-	5 years
Computers	-	3 years

2. Summary of significant accounting policies (cont'd)

2.9 *Property, plant and equipment (cont'd)*

Vessels and assets under construction are stated at cost. These costs include all progress billings received in accordance with the construction contracts, interest charges arising from borrowings used to finance the construction and other directly attributable costs. Vessels and assets under construction are not depreciated until such time they are completed and available for operational use.

Drydocking expenses, when incurred, will be deferred and amortised on a straight-line basis over the period to the next drydocking date.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets.

2.10 *Intangible assets*

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less impairment losses. On disposal of a subsidiary, associates or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to dispose and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to dispose, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.12 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. The accounting policy for derivative financial instruments and hedging activities is included in Note 2.17.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(iii) AFS 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.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is de-recognised where the contractual rights to receive cash flows from the asset have expired.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.13 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.13 *Impairment of financial assets (cont'd)*

(b) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at banks and fixed deposits subject to an insignificant risk of changes in value.

2.15 *Assets held for sale*

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) are measured in accordance with the applicable FRS. Upon classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

Fixed assets and intangible assets once classified as held for sale are not depreciated or amortised.

2. Summary of significant accounting policies (cont'd)

2.16 *Inventories and work-in-progress*

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated cost of disposal and after making allowance for any damaged and obsolete inventories.

Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Inventories held for trading: cost is determined on a specific identification basis.
- Consumables: purchase costs on a first-in first-out basis.

Inventories comprise mainly inventories held for the Marine Services division.

Work-in-progress comprises uncompleted engineering and equipment supply contracts. It is stated at cost less progress billings. Cost comprises direct material, direct labour and other directly attributable expenses. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained.

2.17 *Derivative financial instruments and hedging activities*

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the financial year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate derivative contracts are determined by reference to market values for similar instruments.

Hedge accounting

The Group designates certain derivatives as cash flow hedges when there is hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

2. Summary of significant accounting policies (cont'd)

2.17 *Derivative financial instruments and hedging activities (cont'd)*

Hedge accounting (cont'd)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the derivative financial instruments that qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss in "Other (expenses)/income, net".

Amounts accumulated in the hedging reserve in the equity are transferred to profit or loss in the periods when the hedged items affect profit or loss, such as when the hedged financial expense is recognised.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

2.18 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.19 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 *Leases*

(a) *Finance lease – when the Group is a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of estimated useful life of the asset as outlined in Note 2.9 and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(b) *Finance lease – when the Group is a lessor*

Leases of assets where substantially all the risks and rewards incidental to legal ownership of the assets are transferred by the Group to the lessees are classified as finance leases.

The lease asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet and included in "lease receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance lease income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the finance lease income.

2. Summary of significant accounting policies (cont'd)

2.20 ***Leases (cont'd)***

(c) *Operating lease – when the Group is a lessee*

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(d) *Operating lease – when the Group is a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Assets leased out under operating lease are included in fixed assets and are stated at cost less accumulated depreciation and impairment loss. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.24. Contingent rents are recognised as revenue in the period in which they are earned.

2.21 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.21 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances arise. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.21 *Taxes (cont'd)*

(c) *Sales tax*

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

2.22 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of new equity shares are deducted against share capital.

2.23 *Treasury shares*

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.24 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty:

(a) Vessel charter income is recognised on a time apportionment basis in accordance to the terms and conditions of the charter agreement. Charter income is deferred to the extent that conditions necessary for its realisation have yet to be fulfilled.

(b) Management fees, agency fees and fees in respect of ship management are recognised when services are rendered.

(c) Trading sales is recognised upon the passing of title to the customer which generally coincides with delivery and acceptance of the goods sold.

(d) Revenue from project management is recognised when service is rendered.

(e) Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.25 *Employee benefits*

(a) *Pensions and other post employment benefits*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

(c) *Employee share plan*

Employees of the Group receive remuneration in the form of share awards as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured with reference to the fair value of the awards at the date on which the awards were made. This cost is recognised in profit or loss over the vesting period.

2.26 *Contingent liabilities*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. Summary of significant accounting policies (cont'd)

2.27 ***Financial guarantee***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the 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.

(i) 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. A 4% (2015: 4%) difference in the expected useful lives of the vessels from management's estimates would result in approximately 0.3% (2015: 0.9%) variance in (loss)/profit for the financial year.

3. Significant accounting estimates and judgments (cont'd)

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

(ii) 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. As at 31 August 2016, the carrying amount of trade and other receivables of the Group amounted to US$16,471,000 and US$136,922,000 (2015: US$33,155,000 and US$276,942,000) respectively.

Included in the Group's trade receivables is a balance amounting to US$10,231,000 (2015: US$7,462,000) that is aged more than 365 days. The Group has provided US$7,610,000 (2015: US$6,512,000) and expects that the debtors will be able to repay the remaining receivables.

Included in the Group's other receivables are balances due from related companies and a joint venture held with Perisai Petroleum Teknologi Bhd ("PPT") amounting to US$332,000 and US$8,455,000 respectively. The Group has commenced legal proceedings against the joint venture on 9 November 2016 to recover the receivables. The Group has provided in full the remaining amounts due from the related companies and the joint venture.

(iii) Impairment of non-financial assets

An 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.

The impairment loss on property, plant and equipment for the year amounted to US$108,695,000

3. Significant accounting estimates and judgments (cont'd)

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

(iv) 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. As at 31 August 2016, the carrying amount of the Group's current tax payable and deferred tax liabilities were US$8,481,000 (2015: US$7,820,000) and US$1,675,000 (2015: US$11,000) respectively.

(v) Impairment of investment in joint ventures and associates

An impairment exists when the carrying value of the investment in joint ventures and associates exceeds its recoverable amount. The recoverable amount is based on either valuation of the vessels owned by the joint ventures and associates as determined by independent valuation expert or based on value in use calculation using discounted cash flow model. The cash flows are derived from the budget for the next five years. 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.

(vii) Provision for onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(viii) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

With reference to Note 2.1 and Note 40, the Group has breached certain financial covenants during the financial year, triggering event of default across the group. In addition, the Group has not been paying its principal and interests to financial institutions as well as bareboat payments to its lessors. This has resulted in the receipt of various letters of demand from vendors, financial institutions and lessors.

3. Significant accounting estimates and judgments (cont'd)

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

(viii) Contingent Liabilities (cont'd)

Contingent liabilities are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

(viii) Fair value of asset held for sale

Upon the classification of an asset as asset held for sale, the asset is to be measured at the lower carrying amount and fair value less costs to sell. As disclosed in Note 15, the consideration for the asset held for sale comprise of a cash element and a deferred consideration. The fair value of the deferred consideration is determined using valuation technique such as monte-carlo simulation. The inputs to the model are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required to establish the fair value of the deferred consideration.

(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:

(i) 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 INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and FRS 17 (revised) *Leases*. The sales should be recognised upon completion of the transaction if the leaseback is accounted for as operating lease and there is no de-recognition of asset for leaseback accounted for as finance lease.

4. Property, plant and equipment

Group	Renovations US$'000	Assets on board the vessels US$'000	Motor vehicles US$'000	Furniture, fittings and office equipment US$'000	Plant and machinery US$'000	Vessels US$'000	Dry-docking costs US$'000	Vessels and equipment under construction US$'000	Computers US$'000	Total US$'000
Cost										
At 1 September 2014	85	5,928	462	71	3,521	630,774	42,392	–	130	683,363
Additions	113	2,272	–	1	–	67,107	10,690	7,084	1	87,268
Acquisition through business combination	4	–	–	–	–	143,000	–	41,797	–	184,801
Disposals	(11)	–	(60)	(19)	–	(42,080)	(1,119)	–	(41)	(43,330)
Reclassification - Fixed assets	–	–	–	–	–	36,980	–	(36,980)	–	–
Translation difference	(36)	–	(60)	(14)	–	(480)	–	–	(25)	(615)
At 31 August 2015 and 1 September 2015	155	8,200	342	39	3,521	835,301	51,963	11,901	65	911,487
Additions	4	451	–	–	–	175,842	17,183	2,020	48	195,548
Disposals	(4)	–	–	(1)	(3,521)	(32,316)	(989)	(3,500)	–	(40,331)
Written off	–	–	–	–	–	–	–	(8,664)	–	(8,664)
Reclassification - Fixed assets	–	–	–	–	–	1,757	–	(1,757)	–	–
Translation difference	5	–	6	2	–	(44)	–	–	4	(27)
At 31 August 2016	160	8,651	348	40	–	980,540	68,157	–	117	1,058,013

4. Property, plant and equipment (cont'd)

Group	Renovations US$'000	Assets on board the vessels US$'000	Motor vehicles US$'000	Furniture, fittings and office equipment US$'000	Plant and machinery US$'000	Vessels US$'000	Dry-docking costs US$'000	Vessels and equipment under construction US$'000	Computers US$'000	Total US$'000
Accumulated depreciation and impairment loss										
At 1 September 2014	69	2,173	180	67	1,291	93,051	16,493	–	117	113,441
Charge for the financial year	27	580	53	3	352	35,117	9,673	–	8	45,813
Disposals	(11)	–	(60)	(19)	–	(1,593)	(717)	–	(41)	(2,441)
Translation difference	(19)	–	(37)	(13)	–	(1,121)	–	–	(23)	(1,213)
At 31 August 2015 and 1 September 2015	66	2,753	136	38	1,643	125,454	25,449	–	61	155,600
Charge for the financial year	21	651	38	–	118	41,136	13,778	–	5	55,747
Impairment loss	–	510	–	–	–	91,247	16,938	–	–	108,695
Disposals	(4)	–	–	–	(1,761)	(3,118)	–	–	–	(4,883)
Translation difference	3	–	4	2	–	(101)	–	–	3	(89)
At 31 August 2016	86	3,914	178	40	–	254,618	56,165	–	69	315,070
Net carrying amount										
At 31 August 2016	74	4,737	170	–	–	725,922	11,992	–	48	742,943
At 31 August 2015	89	5,447	206	1	1,878	709,847	26,514	11,901	4	755,887

4. Property, plant and equipment (cont'd)

(a) All the vessels except for the vessel under (e) below are pledged in connection with the bank loans facilities granted by financial institutions (Note 20).

(b) Included in vessels and equipment under construction in 2015 were borrowing costs arising from borrowings used to finance their construction amounting to approximately US$363,000. The capitalisation rates varied from 2.53% to 2.63% representing the borrowing costs to finance the vessels under construction.

(c) During the financial year, the Group is in discussion to terminate two shipbuilding contracts and as such US$8,664,000 (2015: US$Nil) of vessels under construction, pertaining to these two contracts has been impaired. Management do not expect to have any further obligations or liabilities arising from the termination.

(d) During the financial year, the Group carried out an impairment assessment on the value of the vessels due to the weakness in the oil and gas sector as well as the oversupply in the offshore oil and gas support industry. An impairment loss of US$108,695,000 (2015: US$Nil) was recognised in other (expense)/income, net (Note 27) line item of profit or loss for the financial year ended 31 August 2016. The recoverable amounts of vessels were based on the higher of the fair value less cost to sell and the value in use. The fair value less cost to sell is based on the valuations performed by independent valuers. The market comparison method was adopted in deriving the valuations and fair value measurement is categorised as Level 3 on the fair value hierarchy.

The value in use technique is used where discounted cash flows are prepared based on the remaining useful lives of vessels, with key assumptions relating to utilisation rates of the vessels, charter rates, charter periods, weighted average cost of capital and growth rate. The utilisation rate use ranged from 50.0% to 98.0%, with charter rates assumed to be consistent, weighted average cost of capital at 9.1% per annum and growth rate at 2.0%.

(e) During the financial year, the Group acquired five vessels under finance lease which will mature in 2023. The vessels are pledged as security for the related finance lease liability. There are no options to renew the leases and there are no escalation clauses. For three of the leased vessels, the Group has call options that allow the Group to acquire the vessels at the end of each year, starting from the start of the lease. For the remaining two vessels, the Group has call options to acquire the vessels at the end of the fifth year of the lease and at the end of the lease term. The lessors have put options to sell the vessels to the Group at the end of the lease term. Fixed assets purchased under finance leases stated at net carrying amounts were as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
Motor vehicles	170	206
Vessels	93,067	11,309
	93,237	11,515

5. Goodwill

	Group 2015 US$'000
Cost	
At 1 September 2014	311
Impaired during the financial year ended 31 August 2015	(311)
At 31 August 2015, 1 September 2015 and 31 August 2016	–

6. Investments in subsidiaries

	Company 2016 US$'000	Company 2015 US$'000
Unquoted ordinary shares, at cost	28,917	28,917
Less: Allowance for impairment loss	(1,000)	(618)
	27,917	28,299
Interest-free loan to a subsidiary	125,000	125,000
Less: Allowance for doubtful receivable	(125,000)	–
	–	125,000
	27,917	153,299

The loan to a subsidiary forms part of the Company's net investment in the subsidiary. The loan is unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

Analysis of provision for impairment loss is as follows:

	Company 2016 US$'000	Company 2015 US$'000
At 1 September	618	–
Impairment loss during the financial year	382	618
At 31 August	1,000	618

During the financial year, an impairment of US$382,000 (2015: US$618,000) was recognised in respect of a subsidiary as a result of a decrease in the recoverable amount. The recoverable amount was determined based on fair value less costs of disposal. The fair value measurement was estimated using the adjusted net tangible assets and categorised as Level 3 on the fair value hierarchy. The lower recoverable amount is due to losses incurred by its subsidiary due to fewer projects available as the industry remains weak.

6. Investments in subsidiaries (cont'd)

Analysis of allowance for doubtful receivable is as follows:

	Company	
	2016	**2015**
	US$'000	US$'000
At 1 September	–	–
Allowance during the financial year	125,000	–
At 31 August	125,000	–

In view of the Financial Restructuring Exercise as per Note 40, the repayment of this interest-free loan will not likely occur in the foreseeable future. Hence, an impairment of US$125,000,000 (2015: US$Nil) was recognised in respect of the interest free loan from the subsidiary.

Details of the subsidiaries as at 31 August were as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2016 %	2015 %
Held by the Company				
Emas Offshore Construction and Production Pte. Ltd.(1)	Provision of ship management services and ship and boat leasing with operator (including chartering)	Singapore	100	100
Lewek Champion Shipping Pte. Ltd.(1)^^	Ship owner and provision of ship chartering services	Singapore	100	100
Lewek Chancellor Shipping Pte. Ltd.(1)	Ship owner and provision of ship chartering services	Singapore	100	100
Lewek Conqueror (BVI) Ltd(1)	Ship owner and provision of ship chartering services	British Virgin Islands/ Singapore	100	100
Lewek Emerald Shipping Pte. Ltd.@	Ship owner and provision of ship chartering services	Singapore	–	100
Lewek Eversure Shipping Pte. Ltd.@	Investment holding	Singapore	–	100
Emas Offshore Production Services (Vietnam) Pte. Ltd.(1)	Investment holding	Singapore	100	100
Emas EOC Ventures Pte. Ltd.^@	Provision of ship management services	Singapore	–	50
Lewek Alphard Shipping Pte. Ltd. (1)	Ship owner and provision of ship chartering services	Singapore	100	100

6. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2016 %	2015 %
Held by the Company (cont'd)				
Lewek Castor Shipping Pte. Ltd.(1)	Ship owner and provision of ship chartering services	Singapore	100	100
Lewek Canopus Shipping Pte. Ltd.(1)	Ship owner and provision of ship chartering services	Singapore	100	100
EMAS Holdings Pte. Ltd.(1)	Investment holding	Singapore	100	100
Subsidiaries held by subsidiaries				
Lewek Shipping Pte Ltd(1) (a)	Ship owner and provision of ship chartering services	Singapore	100	100
Emas Offshore (M) Sdn Bhd(2) (a)	Shipping agent and provision of ship chartering services and investment holding	Malaysia	100	100
Emas Offshore (Thailand) Ltd(2) (a)	Provision of marine oil and gas sales, ship chartering services, ship management services and engineering works, agency services	Thailand	99.99	99.99
Tunis Oil Pte. Ltd.(1) (a)	Investment holding	Singapore	100	100
Lewek Aries Pte. Ltd.(1) (a)	Ship owner, provision of ship chartering services and investment holding	Singapore	100	100
Emas Offshore Pte Ltd(1) (a)	Shipping agent and provision of ship chartering	Singapore	100	100
Emas Offshore Services Nigeria Limited(3) (a)	Ship management services	Nigeria	100	100
Emas Offshore Services Pte. Ltd.(1) (a)	Ship management services	Singapore	100	100
Lewek Ebony Shipping Pte. Ltd.@ (a)	Ship owner and provision of ship chartering services	Singapore	–	100
Lewek Robin Shipping Pte. Ltd.@ (a)	Ship owner and provision for ship chartering services	Singapore	–	100
Lewek LB1 Shipping Pte. Ltd.(1) (a)	Ship owner and provision of ship chartering services	Singapore	100	100
Emas Offshore (Labuan) Bhd(2) (a)	Ship owner and provision for ship chartering services	Malaysia	100	100
Lewek Antares Shipping Pte. Ltd.(1) (a)	Ship owner and provision of ship chartering services	Singapore	100	100

6. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group 2016 %	2015 %
Subsidiaries held by subsidiaries (cont'd)				
Emas Offshore Services (B) Sdn Bhd[2] [b]	Ship management services	Brunei	100	100
Bayu Intan Offshore Sdn Bhd[4] [d] #	Dormant	Malaysia	100	100
Bayu Emas Maritime Sdn Bhd[4] [d]	Management support services	Malaysia	100	100
Aries Warrior AS[5] [c]	Dormant	Norway	100	100
Aries Warrior DIS[5] [c]	Dormant	Norway	100	100
Genesis Offshore Sdn Bhd[4] [d]	Investment holding	Malaysia	100	100
Lewek Ruby Shipping Pte. Ltd.[1] [a]	Investment holding	Singapore	100	100
Lewek Crusader Shipping Pte. Ltd.[1] [a]	Ship owner and provision of ship chartering services	Singapore	100	100
Emas Offshore Services (M) Sdn Bhd[2] [d]	Ship management services	Malaysia	100	100
Lewek Altair Shipping Private Limited[2] [e]	Provision of ship chartering services	India	100	100
Emas Offshore Services (Australia) Pty Ltd[6] [b]	Ship management services	Australia	100	100

Note:

[1] : Audited by Ernst & Young LLP, Singapore
[2] : Audited by member firms of EY Global in the respective countries
[3] : Audited by Baker Tilly Nigeria
[4] : Audited by Y.L. Chee & Co., Chartered Accountants (Malaysia)
[5] : Audited by Deloitte & Touche, Norway
[6] : Audited by Moore Stephens, Perth
[a] : Held by EMAS Holdings Pte Ltd
[b] : Held by Lewek Ruby Shipping Pte Ltd
[c] : Held by Lewek Aries Pte Ltd
[d] : Held by Emas Offshore (M) Sdn Bhd
[e] : Held by Tunis Oil Pte Ltd

* Entity is inactive during the financial year.
^ Although the Company does not own more than 50% of the equity shares of Emas EOC Ventures Pte. Ltd., and consequently it does not control more than half of the voting power of those shares, it has the power to appoint and remove majority of the board of directors and control of the entity is by the board. As a result, Emas EOC Ventures Pte. Ltd. is controlled by the Company and is consolidated in these financial statements.
\# Company is in process of being struck-off.
@ Company was struck-off during the financial year.
^^ The Company is in the midst of liquidation subsequent to financial year end, (Note 40 (i)).

6. Investments in subsidiaries (cont'd)

Following the completion of the Business Combination on 3 October 2014, the Acquiring Group 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 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 Kroner 5.09 (equivalent to US$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 the holding company. The Business Combination has enabled the Group to become a full-service offshore support service provider and to create cross-selling opportunities derived by leveraging on the enlarged operating platform and client bases, hence generating economies of scale. The bargain purchase arose as a result of the lower share price at the completion date. The fair values of assets and liabilities of the pre-existing entities of EMAS Offshore Limited ("pre-existing EOL entities") acquired or assumed in the transaction, and the bargain purchase arising, are as follows:

	2015 US$'000
Non-current assets	
Property, plant and equipment	118,801
Investment in associates	69,948
Investment in joint ventures	185,379
Long term receivables	22,645
	396,773
Current assets	
Trade receivables	2,600
Other receivables and deposits	3,707
Prepayments	5,035
Balances due from	
- related companies	23
- associates	29,731
- joint ventures	15,034
Available-for-sale investment	56,003
Cash and bank balances	70,166
	182,299
Non-current liabilities	
Bank loans	47,151
Balances due to a related company	48,080
Derivative financial instruments	407
	95,638
Current liabilities	
Trade payables	6,044
Other payables and accruals	61,277
Balances due to related companies	44,365
Bills payable	123,042
Bank loans	17,007
Income tax payable	1,347
	253,082

6. Investments in subsidiaries (cont'd)

	2015 US$'000
Net assets and liabilities	230,352
Less: Net assets and liabilities attributable to non-controlling interest	(233)
Net assets acquired and liabilities assumed	230,119
Less: Bargain purchase from acquisition of pre-existing EOL entities	(154,686)
Total consideration	75,433

Trade receivables

Trade receivables acquired comprise of trade receivables with fair value of US$2,600,000 and gross amounts of US$6,771,000. At the acquisition date, US$4,171,000 of the contractual cash flows pertaining to trade receivables is not expected to be collected.

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:

	2015 US$'000
Non-current asset	
Property, plant and equipment	66,000
Current assets	
Balances due from a related company	143
Cash and bank balances	695
	838
Non-current liability	
Bank loans	26,775
Current liabilities	
Trade payables	61
Balances due to related companies	10,441
Bank loans	4,760
	15,262
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: Bargain purchase from step-acquisition of joint venture	(1,290)
Total consideration	11,110
Net cash inflow on reverse acquisition	
Cash and cash equivalents of subsidiaries acquired	70,862
Less: Restricted cash	(30,000)
Less: Consideration settled in cash	(25,000)
Net cash inflow on reverse acquisition	15,862

6. Investments in subsidiaries (cont'd)

Impact of acquisition on the results of the Group

Included in the profit for the prior financial period was US$20,580,000 attributable to the pre-existing EOL entities. Revenue for the period from pre-existing EOL entities amounted to US$8,509,000.

Had the Business Combination been effected on 1 September 2014, the revenue of the Group from continuing operations would have increased by US$2,230,000, and the profit for the prior period would have decreased by US$959,000.

7. Investments in associates

	Group	
	2016	**2015**
	US$'000	US$'000
PV Keez Pte. Ltd.	–	77,161
Intan Offshore Sdn. Bhd.	17,056	33,074
Emas Offshore Services (Philippines) Inc	60	149
	17,116	110,384

7. Investments in associates (cont'd)

Details of the associates as at 31 August were as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2016 %	2015 %
Held by subsidiaries				
PV Keez Pte. Ltd.*	Ship owning and provision of ship chartering services	Singapore	*	42
Intan Offshore Sdn. Bhd. #	Ship owning and provision of ship chartering services	Malaysia	49	49
Emas Offshore Services (Philippines) Inc @	Provision of ship chartering services	Philippines	40	40
Held by associates				
Sarah Pearl Shipping Pte. Ltd.	Provision of ship chartering services	Singapore	49	49
Lewek Swift Shipping Pte. Ltd.	Dormant	Singapore	49	49
Lewek Eagle Offshore Sdn Bhd	Dormant	Malaysia	49	49
Jade Offshore Sdn Bhd	Dormant	Malaysia	49	49
Lewek Mallard Offshore Sdn Bhd	Dormant	Malaysia	49	49
Intan Offshore (Labuan) Ltd	Provision of vessels and equipment on vessels chartering services	Malaysia	49	49

Note:

* : Audited by Ernst & Young LLP, Singapore. It was reclassified to assets held for sale during the year and subsequently disposed after FY2016. (Note 15)
\# : Audited by Baker Tilly AC, Malaysia
@ : Audited by Constantino Guadalquiver & Co

7. Investments in associates (cont'd)

PV Keez Pte. Ltd. ("PV Keez")

Part of the Group's investment in PV Keez is in the form of Redeemable Cumulative Preference Shares ("RCPS"). RCPS were issued to the Company as the consideration upon completion of the sale of a vessel by the Group to PV Keez.

The RCPS has the following rights:

(a) the right to fixed cumulative preferential dividend at the rate of 8% per annum for the RCPS outstanding, which shall accrue from the commencement of the charter of the vessel to third party;
(b) dividend on RCPS shall rank in priority to any payment of dividend on any other classes of shares;
(c) first preference on return of assets in the event of liquidation;
(d) may be redeemed by PV Keez at any time wholly or partly for the time being issued and outstanding at during the firm charter period of the vessel, by giving not less than six months' notice in writing of the intention to the Company;
(e) may be redeemed by the Company at any time wholly or partly for the time being issued and outstanding at upon expiry of the firm charter period of the vessel, by giving not less than six months' notice in writing of the intention to PV Keez;
(f) may be redeemed at its nominal value of US$1 per RCPS; and
(g) carries no voting right except of matters as prescribed in the shareholders' agreement.

The carrying value of the investment in PV Keez has been reclassified to assets held for sale.

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRSs.

	Group	
	2016	**2015**
	US$'000	US$'000
PV Keez Pte. Ltd.		
Current assets	–*	39,465
Non-current assets	–*	350,720
Current liabilities	–*	139,507
Non-current liabilities	–*	37,816
Redeemable preference shares	–*	28,000
Revenue	31,253	76,008
Profit after tax	7,414	19,340
Preference share dividends	(1,117)	(2,056)
Profit for the year, representing total comprehensive income for the year from continuing operations	6,297	17,284

*: It was reclassified to assets held for sale during the year and subsequently disposed after year end FY2016. (Note 15).

7. Investments in associates (cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in PV Keez Pte. Ltd. recognised in the consolidated financial statements:

	Group 2015 US$'000
Net assets of the associate	184,862
Proportion of the Group's ownership interest in the associate	41.74%
Carrying amount of the Group's interest in the associate	77,161

	Group	
	2016 US$'000	2015 US$'000
Intan Offshore Sdn. Bhd.		
Current assets	18,552	41,422
Non-current assets	88,443	61,407
Current liabilities	8,241	7,838
Non-current liabilities	21,730	27,493
Revenue	14,358	32,080
Profit for the year, representing total comprehensive income for the year from continuing operations	10,409	8,829

Reconciliation of the above summarised financial information to the carrying amount of the interest in Intan Offshore Sdn. Bhd. recognised in the consolidated financial statements:

	Group	
	2016 US$'000	2015 US$'000
Net assets of the associate	77,024	67,498
Proportion of the Group's ownership interest in the associate	49%	49%
Group's share of net assets	37,742	33,074
Impairment	(20,686)	–
Carrying amount of the Group's interest in the associate	17,056	33,074

The auditor for Intan Offshore Sdn. Bhd. had issued a disclaimer opinion due to the uncertainty of the entity's ability to continue as a going concern. Accordingly, the Group had reassessed the recoverable amount and an impairment of US$20,686,000 (2015: US$Nil) was recognised as a result of a decrease in the recoverable amount. The recoverable amount was determined based on fair value less costs of disposal. The fair value measurement was estimated using the adjusted net tangible assets and categorised as Level 3 on the fair value hierarchy. The lower recoverable amount is due to decrease in the valuation of the vessels and impairment of receivables held by the associate.

7. Investments in associates (cont'd)

Information of the associate that is not individually material is as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
The Group's share of loss, representing total comprehensive income for the year from continuing operations	(85)	75
Carrying amount of the Group's interest in the associate	60	149

8. Investments in joint ventures

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Emas Victoria (L) Bhd	81,811	150,974	81,811	120,305
SJR Marine (L) Ltd	19,064	27,667	21,581	28,059
Other joint ventures	3,068	2,981	–	*
	103,943	181,622	103,392	148,364

** Less than US$1,000*

Analysis of allowance for impairment loss is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
At 1 September	–	–	13,249	–
Allowance during the financial year	81,621	–	40,675	13,249
At 31 August	81,621	–	53,924	13,249

During the financial year, the Group and the Company has recognised an impairment of US$81,621,000 and US$40,675,000 respectively (2015: US$Nil and US$13,249,000) in respect of the joint ventures, Emas Victoria (L) Bhd and SJR Marine (L) Ltd, as a result of a decrease in the recoverable amount. The recoverable amount was determined based on fair value less costs of disposal. The fair value measurement was estimated using the adjusted net tangible assets and categorised as Level 3 on the fair value hierarchy. The lower recoverable amount is due to decrease in the valuation of the vessels held by the joint ventures.

8. Investments in joint ventures (cont'd)

Details of the joint ventures as at 31 August were as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2016 %	2015 %
Held by the Company				
Emas Victoria (L) Bhd**	Ship owner and provision of ship chartering services	Malaysia	49	49
Victoria Production Services Sdn Bhd#	Operation and maintenance of floating production storage and offloading unit	Malaysia	49	49
SJR Marine (L) Ltd**	Leasing of vessels, barges and equipment on bareboat basis	Malaysia	49	49
Held by a subsidiary				
PVTrans Emas Co Ltd^	Operation and maintenance of floating, production, storage and offloading	Socialist Republic of Vietnam	–	50

Note:

** : Audited by Baker Tilly Monteiro & Heng, Malaysia
# : Audited by Baker Tilly AC, Malaysia
^ : Audited by Deloitte Vietnam Company Ltd, struck off during the financial year

8. Investments in joint ventures (cont'd)

Although the Group owns less than half of the equity interests in Emas Victoria (L) Bhd, Victoria Production Services Sdn Bhd and SJR Marine (L) Ltd ("SJR Marine"), these entities have not been regarded as associates of the Group as management have assessed that the Group has half of the total board seats by virtue of the contractual arrangements with the joint venture party. Accordingly, all decisions over the relevant activities of these entities require unanimous approval.

Simultaneous with the initial agreement over the transfer of the 49% equity interest in SJR Marine from PPT to the Company on 5 December 2012, the Company entered into the following supplementary agreement:

(i) PPT grants the Company the right to acquire all of PPT's remaining equity interest in SJR Marine (the "Call Option Shares") from PPT, and the Company may exercise the Call Option at the Call Option Price at any time during the two year period from the completion date of the acquisition of the 49% equity interests in SJR Marine ("Completion Date") ("Call Option Period"). The Call Option has lapsed on 26 December 2015. The Call Option Price is fixed at the price equivalent to 51% of the net assets value of SJR Marine at the Completion Date which amount to approximately US$43,000,000;

(ii) In the event that the Call Option is not exercised during the Call Option Period, the parties shall use their best endeavours to procure SJR Marine to sell SJR Marine's vessel, the *Enterprise 3,* to an interested third party within a period of 12 months from the expiry of the Call Option Period ("*Enterprise 3* Disposal Period") on terms to be agreed upon by the parties. Where SJR Marine is unable to dispose of *Enterprise 3* within the *Enterprise 3* Disposal Period, PPT shall be entitled to exercise its right under the Put Option. The Disposal Period has ended on 26 December 2016; and

(iii) The Company grants PPT the right ("Put Option") to sell all of its remaining equity interest in SJR Marine ("Put Option Shares") to the Company. The Company shall acquire the Put Option Shares at the Put Option Price which is equivalent to the Call Option Price. PPT may exercise the Put Option at any time within the period of one month prior to the expiry of the *Enterprise 3* Disposal Period ("Put Option Period"). In the event that the Put Option is not exercised within the Put Option Period, PPT's Put Option Rights shall lapse. The Put Option was exercised by PPT on 8 December 2016 subsequent to the financial year end.

As the Put Option was exercised subsequently, the Group has entered into a settlement agreement with PPT to achieve a full settlement arising from the Put Option on 23 December 2016. However, the settlement agreement was aborted on 17 August 2017 due to inability to complete the condition precedents to the settlement agreement.

Consequently, as the Put Option has already been exercised, the Group has recognised a derivative liability of US$20,719,000 (2015: US$Nil), being the fair value of the Put Option. The fair value is derived based on the exercise price less the adjusted net asset value of SJR Marine as at 31 August 2016.

Significant restrictions

Emas Victoria (L) Bhd, Victoria Production Services Sdn Bhd and SJR Marine (L) Ltd cannot distribute profits or repay advances made by the Group unless consents are obtained from the joint venture partner and the banks under the loan covenants. The shares of Emas Victoria (L) Bhd are pledged in connection with the bank loans facilities granted to Emas Victoria (L) Bhd.

8. Investments in joint ventures (cont'd)

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with FRSs.

	Group	
	2016	**2015**
	US$'000	US$'000
Emas Victoria (L) Bhd		
Cash and cash equivalents	33,497	20,214
Other current assets	9,123	19,772
Current assets	42,620	39,986
Non-current assets	386,088	410,826
Trade and other payables and provisions	16,544	17,465
Other current liabilities	17,728	12,654
Current liabilities	34,272	30,119
Non-current liabilities	126,373	177,542
Revenue	60,402	65,985
Operating expenses, net	(3,853)	(4,461)
Depreciation	(24,256)	(21,624)
Interest expense	(6,906)	(7,648)
Profit before tax	25,387	32,252
Income tax expense	(7)	(6)
Profit for the financial year, representing total comprehensive income for the year from continuing operations	25,380	32,246

Reconciliation of the above summarised financial information to the carrying amount of the interest in Emas Victoria (L) Bhd recognised in the consolidated financial statements:

	Group	
	2016	**2015**
	US$'000	US$'000
Net assets of the joint venture	268,063	243,151
Proportion of the Group's ownership interest in joint venture	49%	49%
Share of net assets of the joint venture	131,351	119,144
Deferred profit	(2,495)	(2,725)
Additional investment	30,252	34,555
Impairment	(77,297)	–
Carrying amount of the Group's interest in joint venture	81,811	150,974

8. Investments in joint ventures (cont'd)

Additional investment in Emas Victoria (L) Bhd relates to additional costs incurred for the upgrade and modification of the joint venture's vessel, which is borne by the Company under the relevant Shareholders' Agreement.

The auditor for Emas Victoria (L) Bhd had issued a disclaimer opinion due to the uncertainty of the entity's ability to continue as a going concern. Accordingly, the Group had reassessed the recoverable amount and an impairment of US$77,297,000 (2015: US$Nil) was recognised as a result of a decrease in the recoverable amount. The recoverable amount was determined based on fair value less costs of disposal. The fair value measurement was estimated using the adjusted net tangible assets and categorised as Level 3 on the fair value hierarchy. The lower recoverable amount is due to decrease in the valuation of the vessel held by the joint venture.

	Group	
	2016	**2015**
	US$'000	US$'000
SJR Marine (L) Ltd		
Cash and cash equivalents	50	3,032
Other current assets	196	23
Current assets	246	3,055
Non-current assets	91,480	99,199
Trade and other payables and provisions	23,496	22,841
Other current liabilities	8,400	6,650
Current liabilities	31,896	29,491
Non-current liabilities	12,100	16,300
Operating (expenses)/income, net	(2,596)	52
Depreciation	(5,567)	(4,798)
Interest expense	(568)	(575)
Loss before tax	(8,731)	(5,321)
Income tax expense	(2)	–
Loss for the financial year, representing total comprehensive income for the year from continuing operations	(8,733)	(5,321)

Reconciliation of the above summarised financial information to the carrying amount of the interest in SJR Marine (L) Ltd recognised in the consolidated financial statements:

	2016	**2015**
	US$'000	US$'000
Net assets of the joint venture	47,730	56,463
Proportion of the Group's ownership interest in joint venture	49%	49%
Group's share of net assets	23,388	27,667
Impairment	(4,324)	–
Carrying amount of the Group's interest in joint venture	19,064	27,667

8. Investments in joint ventures (cont'd)

The auditor for SJR Marine (L) Ltd had issued an unqualified audit opinion with an emphasis of matter paragraph highlighting various uncertainties faced by the entity to continue as a going concern. Accordingly, the Group had reassessed the recoverable amount and an impairment of US$4,324,000 (2015: US$Nil) was recognised as a result of a decrease in the recoverable amount. The recoverable amount was determined based on fair value less costs of disposal. The fair value measurement was estimated using the adjusted net tangible assets and categorised as Level 3 on the fair value hierarchy. The lower recoverable amount is due to decrease in the valuation of the vessel held by the joint venture.

Aggregate information of the joint ventures that are not individually material are as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
The Group's share of:		
- Profit or loss from continuing operations	1,237	1,558
- Other comprehensive income	(77)	77
Total comprehensive income	1,160	1,635
Carrying amount of the Group's interest in the joint ventures	3,068	2,981

9. Long term receivables

The long term receivables relate to deferred considerations which will be offset against the purchase option or recovered upon the end of the operating lease (Note 35b). The fair value of the deferred consideration at initial recognition is estimated by discounting the expected future cash flows by the appropriate discount rates of 3.03% to 9.81%.

	Group	
	2016	**2015**
	US$'000	US$'000
Balance at beginning of the financial year	37,591	5,200
Acquired through business combination (Note 6)	–	22,645
Arising from disposal of vessels on sale and leaseback arrangements	25,079	9,117
Received during the financial year	(715)	–
Amortisation of interest income	2,410	629
Written off	(51,731)	–
Balance at end of the financial year	12,634	37,591

Due to the winding up application of Lewek Champion Shipping Pte Ltd (Note 40 (i)) and termination of two bareboat charters (Note 40 (ii)) subsequent to financial year end, the Group has impaired the deferred consideration for the 3 vessels as they were deemed not recoverable. The Group has written off US$51,731,000 of deferred considerations during the financial year. The balance at end of the financial year represented amount due to lessors and the recoverability of these amounts are subjected to the successful completion of the financial restructuring exercise as disclosed in Note 40 (iv).

10. Inventories and work-in-progress

	Group	
	2016	**2015**
	US$'000	US$'000
Inventories held for trading, at cost	1,764	6,248
Work-in-progress	–	14
Total inventories and work-in-progress at lower of cost and net realisable value	1,764	6,262

The Group has not made any allowance for stock obsolescence during the financial year.

11. Lease receivables

	Group 2016		
	Gross	**Interest**	**Principal**
	US$'000	US$'000	US$'000
Within 1 year	667	(75)	592
After 1 year but within 5 year	1,333	(111)	1,222
	2,000	(186)	1,814

Lease term is 5 years. The lease does not mandate the transfer of ownership of the leased asset at the end of the lease term. The lease does not contain restrictions concerning dividends, additional debt or further leasing. Lease obligations bear interest at flat rates of 5% (2015: Nil) per annum.

12. Trade and other receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Trade and other receivables (current):				
Trade receivables	16,471	33,155	–	–
Other receivables	13,275	79,348	101	154
Balances due from				
- holding company	9,196	13,600	–	5,809
- subsidiaries	–	–	336,420	322,000
- associates	11,285	35,222	–	–
- joint ventures	8,351	15,989	7,155	13,094
- related companies	92,769	129,074	–	3,005
Deposits	2,046	3,709	4	10
Total other receivables	136,922	276,942	343,680	344,072
Total trade and other receivables	153,393	310,097	343,680	344,072

12. Trade and other receivables (cont'd)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Long term receivables (non-current):				
Deferred consideration	12,634	37,591	–	–
Total trade and other receivables (current)	153,393	310,097	343,680	344,072
Total long term receivables (non-current)	12,634	37,591	–	–
Add: Cash and cash equivalents (Note 14)	11,602	24,035	362	4,807
Add: Cash pledged	882	37,298	–	1,500
Total loans and receivables	178,511	409,021	344,042	350,379

(a) *Trade receivables*

	Group	
	2016	**2015**
	US$'000	US$'000
Trade receivables		
- Billed	25,309	36,900
- Unbilled	819	2,862
	26,128	39,762
Less: Allowance for doubtful debts	(9,657)	(6,607)
	16,471	33,155

Analysis of allowance for doubtful debts is as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
At beginning of the financial year	6,607	5,125
Allowance for the financial year	3,124	4,607
Written off against allowance	(60)	(2,780)
Write back of allowance	(14)	(343)
Translation difference	–	(2)
At end of the financial year	9,657	6,607

Allowance for trade receivables are individually assessed at the end of the reporting period. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to amounts that were more than 365 days and in dispute. The management has assessed the probability of collection to be low.

12. Trade and other receivables (cont'd)

(a) *Trade receivables (cont'd)*

The age analysis of trade receivables is as follows:

	2016		2015	
	Gross	**Allowance**	**Gross**	**Allowance**
	US$'000	US$'000	US$'000	US$'000
Not past due or less than 60 days overdue	11,255	–	23,481	–
Past due				
- 61 to 180 days	2,351	(310)	6,560	–
- More than 180 days	12,522	(9,347)	9,721	(6,607)
	26,128	(9,657)	39,762	(6,607)

Trade receivables are non-interest bearing and are normally settled on 30-45 day terms. The Group deals with customers who are mainly creditworthy oil majors or their preferred service providers. Based on historical collections experience, the Group believes that no further allowance for doubtful debts is necessary in respect of certain trade receivables which are not past due as well as certain trade receivables which are past due but not impaired.

(b) *Other receivables*

These amounts are unsecured, interest-free and repayable in cash on demand. Included in other receivables is an amount of US$3,500,000 relating to a refundable deposit paid to a company related to a director of the parent company.

The recoverability of amounts due from holding company are dependent on the successful completion of the holding company's restructuring as disclosed in Note 2.1.

The recoverability of amounts due from subsidiaries are dependent on the successful completion of the financial restructuring exercise as disclosed in Note 40 (iv).

The recoverability of amounts due from joint ventures are dependent on the successful completion of the PPT's restructuring as disclosed in Note 40 (iii).

The amount due from related parties comprises of balances owing from Emas Chiyoda Subsea Limited & its subsidiaries ("ECS Group"), Ezra Holding's subsidiaries, Triyards Holdings Limited & its subsidiaries ("Triyards Group") and associates of PPT. The recoverability of amounts due from related parties are dependent on the successful completion of the restructuring exercise as disclosed in Note 40 (v), Note 2.1, Note 40 (vi) and Note 40 (iii) respectively.

12. Trade and other receivables (cont'd)

(c) *Trade and other receivables*

Significant trade and other receivables denominated in foreign currencies (with reference to the respective functional currencies of the Company and the respective subsidiaries) as at 31 August are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Indian Rupees	–	3,131	–	–
Malaysian Ringgit	841	1,806	–	–
Brunei Dollars	1,437	993	–	–
Singapore Dollars	756	571	102	164

(d) *Balances due from the holding company, subsidiaries, associates, joint ventures and related companies*

These amounts are unsecured, interest-free and repayable in cash on demand. All balances are denominated in United States Dollars. Balances due from subsidiaries are non-trade in nature.

Analysis of allowance for doubtful debts for balances due from associates are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
At beginning of the financial year	–	–	–	–
Allowance for the financial year	332	–	–	–
At end of the financial year	332	–	–	–

Analysis of allowance for doubtful debts for balances due from joint ventures are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
At beginning of the financial year	–	–	–	–
Allowance for the financial year	8,455	–	8,449	–
At end of the financial year	8,455	–	8,449	–

With reference to Note 40 (iii), these receivables are due from associates and joint ventures that are held in conjunction with PPT.

13. Available-for-sale ("AFS") investment

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Quoted equity investment, at fair value	–	9,989	–	9,989

In November 2015, the Company has entered into a Letter of Undertaking with the ultimate holding company whereby the ultimate holding company undertook to purchase the investment at approximately US$56,000,000 and the Company has the option to sell the investment to the ultimate holding company at the agreed price. The Letter of Undertaking has lapsed subsequent to financial year end and the Company is still in the midst of discussion with the ultimate holding company.

With reference to Note 2.1, the ultimate holding company has since voluntarily filed a petition for relief under Chapter 11 of the United States Bankruptcy Code to obtain the protection of the United States Bankruptcy Court while a restructuring is being pursued. As such, on grounds of prudence, the Group's AFS investment was adjusted down from its fair value.

In the previous financial year, the fair values of these securities were based on the quoted closing market prices translated at closing rate on the last market day at the end of the reporting period. As the end of the reporting period, the Group and the Company has evaluated whether impairment charge on AFS investment is required due to significant or prolonged decline in the fair value below its cost. Following the classification of PPT to PN17 status, the Group and the Company has impaired the investment in full. PN17 stands for Practice Note 17/2005 and is issued by Bursa Malaysia; relating to companies that are in financial distress. Companies that fall within the definition of PN17 will need to submit their proposal to the Approval Authority to restructure and revive the company in order to maintain the listing status.

The Group and the Company recognised fair value loss of US$9,989,000 and US$9,989,000 (2015: fair value loss of US$46,015,000 and US$53,093,000) in other comprehensive income respectively. The Group and the Company subsequently reclassified cumulative fair value loss of US$56,004,000 and US$52,250,000 (2015: US$nil and US$nil respectively) from equity to the profit or loss respectively.

The AFS investment is pledged in connection with the bank loans facilities granted by financial institutions (Note 17).

14. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Fixed deposits	–	30,718	–	–
Cash and bank balances	12,484	30,615	362	6,307
	12,484	61,333	362	6,307
Less: Restricted cash/charged accounts	(882)	(37,298)	–	(1,500)
Cash and cash equivalents	11,602	24,035	362	4,807

(a) *Fixed deposits*

The fixed deposits were made for varying periods of between one day and three months depending on the cash requirement of the Group and earned effective interest rates ranging from 0.5% to 0.76% per annum. The fixed deposits were denominated in United States Dollars.

(b) *Cash and bank balances*

Significant cash and bank balances denominated in foreign currencies (with reference to the respective functional currencies of the Company and the respective subsidiaries) as at 31 August are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Singapore Dollars	2,580	3,132	192	191
Indian Rupees	65	276	–	–
Malaysian Ringgit	62	112	–	–

(c) Restricted cash/charged accounts

Restricted cash/charged accounts are either restricted in use, charged over the months held in the operating accounts or have been placed by connection with the credit facilities granted (Note 20).

15. Assets held for sale

	Group	
	2016	**2015**
	US$'000	US$'000
Investment in an associate	29,597	–

EMAS Offshore Production Service (Vietnam) Pte. Ltd. ("EOPS"), a fully owned subsidiary of the Group, had on 14 April 2016 accepted a non-binding letter of intent to sell its 41.7% equity share in the associate, PV Keez Pte Ltd, to a third party ("Purchaser"). As part of the transaction, the ultimate holding company will also sell its entire ownership in PV Keez to the Purchaser.

The Group and its ultimate holding company subsequently signed a share purchase agreement with the Purchaser on 1 July 2016. It has been agreed that from the sale of EOPS's equity interest in PV Keez Pte Ltd, EOPS will receive a cash consideration of approximately US$10,719,000 and a deferred consideration of US$63,000,000. Such deferred consideration is based on an earned-out mechanism earned by the vessel between 2020 up to 2025 ("Total Consideration"). A monte-carlo simulation is performed by independent valuation expert to fair value the deferred consideration. As assets held for sale is to be carried lower of cost and fair value less cost to sell, the carrying value is derived from aggregate of the fair valuation of the deferred consideration, the cash consideration less the cost to extinguish the options granted under the previous shareholder agreement of PV Keez Pte Ltd. Based on the valuation derived from the simulation, the Group has recorded an impairment loss on the assets held for sale amounting to US$50,194,000

On 19 December 2016, all the conditions for the sale have been satisfied and the Group no longer holds any equity stake in PV Keez.

16. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Trade and other payables (current):				
Trade payables	36,039	12,789	–	–
Other payables	55,440	106,237	4,392	3,081
Balances due to				
- holding company	52,051	14	23,898	–
- subsidiaries	–	–	147,872	149,535
- related companies	9,162	28,183	1,293	164
- associates	15,279	7,398	–	–
- joint ventures	103	–	–	–
Total other payables	132,035	141,832	177,455	152,780
Total trade and other payables	168,074	154,621	177,455	152,780
Other payables (non-current):				
Balance due to holding company	125,000	125,000	125,000	125,000
Balance due to a related company	–	31,970	–	–
	125,000	156,970	125,000	125,000
Total trade and other payables (current and non-current)	293,074	311,591	302,455	277,780
Add:				
- Bills payable to banks (Note 17)	101,464	120,923	22,000	42,000
- Lease obligations (Note 19)	97,002	11,357	–	–
- Bank term loans (Note 20)	466,829	497,605	45,000	45,000
Total financial liabilities carried at amortised cost	958,369	941,476	369,455	364,780

(a) *Trade payables*

Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms.

Significant trade payables denominated in foreign currencies (with reference to the respective functional currencies of the Company and the respective subsidiaries) as at 31 August are as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
Singapore Dollars	11,241	5,673
Euro	1,407	544
Brunei Dollars	1,376	468
Thai Baht	675	440
Norwegian Kroner	140	21
Indian Rupees	38	278

16. Trade and other payables (cont'd)

(b) *Other payables*

Details of other payables are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Accrued interest payable	4,846	2,093	1,238	371
Accrued operating expenses	43,564	60,086	1,898	2,649
Option price payable	–	37,720	–	–
Other creditors	7,030	6,338	1,256	61
	55,440	106,237	4,392	3,081

Other creditors mainly relate to payables to equipment suppliers and are unsecured, interest-free and repayable in cash on demand.

Significant other payables denominated in foreign currencies (with reference to the respective functional currencies of the Company and the respective subsidiaries) as at 31 August are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Singapore Dollars	3,799	2,735	1,015	140
Indian Rupees	114	288	–	–
Malaysian Ringgit	1	619	–	–

(c) *Balances due to holding company, subsidiaries, related companies and associates (current)*

These amounts are unsecured, interest-free and repayable in cash on demand. All balances are denominated in United States Dollars. Balances due to holding company and subsidiaries are non-trade in nature.

(d) *Balances due to holding company and a related company (non-current)*

The amount due to holding company is unsecured, interest-free for the first year and interest bearing at 3.5% for the second and third year. The amount is subordinated to the bank loans and bills payables.

The amounts due to a related company are unsecured, interest-free, trade in nature and have no fixed repayment date.

The above balances are denominated in United States Dollars.

17. Bills payable to banks

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Bills payable				
- secured	52,800	72,800	22,000	42,000
- unsecured	48,664	48,123	–	–
	101,464	120,923	22,000	42,000

Significant bills payable denominated in foreign currencies (with reference to the respective functional currencies of the Company and the respective subsidiaries) as at 31 August are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Singapore Dollars	15,413	14,872	–	–

Bills payable of the Group are secured by:

(a) first and second mortgage in the name of vessels owned by the Group;

(b) pledge of AFS securities;

(c) assignment of current and earnings accounts and receivables;

(d) assignment of charter income, charter contracts and vessel insurance in favour of the financial institution; and

(e) corporate guarantee from the Company, a subsidiary or the holding company.

The bills payable of the Group bear interest at 1.5% to 2.75% (2015: 1.5% to 3.0%) per annum above the bank's Cost of Funds ("COF"), Singapore Inter Bank Offer Rate ("SIBOR") or London Inter Bank Offer Rate ("LIBOR") of 0.17% to 2.27% (2015: 0.13% to 1.60%) per annum. The bills payable of the Company bear interest at 1.55% (2015: 1.55% to 2.50%) per annum above COF (2015: LIBOR) of 0.28% to 0.60% (2015: 0.23% to 0.38%) per annum.

With reference to Note 2.1, the Group has presented its bills payable to banks as current liability at the end of the reporting period as it had breached certain financial covenants as at 31 August 2016.

18. Deferred income

	Group	
	2016	**2015**
	US$'000	US$'000
Current	4,108	436
Non-current	26,396	5,822
	30,504	6,258

The deferred income comprises of the following two components:

1. The Group's share of the unrealised profit arising from the sale of vessels to an associate. The deferred income will be amortised over the remaining useful lives of the vessels and taken against the share of results of associates in the consolidated income statement.

2. The excess of sales proceeds over the carrying amounts of the vessels for sale and finance leaseback vessels. The deferred income will be amortised over the lease term.

Movement in deferred income is as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
At beginning of the financial year	6,258	6,694
Amortisation to share of results of associates during the financial year	(436)	(436)
Amortisation to other income during the financial year	(1,423)	–
Addition during the financial year	26,105	–
At end of the financial year	30,504	6,258

19. Lease obligations

	Group			
	Minimum payments 2016 US$'000	**Present value of payments 2016** US$'000	**Minimum payments 2015** US$'000	**Present value of payments 2015** US$'000
Not later than one year	149,922	97,002	2,199	1,188
Later than one year but not later than five years	–	–	10,633	10,169
	–	–	10,633	10,169
Total minimum lease payments	149,922	97,002	12,832	11,357
Less: Amounts representing finance charges	(52,920)	–	(1,475)	–
Present value of minimum lease payments	97,002	97,002	11,357	11,357

Lease terms are for 2 to 5 years. None (2015: One) of the leases mandates the transfer of ownership of the leased asset at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

Lease obligations bear interest at flat rates ranging from 2.6% to 9.8% (2015: 2.6% to 9.4%) per annum. The effective interest rates ranged from 4.9% to 9.8% (2015: 5.1% to 11.0%) per annum.

With reference to Note 2.1, the Group has presented its lease obligations as current liability at the end of the reporting period as it had breached certain financial covenants as at 31 August 2016.

20. Bank term loans

	Maturity	Group		Company	
		2016	2015	2016	2015
		US$'000	US$'000	US$'000	US$'000
Current					
Bank term loans - secured	2017 (2015: 2016)	466,829	84,879	45,000	–
Non-current					
Bank term loans - secured	2018 – 2022 (2015: 2019 – 2023)	–	412,726	–	45,000
Total		466,829	497,605	45,000	45,000

With reference to Note 2.1, the Group has presented all its bank term loans as current liability at the end of the reporting period as it had breached certain financial covenants as at 31 August 2016.

Security granted

Bank term loans of the Group are secured by:

(a) first and second mortgage in the name of vessels owned by the Group;

(b) assignment of insurance, current and earnings accounts and receivables;

(c) assignment of charter income, charter contracts and vessel insurance in favour of the financial institution; and

(d) corporate guarantee from the Company, subsidiary and/or the ultimate holding company.

Fair value of non-current borrowings

The carrying value of the balances approximates fair value as these balances are of variable interest rate with re-pricing features.

The bank term loans of the Group bear interest at 1.1% to 4.5% (2015: 1.1% to 4.5%) per annum above the Singapore Inter Bank Offer Rate ("SIBOR") or London Inter Bank Offer Rate ("LIBOR") of 0.19% to 1.41% (2015: 0.15% to 1.02%) per annum. The bank term loans of the Company bear interest at 2.85% (2015: 2.85%) per annum above LIBOR of 0.28% to 0.93% (2015: 0.27% to 0.28%) per annum.

21. Onerous contracts

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
At beginning of the financial year	–	–	–	–
Addition	24,225	–	–	–
At end of the financial year	24,225	–	–	–

As at 31 August 2016, the Group has recognised onerous contracts liabilities relating to the Group's operating leases on its vessels which were off-hired.

22. Tax

Major components of tax expense for the financial year ended 31 August were as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
Current tax	–	3,712
Withholding tax	2,960	3,900
(Over)/under provision in respect of prior years		
- current tax	(820)	361
- deferred tax	1,639	–
	3,779	7,973

The reconciliation of the tax expense and the product of (loss)/profit before tax multiplied by the applicable tax rate for the financial years ended 31 August were as follows:

(Loss)/profit before tax	(531,461)	207,517
Tax at statutory tax rate of 17% (2015: 17%)	(90,348)	35,278
Adjustments for tax effect of:		
Difference in overseas tax rate	(10,249)	(1,125)
Expenses not deductible for tax purposes	91,657	2,200
Income not taxable	(503)	(28,944)
Tax exempt income under Sections 13A or 13F of the Singapore Income Tax Act and rebates available	(1,569)	(4,241)
Tax rebates	(48)	(15)
Utilisation of previously unrecognised deferred tax benefit	(47)	–
Current year deferred tax benefit not recognised	14,868	5,041
Transfer of unabsorbed tax losses as group relief	(519)	–
(Over)/under provision in prior years	819	361
Withholding tax	2,960	3,900
Share of results of associates and joint ventures	(3,223)	(4,482)
Others	(19)	–
Tax expense	3,779	7,973

22. Tax (cont'd)

Movements in deferred tax liabilities were as follows:

	Group	
	2016	**2015**
	US$'000	US$'000
At beginning of the financial year	11	12
Charged to profit or loss	1,639	–
Translation difference	25	(1)
At end of the financial year	1,675	11

* *Less than US$1,000*

Deferred tax liabilities relate to unrealised exchange differences.

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately US$31,557,000 (2015: US$30,461,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

23. Share capital

	Group		Company	
	No. of shares	US$'000	No. of shares	US$'000
As at 1 September 2014	110,954,502	13,248	110,954,502	94,578
Capital injection by parent	–	92,000	–	–
Issuance of ordinary shares pursuant to reverse acquisition	280,133,252	86,534[(2)]	280,133,252	218,476[(1)]
Share placement	48,585,000	46,045	48,585,000	46,045
Expenses on issue of ordinary shares	–	(1,888)	–	(1,888)
As at 31 August 2015	439,672,754	235,939	439,672,754	357,211
Strike off of holding companies	–	(6,398)	–	–
As at 31 August 2016	439,672,754	229,541	439,672,754	357,211

23. Share capital (cont'd)

The holders of the ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(1) This represents part of the purchase consideration for the Company's acquisition of the Acquiring Group which was satisfied by the allotment and issuance of 280,133,252 ordinary shares at a market price of Norwegian Kroner 5.09 (equivalent to US$0.78) per share in the capital of the Company on 3 October 2014.

(2) This represents the fair value of the consideration transferred in relation to the Business Combination. As the Acquiring Group is privately held, the quoted market price of the Company's shares provides a more reliable basis for measuring the consideration transferred than the estimated fair value of the shares in the Acquiring Group. The consideration transferred is determined using the fair value of the issued equity of the Company before the acquisition, being 110,952,502 shares at the market price of Norwegian Kroner 5.09 (equivalent to US$0.78) per share at the date of acquisition.

24. Reserves

(a) ***Capital reserve***

Capital reserve arises from the acquisition of non-controlling interests.

(b) ***Fair value adjustment reserve***

Fair value adjustment reserve represents the cumulative fair value changes of AFS financial assets until they are disposed of or impaired.

(c) ***Hedging reserve***

Hedging reserve records the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

Net change in the reserve arose from net gain on fair value changes on derivative financial instruments.

(d) ***Translation reserve***

The translation reserve is used to record exchange differences arising from the translation of the financial statements of operations whose functional currencies are different from that of the Group's presentation currency.

25. Treasury shares

	Group and Company	
	2016	**2015**
	US$'000	US$'000
At beginning of the financial year	(718)	–
Purchase of treasury shares	–	(718)
At end of the financial year	(718)	(718)

The Group acquired 1,240,430 shares through the Oslo Bors 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.

Employee Share Plan

The Company has not transferred any treasury shares (2015: Nil) as share awards during the financial year.

As at 31 August 2016, the Company has 1,240,430 (2015: 1,240,430) shares held as treasury shares.

26. Revenue

	Group	
	2016	**2015**
	US$'000	US$'000
Chartering revenue	142,524	222,062
Ship management fees	12,614	7,972
Trading sales	10,361	14,929
Project management revenue	2,080	2,208
	167,579	247,171

27. Other (expense)/income, net

	Group	
	2016	**2015**
	US$'000	US$'000
Impairment loss on property, plant and equipment	(108,695)	–
Impairment loss on joint ventures	(81,621)	–
Impairment loss on AFS investment	(56,004)	–
Loss recognised on remeasurement to fair value less costs to sell on assets held for sale	(50,194)	–
Provision for onerous contract	(24,225)	–
Impairment loss on an associate	(20,686)	–
Fair value changes of derivative instruments	(20,578)	–
Property, plant and equipment written off	(8,664)	–
(Loss)/gain on disposal of property, plant and equipment	(7,402)	33,954
Exchange (loss)/gain, net	(1,835)	5,520
Realised (loss)/gain on derivative instruments, net	(165)	92
Bargain purchase arising from reverse acquisition (Note 6)	–	154,686
Bargain purchase arising from step-acquisition of joint venture (Note 6)	–	1,290
Remeasurement loss arising from step-acquisition of joint venture (Note 6)	–	(6,030)
Impairment of goodwill	–	(311)
Bad debts recovered	14	343
Management fee income charged to a related company	47	–
Insurance claims	43	3,406
Amortisation of deferred income	1,423	–
Other miscellaneous income	435	–
	(378,107)	192,950

28. (Loss)/profit before tax

This is determined after charging the following:

	Group	
	2016	**2015**
	US$'000	US$'000
Audit fees paid to:		
- Auditor of the Company	152	187
- Other auditors	21	47
Non-audit fees paid to:		
- Auditor of the Company	43	86
- Other auditors	–	30
Depreciation of property, plant and equipment	55,747	45,813
Directors' remuneration*		
- Salaries and bonuses	1,183	976
- Contributions to defined contribution plans	13	20
Directors' fees	127	193
Key executive officers' remuneration		
- Salaries and bonuses	1,287	1,833
- Contributions to defined contribution plans	27	22
Allowance for doubtful debts, net	11,911	4,607
Operating lease expenses	60,611	59,653
Bad debts written off	67,608	–

* Refers to directors of the Company.

29. Personnel expenses

	Group	
	2016	**2015**
	US$'000	US$'000
Salaries and bonuses	39,608	49,366
Contributions to defined contribution plans	650	617
Other personnel expenses	5,873	6,607
	46,131	56,590

Personnel expenses include amounts shown as directors' remuneration and fees and key executive officers' remuneration in Note 28.

Share options

In 2007, the shareholders approved the EOL Employee Share Option Scheme ("EOL ESOS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to directors and key employees of the Company.

The EOL ESOS will be administered by the EOL Remuneration Committee, or such other committee comprising directors duly authorised and appointed by the Board of Directors, which will decide the provisions and terms and condition of each grant.

There are no share option schemes for other corporations in the Group.

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company under option.

29. Personnel expenses (cont'd)

Employee Share Plan

The Company implemented the Employee Share Plan (the "Plan") with the approval of shareholders at the Extraordinary General Meeting held on 22 August 2014. The Plan shall continue to be in force up to a maximum of ten years from 22 August 2014. This Plan gives the flexibility to either allot and issue new shares or purchase and deliver existing treasury shares upon the vesting of awards.

Participants will receive fully paid shares free of charge, upon the Participant satisfying the criteria set out in the Plan. The vesting period for the shares granted is three years. The number of shares to be allocated to each participant will be determined at the end of the performance period based on the level of attainment of the performance targets and the prevailing market price of the Company's share at grant date.

The Remuneration Committee is responsible for administering the share option and employee share plan.

As at date of this report, no shares have been granted under the Plan.

30. Financial income

	Group	
	2016	**2015**
	US$'000	US$'000
Interest income from:		
- Amortisation of interest income	2,410	629
- Banks	551	287
- Associate	521	1,735
	3,482	2,651

31. Financial expenses

	Group	
	2016	**2015**
	US$'000	US$'000
Interest expense		
- Bank loans	18,687	12,723
- Finance leases	5,512	640
- Money market line	3,549	3,159
- Bank overdrafts	203	61
	27,951	16,583
Included in cost of vessels under construction*		
- Fixed assets	–	(363)
	27,951	16,220

* The capitalisation rate used to determine the amount eligible for capitalisation was 2.53% to 2.63% representing the borrowing costs to finance the vessels under construction in 2015.

32. (Loss)/earnings per share

(Loss)/earnings per ordinary share ("EPS") is calculated by dividing the Group's net (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. The calculation of the basic and fully diluted earnings per share of the Group is based on the following:

	Group	
	2016	**2015**
	US$'000	US$'000
Net (loss)/profit attributable to owners of the Company	(535,240)	199,544
Number of weighted average ordinary shares ('000)		
- Basic and diluted earnings per share	438,432	425,241
EPS (US cents)		
- Basic and diluted	(1.22)	0.47

The weighted average number of shares takes into account the reverse acquisition due to the business combination during the previous financial year.

33. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company entered into transactions with related companies on terms agreed between the parties during the financial year as shown below:

	Group	
	2016	**2015**
	US$'000	US$'000
Income		
Revenue from related companies	55,059	47,746
Revenue from associates	2,002	2,614
Revenue from joint ventures	18	809
Management fee income charged to a related company	47	–
Interest income from an associate	521	1,735
Expenses		
Cost of sales charged by related companies	(625)	(971)
Cost of sales charged by an associate	(14,358)	(32,080)
Interest expenses charged by the holding company	(4,047)	(582)
Management fees charged by the holding company	(1,945)	(4,115)
Management fees charged by a related company	(689)	(636)
Allowance for doubtful receivables from related companies	(332)	–
Allowance for doubtful receivables from joint ventures	(8,455)	–

Directors' remuneration and fees and key executive officers' remuneration have been disclosed in Note 28.

34. Corporate guarantees

As at 31 August, the Company had issued corporate guarantees to banks for granting banking facilities to certain subsidiaries, associates and joint ventures.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000	US$'000	US$'000	US$'000
Corporate guarantees given for the borrowings of:				
- Joint ventures	80,654	104,439	80,654	104,439
- Associates	1,672	31,569	1,672	31,569
- Subsidiaries	–	–	181,641	117,404
Total	82,326	136,008	263,967	253,412

The Company had also issued corporate guarantees amounting to US$5,835,000 in respect of capital expenditures of subsidiaries in relation to 3 vessels.

Corporate guarantees given by the Company will become due and payable on demand when an event of default occurs.

The maximum amount of the financial guarantee contracts are allocated to the earliest period which is within one year, in which the guarantee could be called.

With reference to Note 2.1 and Note 40, the holding company has issued corporate guarantees to banks for banking facilities and lessors for bareboat charter contracts. Due to the non-payment of principal, interest and bareboat charters by the subsidiaries, the holding company has received various letters of demand from the banks and lessors as an event of default has occurred.

35. Commitments

(a) Capital expenditure commitments

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

	Group	
	2016	**2015**
	US$'000	US$'000
Purchase of vessel equipment	–	17,454
Vessel purchase/newbuilds	–	71,578
	–	89,032

(b) Lease commitments – Group as lessee

The Group had various operating lease agreements for bareboat charter of vessels, leasing of land, rental of machineries, office premises and shipyard workers' accommodation. The Group has no non-cancellable lease commitments, whereby the lease period is currently not determinable as the related vessels are still under construction. These leases contain certain price adjustment clauses. The lease arrangements do not contain any escalation clauses, do not provide for contingent rents and do not contain restrictions on the Group's activities concerning dividends, additional debts and further leasing. These leases have terms of renewal and purchase options during or at the end of the respective lease terms. Future minimum lease payments payable under non-cancellable operating leases were as follows as at 31 August:

	Group	
	2016	**2015**
	US$'000	US$'000
Not later than one year	52,186	76,090
Later than one year but not later than five years	171,395	250,065
Later than five years	119,936	157,103
	343,517	483,258

These leases have remaining lease terms of between 0 to 27(2015: 0 to 28) years.

35. Commitments (cont'd)

(c) Lease commitments – Group as lessor

The Group charters a vessel under operating lease. At the end of the reporting period, the Group has contracted with a related company for the following future minimum lease receivable:

	Group	
	2016	**2015**
	US$'000	US$'000
Not later than one year	22,995	23,058
Later than one year but not later than five years	92,043	92,043
Later than five years	57,393	80,388
	172,431	195,489

The lease has remaining lease term of 8 (2015: 9) years. Subsequent to financial year end, with reference to Note 40(i), the related company has terminated the charter agreement due to occurrence of event of default.

36. Capital and financial risk management objectives and policies

With reference to Note 2.1, the Group is currently in the midst of a Restructuring Exercise to deleverage substantially. As such, the presentation and disclosure of capital and financial risk management objectives and policies may not be appropriate till the conclusion of the Restructuring Exercise.

37. Fair value of assets and liabilities

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

37. Fair value of assets and liabilities (cont'd)

(a) Assets and liabilities measured at fair value *(cont'd)*

	Group			
	Level 1 US$'000	**Level 2** US$'000	**Level 3** US$'000	**Total** US$'000
Year ended 31 August 2016				
Non-financial assets				
Asset held for sale	–	–	29,597	29,597
Financial liabilities:				
Derivative financial instruments – Interest rate cap and swap	–	266	–	266
Derivative financial instruments – put option	–	–	20,719	20,719
	–	266	20,719	20,985
Year ended 31 August 2015				
Financial asset:				
Available-for-sale investment	9,989	–	–	9,989
Financial liabilities:				
Derivative financial instruments	–	404	–	404

	Company			
	Level 1 US$'000	**Level 2** US$'000	**Level 3** US$'000	**Total** US$'000
Year ended 31 August 2016				
Financial liabilities:				
Derivative financial instruments – put option	–	–	20,719	20,719
Year ended 31 August 2015				
Financial asset:				
Available-for-sale investment	9,989	–	–	9,989

37. Fair value of assets and liabilities (cont'd)

(a) *Assets and liabilities measured at fair value (cont'd)*

The Group's and the Company's available-for-sale investment was adjusted to nil from its fair value following PPT's PN17 status and as such the fair value measurement was transferred to Level 2 during the financial year. There were no other transfers between the different levels of the fair value hierarchy during the financial year.

Level 2 fair value measurements

Derivative financial instruments – The fair value of derivatives are determined using valuation techniques with market observable inputs. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The models incorporate various inputs including the credit quality of counterparties and interest rate curves. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Asset held for sale

The fair value of the Group's assets held for sale is derived using a combination of valuation by an independent valuer and agreed contractual selling price on a willing buyer willing seller basis. The valuer used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of assets held for sale include oil price forecasts and production volume, inflation rate and a market-corroborated discount rate.

Derivative financial instruments – put option

The fair value of derivative financial instruments – put option is based on the difference between the agreed contractual selling price and fair value of the net assets to be acquired.

37. Fair value of assets and liabilities (cont'd)

(a) *Assets and liabilities measured at fair value (cont'd)*

(ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

	Fair value measurements using significant unobservable inputs (Level 3) $'000
Group	
Asset held for sale	
Balance at 1 September 2015	–
Additions	29,597
Balance at 31 August 2016	29,597
Derivative financial instruments – put option	
Balance at 1 September 2015	–
Additions	20,719
Balance at 31 August 2016	20,719

(iii) Valuation policies and procedures

The directors oversee the valuation process and are responsible for the Group's valuation policies and procedures.

For all significant valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage independent external valuation experts to perform the valuation. The directors are responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the directors review the appropriateness of the valuation methodologies and assumptions adopted. The directors also evaluate the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

37. Fair value of assets and liabilities (cont'd)

(b) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

(i) Trade and other receivables, trade and other payables, balances from/(to) subsidiaries, associates and joint ventures, cash and cash equivalents and cash pledged

The carrying amounts of these balances approximate fair values due to their short-term nature.

(ii) Loans and borrowings at floating rate and lease obligations

The carrying value of the balances (except for lease obligations) approximates fair value as these balances are of variable interest rate with re-pricing features.

The carrying value of lease obligations approximate fair value as the current lending rates for similar types of lending arrangements are not materially different from the rates obtained by the Group.

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Group			
	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	US$'000	US$'000	US$'000	US$'000
Financial asset:				
Long term receivables	12,634	16,410	37,591	38,213
Financial liabilities:				
Balance due to holding company	125,000	129,224	125,000	126,455
Balance due to a related company	–	–	31,970	*

37. Fair value of assets and liabilities (cont'd)

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)*

	Company			
	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	US$'000	US$'000	US$'000	US$'000
Financial assets:				
Loan to a subsidiary	–	*	125,000	*
Financial liabilities:				
Balance due to holding company	125,000	129,224	125,000	126,455

Determination of fair value

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 3.31% (2015: 2.76%) which is representative of the market rate applicable to companies with similar risk profile.

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

38. 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.

38. Segment information (cont'd)

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 Business Combinations.

	Marine	Production	Corporate	Total
	US$'000	US$'000	US$'000	US$'000
Financial year ended 31 August 2016				
Revenue	165,498	2,081	–	167,579
Loss from operations	(68,287)	(607)	(16,862)	(85,756)
Share of results of associates	5,016	2,629	–	7,645
Share of results of joint ventures	–	13,648	(4,254)	9,394
Financial income	2,958	522	2	3,482
Financial expenses	(19,153)	(2,149)	(6,649)	(27,951)
Impairment loss on property, plant and equipment	(108,695)	–	–	(108,695)
Impairment on available for sale investment	–	–	(56,004)	(56,004)
Impairment loss on an associate	(20,686)	–	–	(20,686)
Impairment loss on joint ventures	–	(77,296)	(4,325)	(81,621)
Property, plant and equipment written off	(8,664)	–	–	(8,664)
Bad debts written off	(67,608)	–	–	(67,608)
Provision for onerous contract	(24,225)	–	–	(24,225)
Fair value changes of derivative instruments	–	–	(20,578)	(20,578)
Loss recognised on remeasurement to fair value less costs to sell	–	(50,194)	–	(50,194)
Tax				(3,779)
Net loss for the financial year				(535,240)
Assets				
Segment assets	938,371	124,056	27,426	1,089,853
Liabilities				
Segment liabilities	723,225	79,058	241,956	1,044,239
Other information				
Capital expenditure[(1)]	195,548	–	–	195,548
Depreciation	55,747	–	–	55,747
Investment in associates	17,116	–	–	17,116
Investment in joint ventures	–	83,191	20,752	103,943
Asset held for sale	–	29,597	–	29,597

(1) Capital expenditure consists of additions to property, plant and equipment

38. Segment information (cont'd)

	Marine US$'000	Production US$'000	Corporate US$'000	Total US$'000
Financial year ended 31 August 2015				
Revenue	244,604	2,567	–	247,171
Profit from operations	53,930	899	(9,743)	45,086
Share of results of associates	4,402	7,214	–	11,616
Share of results of joint ventures	–	17,066	(2,315)	14,751
Financial income	1,056	1,592	3	2,651
Financial expenses	(12,177)	(1,978)	(2,065)	(16,220)
Unallocated other operating income, net				149,633
Tax				(7,973)
Net profit for the financial year				199,544
Assets				
Segment assets	1,157,062	264,689	68,706	1,490,457
Liabilities				
Segment liabilities	625,328	115,281	215,360	955,969
Other information				
Capital expenditure[(1)]	87,268	–	–	87,268
Depreciation	45,809	4	–	45,813
Investment in associates	33,222	77,162	–	110,384
Investment in joint ventures	–	152,749	28,873	181,622

(1) Capital expenditure consists of additions to property, plant and equipment

38. Segment information (cont'd)

Geographical information

Revenue[1]	**Group**	
	2016	**2015**
	US$'000	US$'000
Singapore	21,375	9,443
Southeast Asia	62,299	147,914
Africa	54,872	44,803
Brazil	10,189	20,396
India	9,995	16,707
Australia	456	3,795
Others	8,393	4,113
Total	167,579	247,171

Note:

(1) Revenue is based on the location of customers.

Information on major customers

	Group	
	2016	**2015**
	US$'000	US$'000
Marine division:		
Customer 1	28,676	28,032
Customer 2	14,564	25,722
Customer 3	13,123	22,874
Production division	1,104	1,018

Non-current assets	**Group**	
	2016	**2015**
	US$'000	US$'000
Singapore	663,306	806,403
Malaysia	135,545	153,305
India	28,394	59,703
Other countries	37,979	28,482
Total	865,224	1,047,893

39. Dividends

A conditional dividend of US$19,331,000 was paid on 9 October 2014.

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

40. Events after the reporting period

i. Winding-Up Application against Lewek Champion Shipping Pte Ltd

On 5 May 2017, Hai Jiang 1401 Pte Ltd ("Hai Jiang") filed a winding up application with the High Court of Singapore to wind up Lewek Champion Shipping Pte Ltd ("Lewek Champion"), a wholly owned subsidiary of the Company on the basis of Lewek Champion's failure to pay Hai Jiang, *inter alia*, outstanding charterhire.

The winding up application against Lewek Champion was heard before the High Court of Singapore on 14 July 2017 and a winding up order has been made against Lewek Champion. Andrew Grimmett and Lim Loo Khoon, both care of Deloittle & Touche LLP, have been appointed as joint and several liquidators of Lewek Champion.

The Company has an outstanding payable to Lewek Champion amounting to approximately US$68,841,000. In addition, the Group has also written off the deferred consideration pertaining to the sale of Lewek Champion.

ii. Termination of various bareboat charters

a. Termination of bareboat charter of Lewek Toucan and Lewek Pelican

On 14 March 2017, the wholly owned subsidiaries of the Company, Emas Offshore Pte Ltd and Emas Offshore (M) Sdn Bhd (collectively "Charterers"), respectively received notices of termination to (i) terminate the bareboat charter dated 17 March 2016 between Seabird Penguin Offshore Limited ("Toucan Owner") and Emas Offshore Pte Ltd in respect of the vessel *"Lewek Toucan"*; and (ii) terminate the bareboat charter dated 19 May 2016 between Seabird Pelican Offshore Ltd. ("Pelican Owner") and the Emas Offshore (M) Sdn Bhd in respect of the vessel *"Lewek Pelican"*.

Both the Toucan Owner and Pelican Owner (Collectively "Owners") demanded in their respective notices of termination that: (a) the Charterers must within 10 business days pay to the Owners the charter hire for the remaining charter period; (b) the Charterers must redeliver the vessels to the Owners and the Owners will require immediate possession of the vessels; and (c) the Charterers are liable to pay damages to the Owners arising from the termination of the bareboat charters.

On 22 March 2017, the Charterers received notices of demand from the Owners. The total amount demanded for Toucan Charter and Pelican Charter were approximately US$7,442,000 and US$10,064,000 respectively. The Company has also provided corporate guarantees for both charters and the Owners have reserved their rights to make a demand against the Company.

As the bareboat charters were terminated and the vessels were being redelivered to the Owners, the deferred considerations pertaining to the sale of vessels were deemed not recoverable as at 31 August 2016. Hence, the deferred considerations were impaired and the impairment loss was recognised as "Bad debts written off" in the Income Statement.

40. Events after the reporting period (cont'd)

ii. Termination of various bareboat charters (cont'd)

b. Termination of bareboat charter of Lewek Ariel, Lewek Lynx and Lewek Alkaid

On 2 November 2017, a wholly owned subsidiary of the Company, Emas Offshore (M) Sdn Bhd ("Charterer"), received notices of termination to (i) terminate the bareboat charter dated 17 February 2011 between Marina Morganite Shipping Limited ("Ariel Owner") and the Charterer in respect of the vessel *"Lewek Ariel"*; (ii) terminate the bareboat charter dated 31 October 2014 between Marina Moss Shipping Limited ("Lynx Owner") and Charterer in respect of the vessel *"Lewek Lynx"; and (iii)* terminate the bareboat charter dated 26 April 2011 between Marina Tanzanite Shipping Limited ("Alkaid Owner") and Charterer in respect of the vessel *"Lewek Alkaid" (collectively the "Charters")*.

The Ariel Owner, the Lynx Owner and the Alkaid Owner (Collectively "Owners") demanded in their respective notices of termination that: (a) the vessels "*Lewek Ariel*", "*Lewek Lynx*" and "*Lewek Alkaid*" (collectively the "Vessels") must be safely redelivered at safe anchorage in Singapore or such other port or lace required by the Owners; (b) all relevant documents and information relating to the Vessels to be delivered to enable the Owners to take redelivery effectively; and (c) the Charterer should agree to the joint appointment of a surveyor nominated by the Owners so as to determine and agree to the condition of the Vessels at the time of delivery. The total amount demanded for the three vessels amounted to US$13,170,000.

iii. Corporate guarantees given for bank facilities pertaining to associated companies and joint ventures companies with PPT

The Company has issued proportionate corporate guarantees in relation to bank facilities pertaining to associated companies and joint ventures companies with PPT. The total outstanding bank facilities amount to approximately US$52,526,000.

On 12 October 2016, PPT has announced that it triggered a prescribed criteria pursuant to paragraph 8.04 and paragraph 2.1(f) of Practice Note 17 ("PN17") of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("**Bursa Securities**") due to its wholly owned subsidiary, Perisai Capital (L) Inc's default in payment of principal and interest of its bonds. PPT was thus unable to provide a solvency declaration to Bursa Securities. As such an event of default has been triggered at the various bank facilities. Proportionate corporate guarantees given by the Company will become due and payable on demand. As the Company is in various discussions with the financial lenders (see Note 40 (iv) below), such contingent liabilities are not recognised in the statement of financial position.

iv. Financial Restructuring

As at 31 August 2016, the Group was in a net current liabilities position and had breached certain financial covenants. On 13 December 2016, the Company announced that it had reached an agreement with all of its financial lenders to refinance its financial obligations over a period of 5 years from 12 December 2016. The agreement also contemplates the raising of additional working capital facilities ("Ongoing Initiatives").

40. Events after the reporting period (cont'd)

iv. Financial Restructuring (cont'd)

On 2 March 2017, the Company announced that the completion of the above Ongoing Initiatives have been delayed as the Company's ultimate holding company had voluntarily filed a petition for relief under Chapter 11 of the United States Bankruptcy Code to obtain the protection of the United States Bankruptcy Court while a restructuring exercise is being pursued. It also announced that if the Ongoing Initiatives do not result in a favourable and timely outcome, the Group will be faced with a going concern issue.

In August 2017, the Company entered into a binding term sheet with certain potential investors ("Term Sheet") for the injection of an aggregate amount of US$50 million into the Company ("**Investment**") as part of the financial restructuring of the Group ("Restructuring Exercise"). The total investment amount to be made by the potential investors is US$50 million for the Restructuring Exercise. The Group intends to undertake a Restructuring Exercise to restructure its existing secured and unsecured liabilities as well as any outstanding obligations and any contingent liabilities in order to substantially deleverage the Company's balance sheet and strengthen its working capital position, enabling the Group to continue as a going concern.

In connection with the Restructuring Exercise, the Company, together with its wholly owned subsidiaries, Emas Offshore Pte Ltd and Emas Offshore Services Pte Ltd (collectively the "Entities"), filed a voluntarily application in the High Court of the Republic of Singapore under section 211B(1) of the Companies Act (Chapter 50) (the "Applications").

Pursuant to section 211B(8) of the Companies Act, during the period commencing on the date of the filing of the Applications and ending on the earlier of 30 days after the Applications are made and the date on which the Applications are decided by the Court, an automatic moratorium will take effect and no order may be made, and no resolution may be passed, for the winding up of the Entities. This will thus provide stability for the daily operations of the Group, enabling it to continue operations with the support of the key trade suppliers. The automatic moratorium also provides the Entities an opportunity as well as adequate time to pursue the Restructuring Exercise.

Subject to the completion of the Investment and successful restructuring of the liabilities of the Group, the balance sheet of the Group and Company will be deleveraged substantially and the new funds will provide additional working capital which would enable the Group to continue as a going concern.

Although the Restructuring Exercise has yet to be concluded, the potential investors and the Company are continuing to work together to progress the Restructuring Exercise.

40. Events after the reporting period (cont'd)

v. Financial Restructuring of ECS

Subsequent to 31 August 2016, ECS went into financial restructuring under Chapter 11 on 27 February 2017 and the proposed restructuring plan was approved by the Court on 29 June 2017. Under the Court's approved restructuring plan, the unsecured claims against ECS are impaired and these claims will be paid out of the remaining cash pool.

Of the unsecured receivables of US$4,748,000 due from ECS, the Group expects to recover significantly lesser than the amount owed. No allowance for impairment has been made in these consolidated financial statements.

vi. Financial Restructuring of Triyards

On 6 September 2017, Triyards announced that it had engaged a financial advisor who is currently working with Triyards with an aim to put up restructuring plan to its various stakeholders. In light of this, Triyards is not in a position to assess reasonably its financial position and could have a potential going concern issue until a viable restructuring plan is in place.

As at 31 August 2016, the Group had receivables due from Triyards amounting to US$1,766,000 and these amounts might potentially be unrecoverable if Triyards is unable to resolve its going concern issue.

41. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 August 2016 were authorised for issue in accordance with a resolution of the directors on 8 December 2017.

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