# EMAS Offshore Limited

## 4th Quarter FY2016

## Unaudited Consolidated Financial Information

*Together We Deliver*

## 1. Introduction

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

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

## 2. Company Profile

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

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

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

## 3. Strategy

The Group's strategies are as follows:

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

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

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

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

## 4. Outlook

The market environment in the offshore oil and gas industry is expected to remain extremely challenging.

Offshore oil and gas activities have not increased significantly and this trend is expected to continue and will have a negative impact on the Group's financial performance.

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

As at the date of this announcement, the Group has reached in-principle agreements with the substantial majority of its principal bankers on the refinancing of its financial obligations. The Group is also in the process of finalising agreements that would result in the provision of additional working capital facilities. These are expected to be concluded before the end of the first quarter of financial year 2017.

## 4. Outlook (Cont'd)

**Business Combination**

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

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

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

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

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

## 4. Outlook (Cont'd)

**Business Combination (cont'd)**

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

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

Goodwill amounting to USD154.7 million arose on the difference between the fair value of the pre-existing EOL's share capital and the fair value of its net assets at the reverse acquisition date.

The comparative figures in the consolidated financial statements are presented to reflect those of the OSS companies.

## 5. Adjusting events

### a) Events after the reporting period

Perisai Petroleum Teknologi Berhad ("PPT"), together with Perisai Capital (L) Inc, a wholly-owned subsidiary of PPT made several announcements in October 2016. Based on these announcements, PPT, as the guarantor of the issuer of S$125 million 6.875% Notes (the "Notes"), is unable to meet payment obligations of principal and interest under the Notes as demanded by holders and/or trustee of the Notes. As mentioned in Note 19 (iii) (b), the Group has impaired the remaining carrying value of its shares in PPT, following their classification to the status of being not solvent, i.e. "PN17".

The Group also has receivables, investment in joint ventures and an investment in an associate with PPT and its wholly-owned subsidiaries amounting to USD11.5 million, USD150.8 million and USD37.7 million respectively. The Group may need to make adjustments in respect of the aforementioned items depending on further developments at PPT. No determination has been made at this point due to the uncertainties and the developing situation within PPT and its subsidiaries.

We are monitoring the situation and will make the adjustments and disclosure as required.

### b) Impairment assessment

Due to the weakness in the oil and gas sector as well as the oversupply in the offshore oil and gas support industry, the Group may need to make further impairments which have yet to be determined. This announcement has not taken into consideration impairments relating to its vessel fleet, investments and other assets. The Group is undertaking a comprehensive impairment assessment based on various factors and events and will make the relevant disclosures as required.

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

| | 3 months ended | | % | Year ended | | % |
|---|---|---|---|---|---|---|
| | 31 Aug 2016 | 31 Aug 2015 | increase/ (decrease) | 31 Aug 2016 | 31 Aug 2015[1] | increase/ (decrease) |
| **Revenue** | 52,242 | 54,308 | (4) | 167,579 | 247,171 | (32) |
| Cost of sales | (73,166) | (55,658) | 31 | (217,419) | (217,818) | (0) |
| **Gross (loss)/profit** | (20,924) | (1,350) | nm | (49,840) | 29,353 | nm |
| Other (expense)/income, net | (63,678) | 48,333 | nm | (165,092) | 192,950 | nm |
| Administrative expenses | (4,612) | (9,714) | (53) | (39,187) | (27,584) | 42 |
| (Loss)/profit from operations | (89,214) | 37,269 | nm | (254,119) | 194,719 | nm |
| Financial income | 1,063 | 741 | 43 | 3,482 | 2,651 | 31 |
| Financial expenses | (10,212) | (4,721) | 116 | (27,951) | (16,220) | 72 |
| Share of results of associates | 1,348 | 3,415 | (61) | 7,645 | 11,616 | (34) |
| Share of results of joint ventures | 1,505 | 3,962 | (62) | 9,394 | 14,751 | (36) |
| (Loss)/profit before tax | (95,510) | 40,666 | nm | (261,549) | 207,517 | nm |
| Income tax | (2,975) | (4,371) | (32) | (3,779) | (7,973) | (53) |
| (Loss)/profit after tax | (98,485) | 36,295 | nm | (265,328) | 199,544 | nm |
| Other comprehensive income: | | | | | | |
| Items that may be reclassified to profit or loss: | | | | | | |
| Effective portion of changes in fair value of cash flow hedges | (108) | 14 | nm | (3) | 3 | nm |
| Exchange difference on translation of foreign operations | 362 | (1,753) | nm | 431 | (5,677) | nm |
| Change in fair value of available for sale investment | (8,583) | (6,973) | 23 | (9,988) | (46,015) | (78) |
| Impairment on available for sale investment | 56,003 | - | nm | 56,003 | - | nm |
| Share of other comprehensive income of associates | (77) | - | nm | (77) | 77 | nm |
| Total comprehensive income for the financial period/year | (50,888) | 27,583 | nm | (218,962) | 147,932 | nm |
| Total comprehensive income for the financial period/year attributable to: | | | | | | |
| Equity holder of the Company | (50,888) | 27,583 | nm | (218,962) | 147,932 | nm |
| Non-controlling interests | - | * | nm | - | * | nm |
| Total comprehensive income for the financial period/year | (50,888) | 27,583 | nm | (218,962) | 147,932 | nm |
| (Loss)/earnings per share (US cents) | (0.22) | 0.08 | nm | (0.61) | 0.47 | nm |

** Less than USD1,000*

*nm – Not meaningful*

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

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

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

| | 3 months ended | | % | Year ended | | % |
|---|---|---|---|---|---|---|
| | 31 Aug 2016 | 31 Aug 2015 | increase/ (decrease) | 31 Aug 2016 | 31 Aug 2015[(1)] | increase/ (decrease) |
| Exchange (loss)/gain, net | (203) | 2,285 | nm | (1,835) | 5,521 | nm |
| Depreciation | (17,844) | (12,304) | 45 | (55,747) | (45,813) | 22 |
| Bargain purchase arising from the reverse takeover | - | 12,480 | nm | - | 154,686 | nm |
| Bargain purchase arising from step-acquisition of joint venture | - | - | - | - | 1,290 | nm |
| Remeasurement loss arising from step-acquisition of joint venture | - | - | - | - | (6,030) | nm |
| Impairment loss on joint ventures | 3,515 | - | nm | (34,778) | - | nm |
| Impairment of goodwill | - | - | - | - | (311) | nm |
| Fair value changes of derivative instruments | 141 | - | nm | 141 | - | nm |
| (Loss)/gain on disposal of property, plant and equipment | (53) | 32,737 | nm | (7,402) | 33,954 | nm |
| Impairment loss on property, plant and equipment | - | - | - | (51,377) | - | nm |
| Property, plant and equipment written off | (12,164) | - | nm | (12,164) | - | nm |
| Allowance for doubtful receivables | (328) | (4,607) | (93) | (1,974) | (4,607) | (57) |
| Bad debts written off | - | - | - | (18,878) | - | nm |
| Bad debts recovered | - | - | - | 14 | 343 | (96) |
| Loss recognised on remeasurement to fair value less costs to sell | - | - | - | (3,469) | - | nm |
| Impairment on available for sale investment | (56,003) | - | nm | (56,003) | - | nm |

*nm – Not meaningful*

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

## 7. Statements of Financial Position (in USD thousands)

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | As at 31 Aug 2016 | As at 31 Aug 2015 | % increase/ (decrease) | As at 31 Aug 2016 | As at 31 Aug 2015 | % increase/ (decrease) |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 798,131 | 755,887 | 6 | - | - | - |
| Investment in subsidiaries | - | - | - | 152,917 | 153,299 | (0) |
| Investment in associates | 37,802 | 110,384 | (66) | - | - | - |
| Investment in joint ventures | 150,786 | 181,622 | (17) | 137,589 | 148,364 | (7) |
| Long term receivables | 59,801 | 37,591 | 59 | - | - | - |
| Lease receivables | 1,222 | - | nm | - | - | - |
| | 1,047,742 | 1,085,484 | (3) | 290,506 | 301,663 | (4) |
| **Current assets** | | | | | | |
| Inventories and work-in-progress | 1,764 | 6,262 | (72) | - | - | - |
| Lease receivables | 592 | - | nm | - | - | - |
| Trade receivables | 18,231 | 33,155 | (45) | - | - | - |
| Other receivables and deposits | 14,828 | 83,057 | (82) | 1,747 | 164 | 965 |
| Prepayments | 13,686 | 17,292 | (21) | 727 | 1,465 | (50) |
| Balances due from | | | | | | |
| - holding company | 9,196 | 13,600 | (32) | - | 5,809 | nm |
| - subsidiaries | - | - | - | 334,775 | 322,000 | 4 |
| - related parties | 92,769 | 129,074 | (28) | 3 | 3,005 | (100) |
| - associates | 11,285 | 35,222 | (68) | - | - | - |
| - joint ventures | 16,805 | 15,989 | 5 | 15,604 | 13,094 | 19 |
| Available for sale investment | - | 9,989 | nm | - | 9,989 | nm |
| Cash and cash equivalents | 12,484 | 61,333 | (80) | 362 | 6,307 | (94) |
| | 191,640 | 404,973 | (53) | 353,218 | 361,833 | (2) |
| Asset held for sale | 76,322 | - | nm | - | - | - |
| | 267,962 | 404,973 | (34) | 353,218 | 361,833 | (2) |
| **Total assets** | **1,315,704** | **1,490,457** | (12) | **643,724** | **663,496** | (3) |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Bank term loans | - | 412,726 | nm | - | 45,000 | nm |
| Balances due to | | | | | | |
| - holding company | 125,000 | 125,000 | - | 125,000 | 125,000 | - |
| - related party | - | 31,970 | nm | - | - | - |
| Deferred income | 23,922 | 5,822 | 311 | - | - | - |
| Lease obligations | - | 10,169 | nm | - | - | - |
| Derivative financial instruments | 266 | 404 | (34) | - | - | - |
| Deferred tax liabilities | 1,675 | 11 | nm | - | - | - |
| **Total non-current liabilities** | 150,863 | 586,102 | (74) | 125,000 | 170,000 | (26) |

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

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | As at 31 Aug 2016 | As at 31 Aug 2015 | % increase/ (decrease) | As at 31 Aug 2016 | As at 31 Aug 2015 | % increase/ (decrease) |
| **Current liabilities** | | | | | | |
| Trade payables | 36,039 | 12,789 | 182 | - | - | - |
| Other payables and accruals | 58,801 | 106,237 | (45) | 3,913 | 3,081 | 27 |
| Balances due to | | | | | | |
| - holding company | 52,051 | 14 | nm | 23,898 | - | nm |
| - subsidiaries | - | - | - | 147,872 | 149,535 | (1) |
| - related parties | 9,162 | 28,183 | (67) | 1,293 | 164 | 688 |
| - associates | 15,275 | 7,398 | 106 | - | - | - |
| - joint ventures | 103 | - | nm | - | - | - |
| Bills payable to banks | 101,464 | 120,923 | (16) | 22,000 | 42,000 | (48) |
| Deferred income | 4,108 | 436 | 842 | - | - | - |
| Lease obligations | 97,002 | 1,188 | nm | - | - | - |
| Bank term loans | 466,829 | 84,879 | 450 | 45,000 | - | nm |
| Income tax payable | 8,481 | 7,820 | 8 | 133 | 115 | 16 |
| **Total current liabilities** | 849,315 | 369,867 | 130 | 244,109 | 194,895 | 25 |
| **Capital and reserves** | | | | | | |
| Share capital | 229,541 | 235,939 | (3) | 357,211 | 357,211 | - |
| Treasury shares | (718) | (718) | - | (718) | (718) | - |
| Accumulated profits/(losses) | 86,425 | 351,753 | (75) | (81,878) | (15,631) | 424 |
| Translation reserve | (4,879) | (5,233) | (7) | - | - | - |
| Hedging reserve | - | 3 | nm | - | - | - |
| Fair value adjustment reserve | - | (46,015) | nm | - | (42,261) | nm |
| Capital reserve | 5,157 | (1,241) | nm | - | - | - |
| **Total equity** | 315,526 | 534,488 | (41) | 274,615 | 298,601 | (8) |
| **Total liabilities and equity** | **1,315,704** | **1,490,457** | (12) | **643,724** | **663,496** | (3) |

## 8. Consolidated Statement of Changes in Equity (in USD thousands)

*(i) Statement of changes in equity for the financial year ended 31 August 2016*

| | Group | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | |
| | Share capital | Treasury shares | Hedging reserves | Fair value adjustment reserves | Capital reserve | Translation reserve | Accumulated profits | Total equity attributable to owners of the Company | Non-controlling interest | Total equity |
| At 1 September 2015 | 235,939 | (718) | 3 | (46,015) | (1,241) | (5,233) | 351,753 | 534,488 | - | 534,488 |
| Total comprehensive income for the financial year | - | - | (3) | 46,015 | - | 354 | (265,328) | (218,962) | - | (218,962) |
| Strike off of holding companies | (6,398) | - | - | - | 6,398 | - | - | - | - | - |
| Total transactions with owners in their capacity as owners | (6,398) | - | - | - | 6,398 | - | - | - | - | - |
| At 31 August 2016 | 229,541 | (718) | - | - | 5,157 | (4,879) | 86,425 | 315,526 | - | 315,526 |

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

*(ii) Statement of changes in equity for the financial year ended 31 August 2015*

| | Group | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | |
| | Share capital | Treasury shares | Hedging reserves | Fair value adjustment reserves | Capital reserve | Translation reserve | Accumulated profits | Total equity attributable to owners of the Company | Non-controlling interest | Total equity |
| At 1 September 2014 | 13,248 | - | - | - | (1,241) | 367 | 302,209 | 314,583 | - | 314,583 |
| Total comprehensive income for the financial year | - | - | 3 | (46,015) | - | (5,600) | 199,544 | 147,932 | * | 147,932 |
| 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) |
| One-tier tax exempt dividends | - | - | - | - | - | - | - | - | (233) | (233) |
| Total transactions with owners in their capacity as owners | 222,691 | (718) | - | - | - | - | (150,000) | 71,973 | - | 71,973 |
| At 31 August 2015 | 235,939 | (718) | 3 | (46,015) | (1,241) | (5,233) | 351,753 | 534,488 | - | 534,488 |

** Less than USD1,000*

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

*(iii) Statement of changes in equity for the financial year ended 31 August 2016*

| | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Treasury shares** | **Hedging reserves** | **Fair value adjustment reserves** | **Capital reserve** | **Translation reserve** | **Accumulated losses** | **Total equity** |
| At 1 September 2015 | 357,211 | (718) | - | (42,261) | - | - | (15,631) | 298,601 |
| Total comprehensive income for the financial year | - | - | - | 42,261 | - | - | (66,247) | (23,986) |
| At 31 August 2016 | 357,211 | (718) | - | - | - | - | (81,878) | 274,615 |

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

*(iv) Statement of changes in equity for the financial year ended 31 August 2015*

| | Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Treasury shares** | **Hedging reserves** | **Fair value adjustment reserves** | **Capital reserve** | **Translation reserve** | **Accumulated profits/(losses)** | **Total equity** |
| At 1 September 2014 | 94,578 | - | - | 10,832 | - | - | 25,838 | 131,248 |
| Total comprehensive income for the financial year | - | - | - | (53,093) | - | - | (22,138) | (75,231) |
| Issuance of ordinary shares pursuant to reverse acquisition | 218,476 | - | - | - | - | - | - | 218,476 |
| Issuance of ordinary shares pursuant to share placement | 46,045 | - | - | - | - | - | - | 46,045 |
| Expenses on issue of ordinary shares | (1,888) | - | - | - | - | - | - | (1,888) |
| Purchase of treasury shares | - | (718) | - | - | - | - | - | (718) |
| One-tier tax exempt dividends of Norwegian Krone 1.12 per share | - | - | - | - | - | - | (19,331) | (19,331) |
| Total transactions with owners in their capacity as owners | 262,633 | (718) | - | - | - | - | (19,331) | 242,584 |
| At 31 August 2015 | 357,211 | (718) | - | (42,261) | - | - | (15,631) | 298,601 |

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

The discussion below refers to the three months ended 31 August 2016 ("4Q FY2016") and the corresponding figures covers the three months ended 31 August 2015 ("4Q FY2015") for the Group's consolidated financial information. The discussion should be read in conjunction with the first quarter announcement for the period ended 30 November 2015 released on 11 January 2016, the first half announcement released on 14 April 2016 and the third quarter announcement for the period ended 31 May 2016 released on 14 July 2016 to obtain an overall understanding of the results for the financial year ended 31 August 2016.

**Revenue**
Revenue for 4Q FY2016 amounted to USD52.2 million, a 4% decrease from the corresponding period. The decrease was mainly due to general weakness in the offshore industry. The shallow water platform support vessels ("PSV") and anchor handling, towing and supply vessels ("AHTS") segment continues to remain weak. These decreases are partially offset by the grossing of charter revenue following the conclusion of an agency agreement.

**Cost of sales**
Cost of sales for 4Q FY2016 amounted to USD73.2 million, as compared to USD55.7 million in 4Q FY2015, a 31% increase. The increase is mainly due to the grossing of bareboat costs following the conclusion of an agency agreement mentioned above and higher depreciation due to more sale-and-leaseback vessels being classified as finance lease arrangements.

**Other (expense)/income, net**
Included in other expense, net for 4Q FY2016 are impairment of shares in PPT held as available for sale investment amounting to USD56.0 million and write-off of deposits paid in respect of vessels under construction amounting to USD12.2 million.

**Administrative expenses**
Administrative expenses for 4Q FY2016 amounted to USD4.6 million, a 53% decrease. The decrease is mainly due to lower staff costs as a result of the decrease in headcount and the reversal of prior year's bonus provision.

**Financial income**
Financial income is recognised mainly in relation to the interest accrued on the loan extended to an associate and the amortisation of interest income on the long term receivables. Financial income increased by 43% in 4Q FY2016, which is in line with the higher balance in long term receivables following the refinancing of leased vessels performed in the current financial year.

**Financial expenses**
Financial expenses refer to interest incurred on bank loans. The increase in 4Q FY2016 mainly arose from finance lease arrangements for vessels and Deferred Consideration from the Business Combination.

**Share of results of associates**
The share of results of associates for the current quarter refers to the share of results of Intan Offshore Sdn Bhd. Share of results of associates decreased by 61% quarter-on-quarter as the Group ceased to share the profits of PV Keez Pte Ld with effect from 1 March 2016, following its reclassification to asset held for sale.

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

**Share of results of joint ventures**
The share of results of joint ventures is mainly derived from Emas Victoria (L) Bhd. 4Q FY2016 share of results decreased by 62% from the previous corresponding quarter due to the reduction in charter rates for *Perisai Kamelia* effected in Q3 FY2016 quarter and share of losses in SJRM.

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

## Consolidated Statement of Financial Position

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

The Group's total assets amounted to USD1,315.7 million as at 31 August 2016 and USD1,490.5 million as at 31 August 2015. Property, plant and equipment increased by USD42.2 million mainly due to net increase from vessels being placed on finance lease arrangements and vessel acquisitions and upgrades amounting to USD175.8 million and dry-docking costs amounting to USD15.5 million. This is partially offset by the impairment of vessels amounting to USD51.4 million in 2Q FY2016, depreciation of USD55.7 million and write-off of deposits in respect of assets under construction amounting to USD12.2 million.

Investments in joint ventures decreased by USD30.8 million, following an impairment charge of USD34.8 million, which is partially offset by the share of results of joint ventures.

Long term receivables increased by USD22.2 million due to the sellers' credits provided for the sale and leaseback of four vessels.

Other receivables and deposits decreased by USD68.2 million as a result of the write-off of other receivables of USD37.0 million (gross basis), receipt of USD20.3 million from previous sale and leaseback transactions and cost recovered from charterers.

Balances due to the holding company (net) increased by USD56.4 million and balances from related parties (net) increased by USD14.7 million due to advances received and an intercompany reassignment exercise conducted by the holding company.

Balances due from associates (net) decreased by USD31.8 million mainly due to the repayment of shareholder's loan by an associate.

Available for sale investment relating to shares held in PPT was impaired in full, following the classification of PPT under PN17.

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

## Consolidated Statement of Financial Position (cont'd)

The carrying value of certain fixed assets, associates, joint ventures and receivables were negatively impacted due to the depressed conditions and reduced activities in the offshore support sector and PPT's PN17 classification. As discussed in Note 5, the Group is still assessing the carrying value of various assets and no further impairment has been made in 4Q FY2016 other than those mentioned above. We will make the necessary announcement once the assessment is complete.

The Group's total liabilities increased by USD44.2 million to USD1,000.2 million as at 31 August 2016.

Total bank loans and bill payables were reduced by USD50.2 million, net following the repayment of two facilities in full and the scheduled repayment of principal sums.

Total lease obligations and deferred income increased by USD85.6 million and USD21.8 million respectively due to the finance lease accounting adopted for five leased vessels.

Other payables and accruals decreased by USD47.4 million mainly due to the reversal of operating lease arrangements and reclassification to trade payables following the receipt of invoices. These decreases are partially offset by the cash received on the refinancing of a leased vessel.

## 9. Consolidated Statement of Cash Flows (in USD thousands)

| | 3 months ended | | Year ended | |
|---|---|---|---|---|
| | 31 Aug 2016 | 31 Aug 2015 | 31 Aug 2016 | 31 Aug 2015 |
| **Cash flows from operating activities** | | | | |
| (Loss)/profit before tax | (95,510) | 40,666 | (261,549) | 207,517 |
| Adjustments for: | | | | |
| Depreciation expense | 17,844 | 12,304 | 55,747 | 45,813 |
| Property, plant and equipment written off | 12,164 | - | 12,164 | - |
| Impairment loss on property, plant and equipment | - | - | 51,377 | - |
| Loss/(gain) on disposal of property, plant and equipment | 53 | (32,737) | 7,402 | (33,954) |
| Remeasurement loss arising from step-acquisition of joint venture | - | - | - | 6,030 |
| Realised loss/(gain) on derivative instruments | 69 | (45) | 165 | (92) |
| Share of results of associates | (1,348) | (3,415) | (7,645) | (11,616) |
| Share of results of joint ventures | (1,505) | (3,962) | (9,394) | (14,751) |
| Fair value changes of derivative instruments | (141) | - | (141) | - |
| Impairment on available for sale investment | 56,003 | - | 56,003 | - |
| Bad debts written off | - | - | 18,878 | - |
| Bad debts recovered | - | - | (14) | (343) |
| Unrealised exchange loss/(gain) | 157 | (6,150) | 2,435 | (5,810) |
| Interest expense | 10,212 | 4,721 | 27,951 | 16,220 |
| Interest income | (1,063) | (741) | (3,482) | (2,651) |
| Loss recognised on remeasurement to fair value less costs to sell | - | - | 3,469 | - |
| Allowance for doubtful receivables | 328 | 4,607 | 1,974 | 4,607 |
| Bargain purchase arising from the reverse takeover | - | (12,480) | - | (154,686) |
| Bargain purchase arising from step-acquisition of joint venture | - | - | - | (1,290) |
| Impairment loss on joint ventures | (3,515) | - | 34,778 | - |
| Impairment of goodwill | - | - | - | 311 |
| **Operating cash flows before movements in working capital** | (6,252) | 2,768 | (9,882) | 55,305 |
| (Increase)/decrease in: | | | | |
| Inventories and work-in-progress | 3,757 | 8 | 4,498 | (2,085) |
| Trade receivables | 8,287 | 19,413 | 13,293 | 37,152 |
| Other debtors, deposits and prepayments | 22,874 | (17,470) | 12,273 | (13,590) |
| Due from holding company | 1,287 | 20,422 | 4,404 | 3,572 |
| Due from related parties | 21,631 | 15,737 | 35,973 | 55,369 |
| Due from associates | (189) | 14,057 | 1,626 | (3,938) |
| Due from joint ventures | (111) | (15,989) | (816) | (15,989) |
| (Decrease)/increase in: | | | | |
| Trade payables | 22,318 | 3,083 | 23,250 | (10,462) |
| Other payables and accruals | (27,777) | (11,161) | (19,405) | (35,285) |
| Due to holding company | 817 | (15,498) | 20,067 | (107,450) |
| Due to associates | 2,982 | 2,504 | 7,878 | 2,504 |
| Due to joint ventures | (244) | - | 103 | - |
| Due to related parties | (23,015) | (15,758) | (19,021) | 45,963 |
| ***Cash generated from operations*** | 26,365 | 2,116 | 74,241 | 11,066 |
| Interest paid | (4,568) | (4,393) | (17,680) | (13,487) |
| Interest income received | 87 | 275 | 1,949 | 723 |
| Income taxes paid | (747) | (1,666) | (1,455) | (7,246) |
| ***Net cash flow generated from/(used in) operating activities*** | 21,137 | (3,668) | 57,055 | (8,944) |

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

| | 3 months ended | | Year ended | |
|---|---|---|---|---|
| | 31 Aug 2016 | 31 Aug 2015 | 31 Aug 2016 | 31 Aug 2015 |
| **Cash flows from investing activities** | | | | |
| Return of capital from joint ventures | - | - | 1,239 | - |
| Receipt of loan repayment from an associate | - | - | 21,385 | - |
| Acquisition of subsidiary, net of cash paid (Note 18) | - | - | - | 15,862 |
| Purchase of property, plant and equipment | (16,352) | (20,654) | (120,388) | (37,611) |
| Proceeds from disposal of assets held for sale | - | 2,450 | - | 17,750 |
| Proceeds from disposal of property, plant and equipment | 375 | 166 | 47,645 | 4,240 |
| Dividend received from joint venture | - | - | 728 | - |
| Decrease/(increase) in cash pledged | 33,557 | (1,494) | 36,416 | (3,868) |
| ***Net cash flow generated from/(used in) investing activities*** | 17,580 | (19,532) | (12,975) | (3,627) |
| **Cash flows from financing activities** | | | | |
| Payment of dividends by a subsidiary to non-controlling interests | - | (233) | - | (233) |
| Proceeds from bills payable | 1,500 | - | 1,500 | 5,000 |
| Repayment of bills payable | - | (3,000) | (21,500) | (38,894) |
| Purchase of treasury shares | - | - | - | (718) |
| Proceeds from bank loans | 2,599 | 22,457 | 62,616 | 115,747 |
| Repayment of bank loans | (37,645) | (24,684) | (93,284) | (102,348) |
| Proceeds from issuance of placement shares, net of transactions costs | - | - | - | 44,157 |
| Repayment of lease obligations | (2,082) | (550) | (5,796) | (1,282) |
| (Payment)/receipt of derivative instrument, net | (69) | 45 | (166) | 92 |
| ***Net cash flow (used in)/generated from financing activities*** | (35,697) | (5,965) | (56,630) | 21,521 |
| Net increase/(decrease) in cash and cash equivalents | 3,020 | (29,165) | (12,550) | 8,950 |
| Effects of exchange on cash and cash equivalents | 70 | (304) | 117 | (644) |
| Cash and cash equivalents at beginning of the financial period/year | 8,512 | 53,504 | 24,035 | 15,729 |
| **Cash and cash equivalents at end of the financial period/year** | 11,602 | 24,035 | 11,602 | 24,035 |

Note:
Breakdown of cash and cash equivalents is as follows:

| | As at | |
|---|---|---|
| | 31 Aug 2016 | 31 Aug 2015 |
| Cash and bank balances | 12,484 | 61,333 |
| Less: Restricted cash | (882) | (37,298) |
| Cash and cash equivalents | 11,602 | 24,035 |

## 10. Borrowings (in USD thousands)

### a) Bank borrowings

| | As at | |
|---|---|---|
| | **31 Aug 2016** | **31 Aug 2015** |
| Amount repayable in one year or less, or on demand | | |
| Secured | 519,629 | 157,679 |
| Unsecured | 48,664 | 48,123 |
| | 568,293 | 205,802 |
| Amount repayable after one year | | |
| Secured | - | 412,726 |
| | - | 412,726 |
| Total | 568,293 | 618,528 |

Details of any collateral

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

### b) Lease obligations

| | As at | |
|---|---|---|
| | **31 Aug 2016** | **31 Aug 2015** |
| Amount repayable in one year or less, or on demand | | |
| Secured | 97,002 | 1,188 |
| | 97,002 | 1,188 |
| Amount repayable after one year | | |
| Secured | - | 10,169 |
| | - | 10,169 |
| Total | 97,002 | 11,357 |

Financial covenants

The Group has presented its borrowings as current liabilities as it had breached certain financial covenants as at 31 August 2016. These formal breaches have now been rectified by way of obtaining covenant waivers and/or amendments to the financial covenants.

The Group has reached in-principle agreements with the substantial majority of its principal bankers on the refinancing of its financial obligations. The Group is also in the process of finalising additional working capital facilities. These are expected to be concluded before the end of the first quarter of financial year 2017. With the requisite number of principal bankers in agreement to the finalised refinancing package, the net current liabilities position is expected to be resolved upon the expected completion of the refinancing package.

## 11. Share capital

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

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

## 12. Dividends

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

## 13. Segment Information

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

- Marine Services division is mainly engaged in the owning, chartering and the management of offshore support vessels serving the oil and gas industry; and

- Production Services division provides engineering and project management services for the conversion of FPSOs and production facilities to third party clients.

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

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

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

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

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

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

## 13. Segment Information (in USD thousands) (cont'd)

Business segments

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

| | Marine | | Production | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Year ended 31 Aug 2016 | Year ended 31 Aug 2015 | Year ended 31 Aug 2016 | Year ended 31 Aug 2015 | Year ended 31 Aug 2016 | Year ended 31 Aug 2015 | Year ended 31 Aug 2016 | Year ended 31 Aug 2015 |
| **Revenue** | 165,498 | 244,604 | 2,081 | 2,567 | - | - | 167,579 | 247,171 |
| (Loss)/profit from operations | (59,661) | 53,930 | (770) | 899 | (16,864) | (9,743) | (77,295) | 45,086 |
| Financial income | 2,958 | 1,056 | 522 | 1,592 | 2 | 3 | 3,482 | 2,651 |
| Financial expenses | (19,153) | (12,177) | (2,149) | (1,978) | (6,649) | (2,065) | (27,951) | (16,220) |
| Share of results of associates | 5,016 | 4,402 | 2,629 | 7,214 | - | - | 7,645 | 11,616 |
| Share of results of joint ventures | - | - | 13,648 | 17,066 | (4,254) | (2,315) | 9,394 | 14,751 |
| Impairment loss on property, plant and equipment | (51,377) | - | - | - | - | - | (51,377) | - |
| Property, plant and equipment written off | (12,164) | - | - | - | - | - | (12,164) | - |
| Bad debts written off | (19,174) | - | - | - | - | - | (19,174) | - |
| Impairment on available for sale investment | - | - | - | - | (56,003) | - | (56,003) | - |
| Fair value changes of derivative instruments | - | - | - | - | 141 | | 141 | - |
| Impairment loss on joint ventures | - | - | (30,453) | - | (4,325) | - | (34,778) | - |
| Loss recognised on remeasurement to fair value less costs to sell | - | - | (3,469) | - | - | - | (3,469) | - |
| Unallocated other income, net | | | | | | | - | 149,633 |
| Income tax | | | | | | | (3,779) | (7,973) |
| (Loss)/profit for the financial year | | | | | | | (265,328) | 199,544 |
| **Other information** | | | | | | | | |
| Capital expenditure | 193,419 | 87,268 | - | - | - | - | 193,419 | 87,268 |
| Depreciation | 55,747 | 45,809 | - | 4 | - | - | 55,747 | 45,813 |

## 13. Segment Information (in USD thousands) (cont'd)

Business segments

| | Marine | | Production | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 Aug 2016 | As at 31 Aug 2015 | As at 31 Aug 2016 | As at 31 Aug 2015 | As at 31 Aug 2016 | As at 31 Aug 2015 | As at 31 Aug 2016 | As at 31 Aug 2015 |
| **Assets** | | | | | | | | |
| Segment assets | 1,046,694 | 1,157,062 | 245,157 | 264,689 | 23,853 | 68,706 | 1,315,704 | 1,490,457 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | 698,385 | 625,328 | 80,556 | 115,281 | 221,237 | 215,360 | 1,000,178 | 955,969 |
| **Other information** | | | | | | | | |
| Investment in associates | 22,443 | 33,222 | 15,359 | 77,162 | - | - | 37,802 | 110,384 |
| Investment in joint ventures | - | - | 130,034 | 152,749 | 20,752 | 28,873 | 150,786 | 181,622 |
| Asset held for sale | - | - | 76,322 | - | - | - | 76,322 | - |

## 13. Segment Information (in USD thousands) (cont'd)

Geographical segment

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

a) Revenue – Note 1

| | Year ended 31 Aug 2016 | Year ended 31 Aug 2015 |
|---|---|---|
| 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 |
| Others | 8,849 | 7,908 |
| Total | 167,579 | 247,171 |

b) Non-current assets – Note 2

| | As at 31 Aug 2016 | As at 31 Aug 2015 |
|---|---|---|
| Singapore | 752,414 | 806,403 |
| Malaysia | 154,023 | 153,305 |
| India | 43,525 | 59,703 |
| Others | 37,979 | 28,482 |
| Total | 987,941 | 1,047,893 |

Information about major customers

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

| | Year ended 31 Aug 2016 | Year ended 31 Aug 2015 |
|---|---|---|
| Marine division: | | |
| Customer 1 | 28,676 | 28,032 |
| Customer 2 | 14,564 | 25,722 |
| Customer 3 | 13,123 | 22,875 |
| Production division | 1,104 | 1,018 |

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

## 14. Significant Related Party Transactions (in USD thousands)

| | Year ended 31 Aug 2016 | Year ended 31 Aug 2015 |
|---|---|---|
| Income | | |
| Revenue from related parties | 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 parties | (206) | (971) |
| 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 party | (786) | (636) |
| Allowance for doubtful receivables from related parties | (328) | - |
| Key management personnel compensation | | |
| - Salaries, bonus and allowance | (1,287) | (1,833) |
| - Defined contribution plan expense | (27) | (22) |

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

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

| | As at 31 Aug 2016 | | As at 31 Aug 2015 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial asset | | | | |
| Long term receivables | 59,801 | 65,235 | 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 | * |

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.

* Balance due to a related company – The amount was unsecured, non-interest bearing and have no fixed repayment terms and was repaid only when the Group's cash flow permitted. Accordingly, fair value was not determined as the timing of the future cash flows for the balance due to the related party could not be reliably estimated.

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

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

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

The Group's available-for-sale investment and derivative financial instrument are classified as Level 2. The Group's available-for-sale investment was adjusted down 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.

## 16. Operations in the interim period

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

## 17. Commitments (USD thousands)

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

| | As at 31 Aug 2016 | As at 31 Aug 2015 |
|---|---|---|
| Purchase of vessel equipment | - | 17,454 |
| Vessel purchase/newbuilds | - | 71,578 |
| | - | 89,032 |

## 18. Reverse acquisition undertaken by the Group (USD thousands)

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

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

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

| | |
|---|---|
| **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 term 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 to banks | 123,042 |
| Bank term loans | 17,007 |
| Income tax payable | 1,347 |
| | 253,082 |
| 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 |

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

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

| | |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 66,000 |
| **Current assets** | |
| Balances due from related companies | 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 term 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 equivalent balances acquired | 70,862 |
| Less: Restricted cash | (30,000) |
| Less: Consideration paid in cash | (25,000) |
| Net cash inflow on reverse acquisition | 15,862 |

**Impact of acquisition on the results of the Group**

Included in the profit for 4Q FY2015 is USD0.7 million attributable to the additional business generated by pre-existing EOL entities. Revenue for the period from pre-existing EOL entities amounted to USD42.3 million.

Had the Business Combination been effected on 1 September 2014, the revenue of the Group from continuing operations would have increased by USD2.23 million, and the profit for the period would have decreased by USD0.1 million.

## 19. Selected Notes to the Accounts

(i) Basis of preparation

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

As at 31 August 2016, the Group was in net current liabilities position and had breached certain financial covenants. These formal breaches of covenants have now been resolved by way of obtaining waivers and/or amendments to the financial covenants. The Group is also in the process of finalising a refinancing package from the financial institutions. As at the date of this announcement, the Group has reached in-principle agreements with the substantial majority of its principal bankers. With the requisite number of principal bankers in agreement to the finalised refinancing package, the net current liabilities position is expected to be resolved upon the completion of the refinancing package.

The Group is in process of finalising additional working capital facilities to finance its continuing operations.

In the event that the Group is unable to complete the refinancing package and new working capital facilities, the Group may not be able to discharge its liabilities in the normal course of business. The Group will have to assess the presentation and carrying value of its assets and liabilities which may differ from those in the current financial statement.

The consolidated financial information has not been audited or reviewed.

(ii) Adoption of New And Revised Standards

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

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

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

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

## 19. Selected Notes to the Accounts (cont'd)

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

*a) Key sources of estimation uncertainty*

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

*Estimated useful lives of vessels*

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

*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 mentioned in Note 5, the Group is currently assessing the impact of PPT and will make the appropriate disclosure and adjustments in due course, if any.

*Impairment of non-financial assets*

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

As mentioned in Note 5, the Group is currently performing a Group wide assessment of the recoverability of its non-financial assets and will make the appropriate disclosure and adjustments in due course, if any.

## 19. Selected Notes to the Accounts (cont'd)

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

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

*Assets held for sale*

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

As mentioned in Note 5, the Group is currently determining the fair value of its asset held for sale and will make the appropriate disclosure and adjustments in due course, if any.

*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.

*Income taxes*

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

*b) Critical judgments made in applying accounting policies*

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

*Accounting for sale and leaseback arrangements*

At the inception of the respective sale and leaseback arrangements, the Group has evaluated the substance of the transactions in accordance with the requirements of INT FRS 27 and FRS 17 (revised) *Leases*, and concluded that the sales should be recognised upon completion of the respective transactions and the leasebacks should be accounted for as operating leases or finance lease respectively.

## 19. Selected Notes to the Accounts (cont'd)

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

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

*Recoverability of AFS investments*

At the reporting date, the Group has impaired the remaining carrying value of its shares in PPT, following their classification to PN17 status.

(iv) Foreign currencies

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

*(a) Foreign currency transactions and balances*

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

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

*(b) Foreign operations*

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

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

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

## 19. Selected Notes to the Accounts (cont'd)

(v) Foreign currencies (cont'd)

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

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

(vi) 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.

(vii) Available-for-sale financial assets

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

## 19. Selected Notes to the Accounts (cont'd)

(viii) Associates and joint ventures

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

The Group 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.

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.

## 19. Selected Notes to the Accounts (cont'd)

(ix) Business combinations

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

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

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

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

*Reverse acquisition*

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

## 19. Selected Notes to the Accounts (cont'd)

(viii) Business combinations (cont'd)

*Reverse acquisition (cont'd)*

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

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

## 20. Principal Risks and Uncertainties

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

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

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

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

## 21. Key Financial Figures

| | Notes | Year ended 31 Aug 2016 | Year ended 31 Aug 2015 |
|---|---|---|---|
| Net (loss)/profit (in USD thousands) | | (265,328) | 199,544 |
| EBITDA (in USD thousands) | | (181,333) | 266,899 |
| EBIT (in USD thousands) | | (237,080) | 221,086 |
| Earnings per share | | | |
| – Basic and diluted (in USD cents) | A | (0.61) | 0.47 |
| Weighted average number of shares ('000) | | 438,432 | 425,241 |
| Interest cover ratio (times) | B | -7.41 | 19.67 |
| Return on equity | C | -62.4% | 47.0% |

| | Notes | As at 31 Aug 2016 | As at 31 Aug 2015 |
|---|---|---|---|
| Net interest bearing debt (in USD thousands) | D | 555,809 | 557,195 |
| Net tangible assets attributable to the Parent (in USD thousands) | | 315,526 | 534,488 |
| Debt equity ratio (times) | E | 1.76 | 1.04 |
| Current ratio (times) | F | 0.32 | 1.09 |
| Net asset value per ordinary share (in USD) | G | 0.72 | 1.22 |

Notes:

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

Financial covenants

The Group has presented its borrowings as current liabilities as it had breached certain financial covenants as at 31 August 2016. These formal breaches have now been rectified by way of obtaining covenant waivers and/or amendments to the financial covenants.

The Group has reached in-principle agreements with the substantial majority of its principal bankers on the refinancing of its financial obligations. The Group is also in the process of finalising additional working capital facilities. These are expected to be concluded before the end of the first quarter of financial year 2017. With the requisite number of principal bankers in agreement to the finalised refinancing package, the net current liabilities position is expected to be resolved upon the expected completion of the refinancing package.

# Responsibility Statement

We confirm that, to the best of our knowledge, the condensed set of financial information as set out in Pages 6 to 37 for the period from 1 September 2015 to 31 August 2016, which have been prepared in accordance with the current applicable International Financial Reporting Standards, give a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole, subject to the Adjusting Events as set out in Note 5.

We also confirm, to the best of our knowledge, that the unaudited consolidated financial information includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

**The Board of Directors and Management**
**EMAS Offshore Limited**
**30 October 2016**

| | | |
|---|---|---|
| (signed) | (signed) | (signed) |
| Mr Lee Kian Soo<br>Chairman | Dr Wang Kai Yuen<br>Member | Mr Dale Bruce Alberda<br>Member |
| (signed) | (signed) | (signed) |
| Mr Cuthbert (Chas)<br>I. J. Charles<br>Member | Captain Adarash Kumar A/L<br>Chranji Lal Amarnath<br>Chief Executive Officer | Mr Hsu Chong Pin<br>Chief Financial Officer |