KS ENERGY LIMITED
An Integrated Energy Services Hub

(Company Registration No. 198300104G)

Financial Statement and Dividend Announcement for the Year Ended 31 December 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/
	31.12.2016	31.12.2015	(Decrease)
	$'000	$'000 Restated*	
Revenue	35,597	91,951	(61.3%)
Cost of sales	(64,300)	(131,665)	(51.2%)
Gross loss	**(28,703)**	**(39,714)**	(27.7%)
Other income	554	2,734	(79.7%)
Administrative expenses	(19,398)	(22,478)	(13.7%)
Other operating expenses	(56,887)	(113,505)	(49.9%)
Results from operating activities	**(104,434)**	**(172,963)**	(39.6%)
Finance income	5,804	2,913	99.2%
Finance costs	(16,815)	(19,369)	(13.2%)
Share of results of joint ventures (net of tax)	(10,138)	(71,192)	(85.8%)
Loss before tax	**(125,583)**	**(260,611)**	(51.8%)
Income tax (expense)/credit	(735)	179	N/M
Loss for the year	**(126,318)**	**(260,432)**	(51.5%)
Results attributable to:			
Owners of the Company	**(107,487)**	**(229,642)**	(53.2%)
Non-controlling interests	(18,831)	(30,790)	(38.8%)
Loss for the year	**(126,318)**	**(260,432)**	(51.5%)

** The Group has now ceased reclassifying rig depreciation and direct rig costs from "cost of sales" to "other operating expenses" during off-charter periods.*

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(a)(i) Profit/(loss) for the year is arrived at after crediting/(charging):-

	Group		Increase/
	31.12.2016	31.12.2015	(Decrease)
	$'000	$'000	
Amortisation of intangible assets	(222)	(573)	(61.3%)
Depreciation of plant and equipment	(32,115)	(60,959)	(47.3%)
Impairment loss on plant and equipment	(11,329)	(49,366)	(77.1%)
Impairment loss on intangible assets and goodwill	(727)	(3,083)	(76.4%)
Finance costs on convertible bonds	(6,328)	(6,351)	(0.4%)
Interest expense on borrowings	(10,487)	(13,018)	(19.4%)
Allowance for doubtful trade receivables	(27)	(2,654)	(99.0%)
Allowance for doubtful non-trade receivables	(27,944)	-	N/M
Additional write down of assets held for sale	(1,441)	-	N/M
Foreign exchange (loss)/gain	(2,197)	430	N/M
Loss on disposal of plant and equipment	(13,539)	(182)	7339.0%
Plant and equipment written off	(24)	(737)	(96.7%)
Loss on liquidation of subsidiaries	(431)	-	N/M
Gain on liquidation/disposal of joint ventures	-	8	N/M
Write-back/(Impairment loss) on joint ventures	4,211	(48,651)	(108.7%)
Adjustments for over provision of tax in respect of prior years	77	2,402	(96.8%)

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31.12.2016 $'000	31.12.2015 $'000	31.12.2016 $'000	31.12.2015 $'000
Current Assets				
Cash and cash equivalents	5,320	19,422	290	2,916
Amounts due from subsidiaries	-	-	222	1,164
Amounts due from joint ventures	1	441	-	22
Trade receivables	8,289	22,795	-	-
Contract work in progress	20	904	-	-
Inventories	240	235	-	-
Other assets	16,763	13,959	76	89
Assets held for sale	2,604	4,029	-	-
	33,237	**61,785**	**588**	**4,191**
Non-Current Assets				
Joint ventures	42,780	52,451	42,780	49,125
Amounts due from joint ventures	35,677	46,128	-	-
Subsidiaries	-	-	122,297	193,121
Plant and equipment	448,446	503,891	333	555
Intangible assets and goodwill	320	1,247	-	-
Other assets	968	3,144	301	301
Deferred tax assets	1,225	1,342	-	-
	529,416	**608,203**	**165,711**	**243,102**
Total assets	**562,653**	**669,988**	**166,299**	**247,293**
Current Liabilities				
Trade and other payables	25,966	28,418	3,430	1,844
Amounts due to joint ventures	44	4,090	32	3,700
Amounts due to subsidiaries	-	-	20,529	7,236
Provision for current tax	9,880	10,418	1,182	1,234
Financial liabilities	85,544	368,711	74,862	69,022
	121,434	**411,637**	**100,035**	**83,036**
Non-Current Liabilities				
Trade and other payables	540	1,754	-	-
Financial liabilities	343,124	15,870	-	4,950
Deferred tax liabilities	12	69	-	57
Provision for loss from joint ventures	10,496	29,884	-	-
	354,172	**47,577**	**-**	**5,007**
Total liabilities	**475,606**	**459,214**	**100,035**	**88,043**
Net assets	**87,047**	**210,774**	**66,264**	**159,250**
Equity Attributable to Owners of the Company:				
Share capital	359,973	359,973	359,973	359,973
Equity reserve	17,685	17,685	17,685	17,685
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(9,045)	(11,238)	-	-
Other reserve	(3,750)	(3,750)	-	-
Accumulated losses	(281,522)	(174,095)	(285,029)	(192,043)
	56,976	**162,210**	**66,264**	**159,250**
Non-controlling interests	30,071	48,564	-	-
Total equity	**87,047**	**210,774**	**66,264**	**159,250**

See paragraph 8 for more explanation on the balance sheet review

1(b)(i) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand	Group 31.12.2016 $'000	Group 31.12.2015 $'000
Secured	10,682	298,875
Unsecured	74,862	69,836
Total	85,544	368,711

Amount repayable after one year	Group 31.12.2016 $'000	Group 31.12.2015 $'000
Secured	343,124	10,920
Unsecured	-	4,950
Total	343,124	15,870

Amount repayable in total	Group 31.12.2016 $'000	Group 31.12.2015 $'000
Secured	353,806	309,795
Unsecured	74,862	74,786
Total	428,668	384,581

Included in unsecured loans repayable within one year as at 31 December 2016 is an amount of $13,302,000 relating to a loan from a related party (31 December 2015: $0).

Details of the collaterals:

Secured borrowings are generally bank loans secured on plant and equipment and pledge of cash deposits in the borrowing companies. Unsecured borrowings include convertible bonds issued by the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding year.

	Group	
	31.12.2016	31.12.2015
Operating activities	$'000	$'000
Loss before tax	(125,583)	(260,611)
Adjustments for:		
Amortisation of intangible assets	222	573
Depreciation of plant and equipment	32,115	60,959
Impairment loss on plant and equipment	11,329	49,366
Impairment loss on intangible assets and goodwill	727	3,083
Allowance for doubtful trade receivable	27	2,654
Allowance for doubtful non-trade receivables	27,944	-
Loss on disposal of plant and equipment	13,539	182
Loss on liquidation of subsidiaries	431	-
Additional write down of assets held for sale	1,441	-
Gain on liquidation in joint venture	-	(8)
(Write-back)/Impairment loss on investment in joint ventures	(4,211)	48,651
Interest income	(5,804)	(2,913)
Interest expense	10,487	13,018
Finance cost on convertible bonds	6,328	6,351
Plant and equipment written off	24	737
Realised profits from sales to joint venture	(506)	-
Share of results of joint ventures	10,138	71,192
Operating loss before changes in working capital	(21,352)	(6,766)
Changes in working capital:		
Inventories	884	7
Trade receivables	14,753	41,728
Other assets	(847)	1,212
Trade and other payables	(6,008)	(13,907)
Cash (used in)/from operations	(12,570)	22,274
Tax paid	(829)	(2,320)
Net cash (used in)/from operating activities	**(13,399)**	**19,954**
Investing activities		
Increase of non-trade receivables with joint ventures and related parties	(27,761)	(6,604)
Dividends received	-	4,017
Interest received	194	1,256
Payments for purchase of plant and equipment	(1,319)	(9,166)
Proceeds from disposal of plant and equipment	1,644	257
Payments for purchase of intangible assets	(20)	(522)
Refund of deposit paid	6,719	-
Net cash used in investing activities	**(20,543)**	**(10,762)**
Financing activities		
Proceeds from bills payable to bank	-	2,669
Repayment of bills payable to bank	(814)	(2,304)
Decrease in deposits pledged	642	10,294
Interest paid on borrowings	(10,340)	(13,371)
Interest paid on convertible bonds	(1,503)	(2,955)
Repayment of finance lease liabilities	-	(6)
Proceeds from bank loans	62,932	50,613
Repayment of bank loans	(43,377)	(94,714)
Loan from related party	13,302	-
Proceeds from issue of convertible bonds	-	7,500
Repayment of convertible bonds, excluding interest	-	(18,445)
Payment of transaction costs	(55)	-
Contribution of non-controlling interests	-	135
Net cash from/(used in) financing activities	**20,787**	**(60,584)**
Net decrease in cash and cash equivalents	**(13,155)**	**(51,392)**
Cash and cash equivalents at beginning of the year	15,869	64,363
Effect of exchange rate changes on balances held in foreign currencies	(306)	2,898
Cash and cash equivalents at end of the year	**2,408**	**15,869**
Cash and cash equivalents at end of the year includes the following:		
Cash and cash equivalents	5,320	19,422
Deposits pledged	(2,912)	(3,553)
Cash and cash equivalents at end of the year	**2,408**	**15,869**

See paragraph 8 for more explanation on the balance sheet review

1(d) Statement of Comprehensive Income

	Group		
	31.12.2016	31.12.2015	Increase/ (Decrease)
	$'000	$'000	%
Loss attributable to:			
Owners of the Company	(107,487)	(229,642)	(53.2)
Non-controlling interests	(18,831)	(30,790)	(38.8)
Loss for the year	**(126,318)**	**(260,432)**	(51.5)
Other comprehensive income/(expense) for the year:			
Item that will not be reclassified to profit or loss			
Defined benefit plan remeasurements	75	(35)	N/M
Item that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	2,516	24,937	(89.9)
Other comprehensive income for the year	**2,591**	**24,902**	(89.6)
Total comprehensive expense for the year	**(123,727)**	**(235,530)**	(47.5)
Total comprehensive expense attributable to:			
Owners of the Company	(105,234)	(209,555)	(49.8)
Non-controlling interests	(18,493)	(25,975)	(28.8)
Total comprehensive expense for the year	**(123,727)**	**(235,530)**	(47.5)

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital	Equity reserve	Treasury shares	Foreign currency translation reserve	Other reserve	Accumulated losses	Total attributable to owners of the Company	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	359,973	17,685	(26,365)	(11,238)	(3,750)	(174,095)	162,210	48,564	210,774
Loss for the year	-	-	-	-	-	(107,487)	(107,487)	(18,831)	(126,318)
Other comprehensive income/(expense)									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	2,193	-	-	2,193	323	2,516
Defined benefit plan remeasurements	-	-	-	-	-	60	60	15	75
Total other comprehensive income	-	-	-	2,193	-	60	2,253	338	2,591
Total comprehensive expense for the year	**-**	**-**	**-**	**2,193**	**-**	**(107,427)**	**(105,234)**	**(18,493)**	**(123,727)**
At 31 December 2016	**359,973**	**17,685**	**(26,365)**	**(9,045)**	**(3,750)**	**(281,522)**	**56,976**	**30,071**	**87,047**

Group	Share capital	Equity reserve	Treasury shares	Foreign currency translation reserve	Other reserve	Accumulated (losses)/profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2015	359,973	24,717	(34,510)	(31,353)	(3,750)	55,575	370,652	74,404	445,056
Loss for the year	-	-	-	-	-	(229,642)	(229,642)	(30,790)	(260,432)
Other comprehensive income/(expense)									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	20,115	-	-	20,115	4,822	24,937
Defined benefit plan remeasurements	-	-	-	-	-	(28)	(28)	(7)	(35)
Total other comprehensive income/(expense)	-	-	-	20,115	-	(28)	20,087	4,815	24,902
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**20,115**	**-**	**(229,670)**	**(209,555)**	**(25,975)**	**(235,530)**
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Share based payment transactions	-	(7,145)	8,145	-	-	-	1,000	-	1,000
Changes in equity reserve due to equity component of convertible bonds	-	113	-	-	-	-	113	-	113
Contributions by non-controlling interests	-	-	-	-	-	-	-	135	135
Total contributions by and distributions to owners of the Company	**-**	**(7,032)**	**8,145**	**-**	**-**	**-**	**1,113**	**135**	**1,248**
At 31 December 2015	**359,973**	**17,685**	**(26,365)**	**(11,238)**	**(3,750)**	**(174,095)**	**162,210**	**48,564**	**210,774**

Company	Share capital	Equity reserve	Treasury shares	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	359,973	17,685	(26,365)	(192,043)	159,250
Loss for the year	-	-	-	(92,986)	(92,986)
Total comprehensive expense for the year	**-**	**-**	**-**	**(92,986)**	**(92,986)**
At 31 December 2016	**359,973**	**17,685**	**(26,365)**	**(285,029)**	**66,264**
At 1 January 2015	359,973	24,717	(34,510)	(47,027)	303,153
Loss for the year	-	-	-	(145,016)	(145,016)
Total comprehensive expense for the year	**-**	**-**	**-**	**(145,016)**	**(145,016)**
Share based payment transactions	-	(7,145)	8,145	-	1,000
Change in equity reserve due to equity component of convertible bonds	-	113	-	-	113
Total contributions by and distributions to owners of the Company	**-**	**(7,032)**	**8,145**	**-**	**1,113**
At 31 December 2015	**359,973**	**17,685**	**(26,365)**	**(192,043)**	**159,250**

1 (d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's issued and paid-up capital for the period from 1 January 2016 to 31 December 2016.

As at 31 December 2016, the number of ordinary shares in issue was 524,240,215 of which 8,639,000 were held by the Company as treasury shares (31 December 2015: 524,240,215 ordinary shares of which 8,639,000 were held as treasury shares).

Convertible Bonds

On 26 March 2010, the Company issued $50 million of 3.0% convertible bonds with a maturity in March 2015 (the "2010 Bonds"). On 14 May 2010, the Company issued $57 million additional 2010 Bonds. The 2010 Bonds were initially convertible into 66,875,000 fully-paid ordinary shares of the Company at an initial conversion price of $1.60 per new share.

On 26 March 2013, the Company redeemed $90 million in principal amount of the 2010 Bonds. The Company fully redeemed the remaining $17 million face value of 2010 Bonds at maturity on 26 March 2015.

On 21 March 2013, the Company issued $45 million of 6.0% convertible bonds with an original maturity in March 2016 (the "2013 Bonds"). As at 31 December 2016, the Company has $45 million face value of 2013 Bonds outstanding which are convertible into 54,216,720 fully-paid ordinary shares of the Company

at a conversion price of $0.83 per new share. On 15 March 2016, 20 June 2016, 21 September 2016, and 21 December 2016, the Company announced that it had entered into supplemental trust deeds relating to the 2013 Bonds pursuant to which the maturity date of the 2013 Bonds had been extended to 21 March 2017 and the redemption price payable on the amended maturity date, unless previously redeemed, converted or purchased and cancelled, has been increased to 120.40% of the face value.

On 19 November 2015, the Company issued $7.5 million of 6.0% convertible bonds with a maturity in September 2016 (the "2015 Bonds"). The Company is finalising a supplemental agreement relating to the 2015 Bonds pursuant to which the maturity date of the 2015 Bonds will be extended to 21 March 2017 and the redemption price payable on the amended maturity date, unless previously redeemed, converted or purchased and cancelled, will be increased to 106.71% of the face value. As at 31 December 2016, the Company has $7.5 million face value of 2015 Bonds outstanding which are convertible into 26,785,710 fully-paid ordinary shares of the Company at a conversion price of $0.28 per new share.

As at 31 December 2016, the convertible bonds outstanding are convertible into 81,002,430 fully-paid ordinary shares of the Company (31 December 2015: 81,002,430 ordinary shares).

KS Energy Performance Share Plan (the "Plan")

As at 31 December 2016, there were no outstanding shares issued under the Plan which was approved by the shareholders of the Company on 2 July 2009. On 6 March 2015, pursuant to Rule 704(29) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company granted 2,669,000 share awards to senior management, pursuant to the Plan. The closing price of the Company's shares on the award date was $0.375. All 2,669,000 share awards vested in December 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 December 2016, the share capital less treasury shares of the Company was 515,601,215 ordinary shares (524,240,215 issued ordinary shares less 8,639,000 treasury shares).

As at 31 December 2015, the share capital less treasury shares of the Company was 515,601,215 ordinary shares (524,240,215 issued ordinary shares less 8,639,000 treasury shares).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The movement of treasury shares is as follows:

As at 1 January 2016:	8,639,000 shares
Purchase of treasury shares:	Nil
As at 31 December 2016:	8,639,000 shares

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those applied for the audited financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current financial year, the Group adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRSs") and related Interpretations ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on 1 January 2016. The adoption of these new/revised FRSs and INT FRSs did not result in changes to the Group's accounting policies and has no material effect on the financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	31.12.2016	31.12.2015
Earnings per ordinary share:	Cents	Cents
(a) Based on weighted average number of ordinary shares in issue	(20.85)	(44.75)
(b) On a fully diluted basis	(20.85)	(44.75)

The basic and diluted earnings per share for the year ended 31 December 2016 were calculated by dividing the loss attributable to shareholders of $107,487,000 (31.12.2015: $229,642,000) by the weighted average number of shares of 515,601,215 (31.12.2015: 513,129,648) in issue during the financial year.

The earnings per share computation has taken into consideration the following:

(i) The issue of 2,669,000 treasury shares under the Plan on 4th December 2015.
(ii) The diluted earnings per share computations have not taken into consideration the effects of outstanding convertible bonds as they are anti-dilutive pursuant to para 41 of FRS 33.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -
(a) current financial period reported on; and
(b) immediately preceding financial year

	Group		Company	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on existing issued share capital as at the end of the year reported on	11.1	31.5	12.9	30.9

The Group's and the Company's net assets value per ordinary share for the year have been computed based on the number of ordinary shares issued as at 31 December 2016 of 515,601,215 (31.12.2015: 515,601,215).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT REVIEW

Financial year ended 31 December 2016

	Group		
	31.12.2016	31.12.2015	Change
Revenue by segment	**$'000**	**$'000**	
Drilling	27,547	81,234	(66.1%)
Engineering	8,050	10,933	(26.4%)
Corporate	-	796	N/M
Less: Inter-segment revenue	-	(1,012)	N/M
	35,597	**91,951**	(61.3%)

Overview

The financial results reflect the continuing weak operating conditions across the oil and gas services sector.

Results for the financial year ended 31 December 2016 ("FY2016")

The consolidated revenue of $35.6 million for FY2016 represents a decrease of $56.4 million, or 61.3%, below that of $92.0 million reported for the year ended 31 December 2015 ("FY2015"), mainly due to the lower revenue from the Drilling business following the completion of some charter contracts.

The consolidated loss after tax was $126.3 million for FY2016 as compared to the consolidated loss after tax of $260.4 million reported for FY2015, mainly due to a $68.6 million smaller loss from operating activities, a $61.1 million smaller loss from share of results of joint ventures and a $5.5 million reduction in net finance costs.

Revenue

Revenue from the Drilling business decreased $53.7 million, or 66.1%, from $81.2 million for FY2015 to $27.5 million for FY2016. The drop in revenue was mainly due to lower fleet utilisation in FY2016. Revenue contribution from the Drilling business made up about 77.4% of the Group's consolidated revenue for FY2016.

Revenue from the Engineering business decreased $2.8 million, or 26.4%, from $10.9 million for FY2015 to $8.1 million for FY2016. Revenue contribution from the Engineering business made up the remaining 22.6% of the Group's consolidated revenue FY2016.

Revenue generated by the Group but not attributable to either the Drilling or the Engineering segment decreased $0.8 million, from $0.8 million for FY2015 following the completion of charter contract.

Gross Loss

The gross loss of $28.7 million for FY2016 was 27.7% lower as compared to the gross loss of $39.7 million reported for FY2015. The smaller gross loss in FY2016 occurred due to the $67.4 million drop in cost of sales on the $56.4 million drop in revenue. Cost of sales includes certain fixed costs associated with our fleet of rigs such as depreciation which decreased from $59.9 million in FY2015 to $31.2 million in FY2016.

The lower depreciation charges in FY2016 are mainly due to higher accelerated depreciation charges booked in FY2015, the disposal of plant and equipment in the second quarter of 2016 and the impairment charges booked on plant and equipment during FY2015.

The gross loss margin increased from 43.2% in FY2015 to 80.6% in FY2016.

Other Income

Other income decreased from $2.7 million for FY2015 to $0.6 million for FY2016. Other income mainly comprised income not directly related to the revenue generated from our day-to-day operations.

Operating Expenses

Administrative expenses decreased $3.1 million from $22.5 million in FY2015 to $19.4 million in FY2016 mainly due to reduced staff costs.

Other operating expenses decreased $56.6 million from $113.5 million in FY2015 to $56.9 million in FY2016, mainly due to a net $38.0 million decrease in impairment losses on plant and equipment, a net decrease in impairment losses on joint ventures of $52.9 million and a net decrease in impairment losses on intangible assets and goodwill of $2.4 million offset against a net increase in allowance for doubtful non-trade receivables of $27.9 million, an increase in losses on disposal of plant and equipment of $13.4 million and an increase in write down of $1.4 million on assets held for sale.

Finance Income and Costs

Finance income increased from $2.9 million in FY2015 to $5.8 million FY2016. The finance income is mainly derived from interest income on loans provided to a joint venture and additional loans were provided in the first quarter of FY2016.

Finance costs decreased from $19.4 million in FY2015 to $16.8 million in FY2016 due to a reduction in borrowing costs.

Share of results of associates and joint ventures

The group's share of results from joint ventures was a loss of $10.1 million for FY2016 which was 85.8% lower than the loss of $71.2 million reported for FY2015. The loss in FY2016 is mainly due to losses recorded by the Distribution business. The group's share of results from the KS Distribution Group improved by $10.7 million from a loss of $20.8 million for FY 2015 to a loss of $10.1 million for FY2016.

Tax expense

The tax expense increased from tax credit of $0.2 million in FY2015 to tax expense of $0.7 million in FY2016. The tax credit in FY2015 was due to a tax credit on a maturing convertible bond.

Result Attributable to Shareholders

The result attributable to the owners of the group of $107.5 million loss for FY2016 was 53.2% lower as compared to the result attributable to the owners of the group of $229.6 million loss reported for FY2015.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets decreased from $608.2 million as at 31 December 2015 to $529.4 million as at 31 December 2016. Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the rig fleet decreased from $425.5 million as at 31 December 2015 to $376.4 million as at 31 December 2016, due to depreciation charges, impairment losses and the disposal of plant and equipment in FY2016.

The carrying value of joint ventures decreased 18.5% from $52.5 million as at 31 December 2015 to $42.8 million as at December 2016 mainly due to the Group's share of results from the joint ventures and the liquidation of a joint venture in FY2016. Joint ventures comprise the 55.35% equity interest in KS Distribution Pte Ltd, with a carrying amount of $42.8 million as at 31 December 2016.

Within non-current assets, amounts due from joint ventures decreased by $10.4 million to $35.7 million as at 31 December 2016 from $46.1 million as at 31 December 2015. During FY2016 the Group advanced loans to a joint venture to fund loan repayments that had been guaranteed by the Group and a customs bond obligation (more details of the customs bond obligation were announced by the Company on 1 March 2016). These additional loans, and interest charged on them, increased the amounts due from joint ventures by $37.8 million. However due to losses within the joint venture, an impairment loss of $27.9 million has been recorded against the amounts due from the joint venture. In addition, a provision for losses of $20.1 million booked in FY2015 and relating to the same joint venture has been allocated against the amounts due. These adjustments have reduced the carrying amount of the amounts due from joint ventures as at 31 December 2016 down to $35.7 million.

Total current assets decreased 46.3% from $61.8 million as at 31 December 2015 to $33.2 million as at 31 December 2016. The decrease in current assets was mainly due to lower cash and cash equivalents and lower trade receivables. Cash and cash equivalents decreased $14.1 million from $19.4 million as at 31 December 2015 to $5.3 million as at 31 December 2016. Trade receivables decreased $14.5 million from $22.8 million as at 31 December 2015 to $8.3 million as at 31 December 2016 mainly due to the lower level of revenues over the year.

The carrying value of assets held for sale as at 31 December 2016 was $2.6 million (31 December 2015: $4.0 million) and relates to a drilling rig which is currently being marketed for sale.

The breakdown of "other current assets" is shown below:

	31.12.2016 $'000	31.12.2015 $'000	Movement $'000
Detailed breakdown:			
Sundry Deposits	210	626	(416)
Withholding tax recoverable	3,892	2,841	1,051
Value-added tax receivable	8,359	7,915	444
Deferred operating expenses	2,396	239	2,157
Other debtors	1,289	1,059	230
Prepayments	617	1,279	(662)
Other Current Assets	**16,763**	**13,959**	2,804

The increase in other current assets was mainly due to higher amounts under “deferred operating expenses, “withholding tax recoverable”, “value-added tax receivable” and “other debtors”, offset with the lower amount of “prepayments” and “sundry deposits” as at 31 December 2016 compared to 31 December 2015. These balances mainly originate from our Drilling business and are routine in nature.

Total liabilities increased $16.4 million, or 3.6%, from $459.2 million as at 31 December 2015 to $475.6 million as at 31 December 2016. This was principally attributable to a $44.0 million increase in total borrowings from $384.6 million as at 31 December 2015 to $428.6 million as at 31 December 2016, offset by a $19.4 million decrease in provision for loss from joint ventures from $29.9 million as at 31 December 2015 to $10.5 million as at 31 December 2016 following the settlement of a customs bond obligation during FY2016. More details of the customs bond obligation were announced by the Company on 1 March 2016.

Within current liabilities, amounts due to joint ventures reduced from $4.1 million as at 31 December 2015 to $Nil as at 31 December 2016 due to the liquidation of a joint venture in the first quarter for FY2016.

As at 31 December 2016, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $88.2 million and $99.4 million respectively. As at 31 December 2015, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $349.9 million and $78.8 million respectively.

Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the year ended 31 December 2016 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from (i) the Group’s operating activities, (ii) asset divestment plans and (iii) other financing plans.

i. Operating activities

   Although the Group expects the overall operating cash flow to remain negative in the next 12-months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The eventual conclusion and the timing of execution of new rig charter contracts are subject to on-going negotiations with prospective customers. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by Management.

ii. Assets divestment plans

   The Group plans to divest certain non-core assets.

iii. Financing plans

   The Group plans to refinance the convertible bonds and seeks additional working capital facilities to cover any cash shortfalls during FY2017. These plans, together with the operating activities and asset divestment plans are expected to allow the Group to meet the $85.5 million of current borrowings as and when they fall due.

The Group has capital commitments of $244.8 million as at 31 December 2016 for an asset under construction due within the next 12 months. The Group is working on financial options available in relation to the asset under construction.

The Group’s net gearing (defined as net borrowings to total equity) increased to 4.86 as at 31 December 2016 from 1.73 as at 31 December 2015. Similarly, the Group’s debt ratio (defined as net borrowings to total assets) increased to 0.75 as at 31 December 2016 from 0.55 as at 31 December 2015.

The equity attributable to the owners of the Company decreased $105.2 million from $162.2 million as at 31 December 2015 to $57.0 million as at 31 December 2016. The decrease was mainly due to the loss after tax and non-controlling interests during FY2016 offset by foreign exchange translation gains.

Secured current borrowings decreased $288.2 million from $298.9 million as at 31 December 2015 to $10.7 million as at 31 December 2016 whereas secured non-current borrowings increased $332.2 million from $10.9 million as at 31 December 2015 to $343.1 million as at 31 December 2016. These changes were brought about through amendments to the secured loan agreements.

Unsecured current borrowings increased from $69.8 million as at 31 December 2015 to $74.9 million as at 31 December 2016. Included within unsecured current borrowings as at 31 December 2016 is an amount of $61.6 million in respect of the 2013 Bonds and 2015 Bonds and $13.3 million of loans from a related party.

Unsecured non-current borrowings decreased from $5.0 million as at 31 December 2015 to $Nil as at 31 December 2016 due to the repayment of a corporate term loan during FY2016.

STATEMENT OF CASH FLOWS REVIEW

As at 31 December 2016, cash and cash equivalents amounted to $5.3million (31 December 2015: $19.4 million), of which unpledged cash and cash equivalents amounted to $2.4 million (31 December 2015: $15.9 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of $13.4 million for FY2016. The net cash outflow due to operating activities comprised a cash outflow of $21.4 million arising due to an operating loss before changes in working capital; a cash inflow of $8.8 million arising due to changes in working capital; and a cash outflow of $0.8 million relating to income taxes paid.

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an outflow of $20.5 million for FY2016. This was attributable mainly to an increase in non-trade receivables from joint ventures and related parties which incurred a cash outflow of $27.8 million and the purchase of plant and equipment which incurred a cash outflow of $1.3 million. The refund of a deposit paid generated a cash inflow of $6.7 million and the proceeds from the disposal of plant and equipment generated a cash inflow of $1.6 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an inflow of $20.8 million FY2016. The aggregate repayment of bank loans during FY2016 amounted to $43.4 million and the aggregate proceeds from new bank loans entered into during FY2016 totalled $62.9 million. A net cash inflow of $13.3 million was generated from the execution of loans from a related party, Pacific One Energy Limited, our majority shareholder. Interest paid on loans and convertible bonds during FY2016 incurred a cash outflow of $11.8 million. A reduction of deposits pledged generated a cash inflow of $0.6 million in FY2016.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made. However, the Group's performance for full year 2016 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 14 November 2016.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook for the offshore services sector continues to be affected by the uncertainty of oil prices which has reduced the demand for the rigs and related services. However, the Group believes the long term economic fundamentals remain supportive for oil and gas services.

The Group seeks to manage our balance sheet to improve its financial position.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared/recommended for the current financial reporting period.

13. Interested persons transactions

The Group has the following interested person transactions ("IPT") for the twelve months ending 31 December 2016:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
PT Dwi Sumber Arca Waja, its subsidiaries and its associates ("DSAW Group")		
• Provision of goods and services to and from the DSAW Group	-	SGD 140,648
PT KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• Shareholder loan provided for the settlement of the corporate guarantee extended in favour of banks in respect of import duty bond extended by JVC Group, including issuance fees (the Additional Loan) *	SGD 15,340,216	
• Expected interest income on Additional Loan	SGD 1,085,746	
• Injection of shareholders' loans pursuant to the Financing provided by KS Drilling to JVC Group **		SGD 8,858,981
• Net injection of funds by KS Drilling to JVC Group		USD 7,758,085
• Total outstanding amount due from JVC Group including loan principal, accrued interest, rig management fees, other services and guarantee fees as at the end of period	USD 15,645,290	USD 42,346,811
• Corporate guarantees extended in favour of banks in respect of loan facilities extended to JVC Group - Principal and accrued interest in respect of the bank loan facilities as at end of period ***	-	-

* On 22 January 2016, PT Java Star Rig ("PT JSR", a subsidiary of PT KS Drilling Indonesia) was notified that its appeal had been rejected, and the Ministry of Finance of the Republic of Indonesia – Directorate General Customs and Excise commenced the process to call upon the Customs Bond. The Insurer paid the amount due under the Customs Bond, and subsequently called on the Guarantee. The funds were disbursed pursuant to the Guarantee on 4 February 2016. As a result, a debt arose between KS Drilling as creditor and PT JSR as debtor (the "Additional Loan"). The Additional Loan has been charged to PT JSR at an interest rate of 7.0% per annum (please refer to the announcement dated 1 March 2016 for more details) and the principal amount outstanding as at 31 December 2016 was US$14.2 million.

** With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, which was reapproved by shareholders at the AGM held on 29 April 2016, the Group provided funding for the purchase of Rigs and Equipment which has been provided by way of shareholder guarantees and shareholder loans (the "Financing") to JVC Group. The shareholder loans provided under such Financing by KS Drilling Pte Ltd ("KS Drilling"), an 80% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 31 December 2016 was US$37.3 million which has been used to finance the acquisition of the jack-up rig named "KS Java Star" and additional equipment required by the rig. Included in the US$37.3 million balance is US$7.8 million that has been advanced during the year ended 31 December 2016.

*** In 2013, KS Drilling extended a corporate guarantee in favour of a bank lending to PT Java Star Rig for 100% of a bank loan facility to finance the jack-up rig named "KS Java Star". The principal amount outstanding in respect of the bank loan facility has now been fully repaid.

14. Negative confirmation pursuant to Rule 705 (5)

Not applicable.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors, the chief executive officer and the chief financial officer.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Primary reporting format - business segment

Business segments	Drilling		Engineering		Distribution*		Others		Inter-Segment Adjustments		Total	
	2016 $' 000	2015 $' 000	2016 $' 000	2015 $' 000	2016 $' 000	2015 $' 000	2016 $' 000	2015 $' 000	2016 $' 000	2015 $' 000	2016 $' 000	2015 $' 000
External revenues	27,547	80,222	8,050	10,933	-	-	-	796	-	-	35,597	91,951
Inter-segment revenues	-	1,012	-	-	-	-	-	-	-	(1,012)	-	-
Total revenue	27,547	81,234	8,050	10,933	-	-	-	796	-	(1,012)	35,597	91,951
Finance income	5,828	3,124	5	2	-	-	150	7	(179)	(220)	5,804	2,913
Finance costs	(9,793)	(12,167)	(14)	(18)	-	-	(7,187)	(7,404)	179	220	(16,815)	(19,369)
Reportable segment (loss)/profit before income tax	(90,312)	(104,544)	(410)	(927)	-	-	(24,723)	(83,948)	-	-	(115,445)	(189,419)
Share of results of associates and joint ventures	-	(50,062)	-	-	(10,138)	(21,190)	-	60	-	-	(10,138)	(71,192)
Consolidated (loss)/profit before tax	(90,312)	(154,606)	(410)	(927)	(10,138)	(21,190)	(24,723)	(83,888)	-	-	(125,583)	(260,611)
Income tax	(821)	(539)	(8)	44	-	-	94	674	-	-	(735)	179
Other material non-cash items:												
Depreciation of plant and equipment	30,234	41,597	46	68	-	-	1,835	19,294	-	-	32,115	60,959
Amortisation of intangible assets	189	532	33	41	-	-	-	-	-	-	222	573
Impairment loss/(Write-back) for receivables	27,944	7	27	(3)	-	-	-	2,650	-	-	27,971	2,654
Impairment losses on rigs	11,329	49,366	-	-	-	-	-	-	-	-	11,329	49,366
Impairment losses on goodwill	-	-	727	-	-	-	-	-	-	-	727	-
(Write-back)/Impairment loss on investment in joint venture**	-	-	-	-	(4,211)	48,651	-	-	-	-	(4,211)	48,651

* The results from Distribution segment are accounted for using equity method since it is a joint venture.

** This amount relates to the Group's impairment of investment in the joint venture.

Business segments	Drilling		Engineering		Distribution*		Others		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets and Liabilities										
Reportable segment assets	538,901	605,950	4,097	7,599	-	-	(24,350)	2,646	518,648	616,195
Investment in associates and joint ventures	-	-	-	-	42,780	48,707	-	3,744	42,780	52,451
Deferred tax assets	1,225	1,342	-	-	-	-	-	-	1,225	1,342
Total assets	540,126	607,292	4,097	7,599	42,780	48,707	(24,350)	6,390	562,653	669,988
Reportable segment liabilities	383,300	361,916	3,548	7,327	-	-	78,866	79,484	465,714	448,727
Provision for tax	4,126	4,402	2	212	-	-	5,752	5,804	9,880	10,418
Deferred tax liabilities	-	-	12	12	-	-	-	57	12	69
Total liabilities	387,426	366,318	3,562	7,551	-	-	84,618	85,345	475,606	459,214
Other Segment Information										
Capital expenditure	1,273	9,119	46	47	-	-	-	-	1,319	9,166

* The results from Distribution segment are accounted for using equity method since it is a joint venture.

Secondary reporting format - geographical segments

	Revenue		Non-current assets		Capital expenditure	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Singapore	**1,628**	524	**43,493**	53,954	**46**	45
The People's Republic of China	**-**	-	**70,711**	75,244	**916**	5,526
Holland	**-**	796	**-**	15,755	**-**	-
Kurdistan	**91**	7,292	**26,888**	43,020	**-**	-
Egypt	**10,998**	2,623	**31,861**	36,520	**357**	3,506
Pakistan	**4,166**	4,525	**13,679**	17,140	**-**	-
Vietnam	**4**	13,865	**235,048**	238,260	**-**	86
Indonesia	**12,296**	52,868	**107,736**	127,893	**-**	3
Malaysia	**590**	5,105	**-**	-	**-**	-
Other countries	**5,824**	4,353	**-**	417	**-**	-
	35,597	91,951	**529,416**	608,203	**1,319**	9,166

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Refer paragraph 8 above.

18. A breakdown of sales

	Group		
	2016	**2015**	**Increase/ (decrease)**
	$'000	**$'000**	**%**
First Half			
(a) Revenue	21,715	55,899	(61)
(b) Loss after tax before deducting non-controlling interests	(63,458)	(39,538)	60
Second Half			
(a) Revenue	13,882	36,052	(61)
(b) Loss after tax before deducting non-controlling interests	(62,860)	(220,894)	(72)

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13).

List of Persons occupying Managerial Positions who are related to a Director or Chief Executive Officer or Substantial Shareholder of KS Energy Limited and any of its principal subsidiaries:

Name	Age	Family Relationship with any Director and/or Chief Executive Officer and/or Substantial Shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Kris Taenar Wiluan	68	Father of Richard James Wiluan and father-in-law of Samuel Paul Oliver Carew-Jones, deemed interested in the shares owned by Pacific One Energy Limited, a controlling shareholder of the Company.	KS Energy Limited: Executive Chairman & Chief Executive Officer of KS Energy Limited since 2006.	Nil
Richard James Wiluan	38	Son of Kris Taenar Wiluan, Executive Chairman & Chief Executive Officer of KS Energy Ltd. Deemed interested in the shares owned by Pacific One Energy Limited, a controlling shareholder of the Company.	KS Energy Limited Appointed as an Executive Director of the Company on 1 May 2014. Director, Corporate Development since 6 July 2012. Responsible for developing and providing corporate and business level strategies and initiatives.	Nil
Samuel Paul Oliver Carew-Jones	42	Son-in-law of Kris Taenar Wiluan, Executive Chairman & Chief Executive Officer of KS Energy Limited and deemed interested in the shares owned by Pacific One Energy Limited, a controlling shareholders of the Company.	KS Energy Limited: Chief Financial Officer of the Group since 1 October 2012. Responsible for overseeing the accounting and finance matters of the Company.	Nil

BY ORDER OF THE BOARD

Lai Kuan Loong, Victor
Company Secretary

24 February 2017