



## UZMA BERHAD

(Company No: 769866-V)

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

### NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

#### 1. BASIS OF REPORTING PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provision of the Listing Requirements of the Bursa Malaysia Securities Berhad and Malaysia Financial Reporting Standard 134: *Interim Financial Reporting* (“MFRS 134”).

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those applied by the Group in its audited financial statements for the year ended 31 December 2012.

##### (a) Adoption of Standards, Amendments and IC Interpretations

The Group adopted the following Standards, Amendments and IC Interpretations:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interests in Other Entities
MFRS 13	Fair Value Measurements
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 1	Government Loans
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 11 and MFRS 12	Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to MFRSs 2009 – 2011 Cycle	

**1. BASIS OF REPORTING PREPARATION (CONT'D)**

The adoption of the above pronouncements did not have any impact on the financial statements of the Group, except for the following:

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 Presentation of Items of Other Comprehensive Income change the grouping of items presented in other comprehensive income. Items that could be classified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The adoption of this amendment affects presentation format of the statements of comprehensive income only and has no financial impact on the Group's financial statements.

(b) Standards issued but not yet effective

The Group will adopt the following Standards, Amendments and IC Interpretations when they become effective in the respective financial periods:

MFRS 9	Financial Instruments
Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities

These pronouncements are not expected to have any effect to the financial statements of the Group.

**2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2012.

**3. SEASONAL OR CYCLICAL FACTORS**

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

**4. ITEMS OF UNUSUAL NATURE AND AMOUNT**

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

**5. MATERIAL CHANGES IN ESTIMATES**

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

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

There were no issuances, repurchases, and repayment of debt and equity securities during the current quarter and financial year.

## 7. DIVIDENDS PAID

A single tier interim dividend of 2 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2013, amounting to RM2,640,000 was paid on 25 July 2013.

## 8. SEGMENTAL INFORMATION

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

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

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
<b>REVENUE</b>					
External revenue	369,914	37,981	-	-	407,895
Inter-segment revenue	-	529	180	(709)	-
Total revenue	<u>369,914</u>	<u>38,510</u>	<u>180</u>	<u>(709)</u>	<u>407,895</u>
<b>RESULTS</b>					
Segment results	39,117	7,103	(772)	-	45,488
Finance costs	(2,987)	(20)	-	-	(3,007)
Share of profit of investments accounted for using the equity method					<u>4,796</u>
Profit from ordinary activities before taxation					47,277
Income tax expense					<u>(11,843)</u>
Profit from ordinary activities after taxation					35,434
Non- controlling interest					<u>(1,820)</u>
Net profits attributable to owners of the Company					<u>33,614</u>

## 9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

**10. CAPITAL COMMITMENTS**

On 4 November 2013, Uzma Berhad (“Uzma”) accepted an offer from Mammoth Empire Estate Sdn. Bhd. to acquire a completed 12-storey commercial building located at Empire Damansara, Petaling Jaya for a purchase consideration of RM24 million. For further details, please refer to the Company’s announcement dated 4 November 2013.

**11. MATERIAL EVENTS SUBSEQUENT TO THE END OF PERIOD REPORTED**

Save as disclosed below, there were no material events subsequent to the end of the current quarter:-

Joint Ventures Agreement

Uzma Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company, has on 7 January 2014 entered into a Joint Venture Agreement with Chemical Tracer Services Sdn. Bhd. in connection with the provision of chemical tracer services for the offshore oil and gas sector via a joint venture company.

**12. CHANGES IN THE COMPOSITION OF THE GROUP**

Uzma has on 8 November 2013 incorporated a company known as Uzma Energy Venture (Sarawak) Sdn. Bhd. (“Uzma Energy”). Uzma Energy has a total issued and paid up share capital of RM3.00 comprising 3 ordinary shares of RM1.00 each. The intended business activity of Uzma Energy is exploration and production in oilfield and related activities.

**13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

The Company has given corporate guarantees to licensed financial institutions for banking facilities granted to its subsidiaries. In relation thereto, the Company has contingent liabilities amounting to approximately RM70.3 million as at 31 December 2013.

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

	<b>(Unaudited) Cumulative Year To Date 31.12.2013 RM’000</b>	<b>(Audited) Cumulative Year To Date 31.12.2012 RM’000</b>	<b>Difference</b>	
			<b>RM’000</b>	<b>%</b>
Revenue	407,895	289,242	118,653	41.0
Gross profit	83,592	63,423	20,169	31.8
Profit before taxation	47,277	32,105	15,172	47.3

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

The Group's revenue in cumulative year-to-date ("YTD") 2013 registered an increase of RM118.7 million or 41.0% as compared to YTD 2012. In line with the increase of revenue, gross profit also increased by RM20.2 million or 31.8%. The long term contracts secured by the Group, as disclosed in note 16, had continued to contribute to the Group's performance.

As a result of improvement in revenue and profit margin, the Group's profit before taxation for the YTD 2013 increased by RM15.2 million or 47.3% from RM32.1 million in YTD 2012 to RM47.3 million.

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

	<b>(Unaudited) Current Quarter Ended 31.12.2013 RM'000</b>	<b>(Unaudited) Preceding Quarter Ended 30.09.2013 RM'000</b>	<b>Difference</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	115,375	105,763	9,612	9.1
Gross profit	22,058	21,609	449	2.1
Profit before taxation	10,456	12,695	(2,239)	-17.6

Compared to the previous quarter, the Group's revenue and gross profit increased by RM9.6 million and RM0.4 million respectively in the current quarter.

The Group reported a decrease in profit before taxation of RM2.2 million or -17.6% in the current quarter as compared to the previous quarter mainly due to higher administration and operating expenses, and lower share of profit of investment accounted for using the equity method.

**16. PROSPECTS AND PROGRESS TO ACHIEVE FORECAST FOR THE NEXT FINANCIAL YEAR**

Barring any unforeseen circumstances, the Directors remain optimistic with the Group's prospects for the next financial year, based on the positive developments within the oil and gas industry and the Company specific in 2013 as follows:

- (i) In March 2011, Uzma Engineering Sdn. Bhd. ("UESB") a wholly-owned subsidiary of the Company was awarded by PETRONAS Carigali Sdn Bhd ("PETRONAS"), a long term service agreement to provide a Low Pressure System ("LPS") for its domestic upstream operations. The contract value is estimated to be RM200 million for three years, effective from 18 February 2011 to 17 February 2014. The contract is expected to contribute positively to the earnings of the Group.
- (ii) As announced on 26 July 2011, UESB was awarded by PETRONAS a contract for the provision of integrated equipment and services for idle well reactivation project. The value of the contract is estimated at RM170 million for three years effective from 25 July 2011 to 24 July 2014. The contract is expected to contribute positively to the earnings of the Group commencing in the fourth quarter 2011.

**16. PROSPECTS AND PROGRESS TO ACHIEVE FORECAST FOR THE NEXT FINANCIAL YEAR (CONT'D)**

- (iii) As announced on 20 September 2011, UESB was awarded a contract by PETRONAS to provide marine 2D and 3D seismic data acquisition services (“Umbrella Contract”). The Umbrella Contract period shall be effective from 18 August 2011 and shall continue for a primary period of three (3) years with an extension option of two (2) years.
- (iv) As announced on 16 February 2012, UESB was awarded a contract by PETRONAS to provide well testing equipment and services for Petronas Drilling Programmes – West Region. The contract value is estimated at RM350 million for contract period of five (5) years effective from 1 April 2012 to 31 March 2017.
- (v) As announced on 19 January 2012, the Group has completed the acquisition of 30.02 % equity interest in SVP principally engaged in the business of oil and gas services specialising in providing well-pumping and coil tubing services within the oil and gas sector. SVP is currently contributing positively to the Group’s earnings.
- (vi) As announced on 11 June 2012, UESB was awarded a contract by PETRONAS for the provision of integrated water injection studies. The contract value is estimated at RM36 million for contract period of three (3) years effective from 14 May 2012 to 13 May 2015 with an extension option of 1 year from 14 May 2015 to 13 May 2016.
- (vii) As announced on 6 August 2012, Malaysian Energy Chemical & Services Sdn. Bhd. (“MECAS”) was awarded a contract by Talisman Malaysia Limited for the supply of chemical and related services. The contract value is estimated at RM62 million for contract period of five (5) years effective from 6 July 2012 to 5 July 2017 with four extension option of 1 year each.
- (viii) As announced on 28 August 2012, MECAS received a Letter of Award from ExxonMobil Exploration and Production Malaysia Inc. (“EMEPMI”) for the extension of contracts for the provision of Production and Integrity Chemicals. The value of the extension is estimated at RM27.5 million per year. The extension period will be for 1 year effective from 1 June 2012 to 31 May 2013 with an extension option of 1 year from 1 June 2013 to 31 May 2014.
- (ix) As announced on 19 April 2013, MECAS received a Letter of Award from EMEPMI for the provision of oilfield chemicals and associated services. The contract period is for 5 years (primary term) from 1 April 2013 to 31 March 2018 with an extension option of 2 years. The value for the primary term is estimated at RM238 million.
- (x) As announced on 11 October 2013, UESB received a Letter of Award from PETRONAS Carigali Sdn. Bhd. for the provision of drilling project management team for PMU wells. The contract period is for 1 year from 17 September 2013 to 16 September 2014 with an extension option for 1 year.

**17. STATEMENT BY DIRECTORS**

Not applicable.

**18. VARIANCE BETWEEN ACTUAL PROFIT AND FORECAST PROFIT**

Not applicable as the Group has not previously disclosed or announced any revenue or profit forecast, estimate, projection or internal targets since the beginning of financial year ended 31 December 2013.

**19. TAXATION**

	<b>(Unaudited) Current Quarter Ended 31.12.2013 RM'000</b>	<b>(Unaudited) Corresponding Quarter Ended 31.12.2012 RM'000</b>	<b>(Unaudited) Cumulative Year To Date 31.12.2013 RM'000</b>	<b>(Audited) Corresponding Year To Date 31.12.2012 RM'000</b>
Current tax	(3,517)	(4,066)	(10,699)	(7,524)
Deferred tax	94	756	(1,144)	(719)
	<b>(3,423)</b>	<b>(3,310)</b>	<b>(11,843)</b>	<b>(8,243)</b>

**20. ADDITIONAL DISCLOSURE**

	<b>(Unaudited) Current Quarter Ended 31.12.2013 RM'000</b>	<b>(Unaudited) Cumulative Year To Date 31.12.2013 RM'000</b>
<u>Profit for the year is arrived at after (charging)/ crediting:</u>		
- Depreciation of property, plant and equipment	(1,152)	(4,603)
- Amortisation of intangible assets	(164)	(164)
- Net foreign exchange gain	171	998
- Impairment loss on receivables	(349)	(490)
- Bad debts written off	(159)	(159)

Other than the above, there is no impairment loss on property, plant and equipment, gain or loss on disposal of quoted or unquoted securities or investments, gain or loss on disposal of fixed assets, inventories written off, gain or loss on derivatives and exceptional items included in the results for current quarter.

**21. STATUS OF CORPORATE PROPOSAL**

There are no corporate proposals announced by the Group that have not been completed as at 26 February 2014.

**22. GROUP BORROWINGS AND DEBT SECURITIES**

The Group's borrowings as at 31 December 2013 are as follows:-

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<u>Short-term borrowing:-</u>			
Term loans	4,909	-	4,909
Hire purchase payables	287	-	287
Bank overdraft	10,352	-	10,352
	<u>15,548</u>	<u>-</u>	<u>15,548</u>
<u>Long-term borrowings:-</u>			
Term loans	16,613	-	16,613
Hire purchase payables	322	-	322
	<u>16,935</u>	<u>-</u>	<u>16,935</u>
Total	<u>32,483</u>	<u>-</u>	<u>32,483</u>

**23. OFF STATEMENT OF FINANCIAL POSITION FINANCIAL INSTRUMENTS**

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

**24. MATERIAL LITIGATION**

As at 26 February 2014, neither the Company nor its subsidiaries is involved in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company or its subsidiaries.

**25. PROPOSED DIVIDEND**

No dividend has been proposed for the current quarter and the previous corresponding quarter.

**26. EARNINGS PER SHARE**

	(Unaudited) Current Quarter ended 31.12.2013	(Unaudited) Corresponding Quarter ended 31.12.2012	(Unaudited) Cumulative Year to date 31.12.2013	(Audited) Corresponding Year to date 31.12.2012
Net profit attributable to owners of the Company (RM'000)	6,574	6,491	33,614	22,183
Weighted average number of ordinary shares in issue ('000)	132,000	132,000	132,000	130,077
Basic earnings per share (sen)	4.98	4.92	25.47	17.05

(a) Basic earnings per share

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

(b) Fully diluted earnings per share

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

**27. REALISED AND UNREALISED PROFITS DISCLOSURE**

The retained profits as at 31 December 2013 and 31 December 2012 are analysed as follows:

	(Unaudited) As at 31.12.13 RM'000	(Audited) As at 31.12.12 RM'000
Total retained profits/(loss) of the Company and the subsidiaries		
- Realised	76,246	46,252
- Unrealised	(1,460)	1,456
	74,786	47,708
Total share of profit of investments accounted for using the equity method		
- Realised	6,092	2,196
Total Group retained profits	80,878	49,904