



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 FORTH QUARTER ENDED 31 DECEMBER 2015

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 2014. 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 2014.

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 2014.

(a) Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2015:

Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

1. BASIS OF REPORTING PREPARATION (CONT'D)

(b) Standards issued but not yet effective

The Group will adopt the following pronouncements when they become effective in the respective financial periods:

Description	Effective Date
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

These pronouncements are not expected to have any material impact to the financial statements of the Group upon their initial application, except for described below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 was issued in September 2014 and establishes a new five-step model that will apply to recognition of revenue arising from contracts with customers. Under this Standard, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This Standard will supersede all current revenue recognition requirements under MFRS. The Group is currently assessing the impact of this Standard and plans to adopt this Standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, the MASB issued the final version of MFRS 9, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The Group is currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment. The requirements for hedge accounting are not relevant to 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 2014.

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 repayments of debt and equity securities during the current quarter and financial year, except as follows:

Issuance of shares

- a. As disclosed in Note 12 (a), the Company issued 5,350,000 new ordinary shares of RM0.50 each at an issue price of approximately RM2.15 per share during the financial year.
- b. As announced on 26 June 2015, the Company proposed to undertake the Private Placement involving the issuance of 21,585,000 ordinary shares of RM0.50 each in Uzma Berhad ("Uzma Shares") ("Placement Shares"). The Company fixed the issue price of all the 21,585,000 Placement Shares at RM2.50 per Placement Share. The Proposed Private Placement was completed on 29 July 2015 following the listing of and quotation for 21,585,000 Uzma Shares on the Main Market of Bursa Securities.

7. DIVIDENDS PAID

A single tier interim dividend of 3.78 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2014, amounting to RM9,979,200 was paid on 9 January 2015.

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, trading of hardware and equipment for oil refinery.
- (iii) Investment holding

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
REVENUE					
External revenue	403,276	112,976	-	-	516,252
Inter-segment revenue	2,106	211	310	(2,627)	-
Total revenue	<u>405,382</u>	<u>113,187</u>	<u>310</u>	<u>(2,627)</u>	<u>516,252</u>
RESULTS					
Segment results	3,684	21,237	(1,492)	-	23,429
Finance costs	(8,220)	(2)	(126)	-	(8,348)
Share of profit of investments accounted for using the equity method					<u>6,746</u>
Profit from ordinary activities before taxation					21,827
Income tax expense					<u>(10,421)</u>
Profit from ordinary activities after taxation					11,406
Non- controlling interest					<u>(6,048)</u>
Net profit attributable to owners of the Company					<u>5,358</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

Approved and contracted for plant and equipment RM299,000,000

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF PERIOD REPORTED

There were no material events subsequent to the end of the current quarter.

12. CHANGES IN THE COMPOSITION OF THE GROUP

The changes in the composition of the Group from the beginning of the period up to 25 February 2016 are shown as follows:

(a) Additional investment in Setegap Ventures Petroleum Sdn Bhd

On 5 December 2014, Tenggara Analisis Sdn Bhd (“Tenggara”), a wholly-owned subsidiary of the Company, entered into an agreement with Dato’ Nasri Bin Nasrun and Mohd Zulhaizan Bin Mohd Noor (collectively, the “Vendors”) for the acquisition of 18.98% ordinary equity interest in Setegap Ventures Petroleum Sdn Bhd (“SVP”) for a total purchase consideration of RM28.50 million (“Purchase Consideration”) (“Proposed Acquisition”). The Purchase Consideration was satisfied via cash payment of RM17,000,000 and issuance of 5,350,000 new ordinary shares of RM0.50 each in Uzma at an issue price of approximately RM2.15 per share.

SVP is an existing 30.02% associate of the Uzma group of companies. Upon completion of the Proposed Acquisition, Tenggara will hold a total of 49% equity interest in SVP.

As announced on 29 January 2015, all conditions precedent was fulfilled, hence the Proposed Acquisition was completed.

(b) Incorporation of new subsidiaries

(i) Uzma (Labuan) Ltd

On 13 July 2015, the Company incorporated a wholly-owned subsidiary in Labuan – Uzma (Labuan) Ltd. The issued share capital of the subsidiary is USD2.00 comprising two ordinary shares of USD1.00 each. The intended principal business activity of the subsidiary is to run a leasing business and other services to oil and gas companies.

(ii) Uzma Teluk Kalong Sdn. Bhd.

On 1 December 2015, the Company incorporated a wholly-owned subsidiary – Uzma Teluk Kalong Sdn. Bhd. The issued share capital of the subsidiary is RM2.00 comprising two ordinary shares of RM1.00 each. The intended principal business activity of the subsidiary are provision of geosciences and reservoir engineering, drilling, project and operation services and other specialised services within the oil and gas industry.

(c) Acquisition of 30.04% stake in RockWash

As announced on 15 October 2015, the Company acquired a 30.04% stake in Rockwash Prep and Store Limited (“RockWash™”), a company based in the United Kingdom. The core business of RockWash™ is providing advance cutting-sample preparation and documentation services to the oil & gas industry. The tie-up with RockWash™ will add another facet to uzmALAB™’s laboratory testing and analysis of reservoir rock service offerings.

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 RM351.1 million as at 31 December 2015.

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

	(Unaudited) Cumulative Year To Date 31.12.2015 RM'000	(Audited) Cumulative Year To Date 31.12.2014 RM'000	Difference	
			RM'000	%
Revenue	516,252	473,425	42,827	9.0
Gross profit	116,746	110,672	6,074	5.5
Profit before taxation	21,827	51,337		
Less: Unrealised loss on foreign exchange	(33,828)	(949)		
	<u>55,655</u>	<u>52,286</u>	3,369	6.4

The Group's revenue in cumulative year-to-date ("YTD") 2015 registered an increase of RM42.8 million or 9.0% as compared to YTD 2014. In line with the increase of revenue, gross profit increased by RM6.1 million or 5.5%. The long term contracts secured by the Group, as disclosed in Note 16, had continued to contribute to the Group's performance.

The Group reported increase in profit before taxation (excluding unrealised loss on foreign exchange) of RM3.4 million or 6.4% in YTD 2015 as compared to YTD 2014 mainly contributed by higher gross profit, gain recognised from adjustment of deferred consideration in relation to the acquisition of MMSVS (disclosed in Note 16 (vii)), offset by higher administrative and operating expenses, and higher finance costs. Additional expenses were incurred mainly due to higher staff costs following business expansion as disclosed in Notes 16 (vii) and (viii).

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

	(Unaudited) Current Quarter Ended 31.12.2015 RM'000	(Unaudited) Preceding Quarter Ended 30.09.2015 RM'000	Difference	
			RM'000	%
Revenue	112,732	114,905	(2,173)	-1.9
Gross profit	25,616	24,289	1,327	5.5
Profit / (Loss) before taxation	14,246	(19,257)		
Less: Unrealised gain / (loss) on foreign exchange	622	(26,699)		
	<u>13,624</u>	<u>7,442</u>	6,182	83.1

The Group's revenue decreased by RM2.1 million or 1.9% while gross profit increased by RM1.3 million or 5.5% in the current quarter, compared to the preceding quarter.

The Group reported an increase in profit before taxation (excluding unrealised loss on foreign exchange) of RM6.2 million or 83.1% in the current quarter as compared to the preceding quarter mainly caused by higher gross profit, and gain recognised from adjustment of deferred consideration in relation to the acquisition of MMSVS (disclosed in Note 16 (vii)).

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

The joint venture between Uzma Energy Venture (Sarawak) Sdn. Bhd. and EQ Petroleum Developments Malaysia Sdn. Bhd. (the “Contractors”) had achieved first oil from Tanjung Baram Fields (as disclosed in note (vi) below) on 18 August 2015. Pursuant to the Small Field Risk Service Contract signed with Petroliam Nasional Berhad, the Contractors are responsible for incurring costs for development and production of petroleum from the Tanjung Baram Fields, and will be reimbursed for the costs incurred. The Contractors will also receive remuneration fee, linked to performance variables, for a contract period of nine years.

Barring any unforeseen circumstances, the Directors remain optimistic with the Group’s prospects for the remaining period to the end of financial year and next financial year, based on the positive developments of the Company specific in 2015 as follows:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) On 1 April 2014, the Company announced that a contractor Group that includes its wholly owned subsidiary, Uzma Energy Venture (Sarawak) Sdn. Bhd. and EQ Petroleum Developments Malaysia Sdn. Bhd. (“Contractor Group”), had on 27 March 2014 signed a Small Field Risk Service Contract (“SFRSC”) with Petroliam Nasional Berhad to carry out the development and production of petroleum from the Tanjung Baram Fields.
- (vii) As announced on 23 July 2014, Uzma completed the acquisition of the entire equity interest in MMSVS Group Holdings Limited (“MMSVS”). The principal activities of MMSVS are the provision of services in relation to the repair and maintenance of exploratory and production wells utilizing Hydraulic Workover Units. The acquisition is expected to contribute positively to the Group’s future earnings.

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

- (viii) As announced on 4 August 2014, Uzma completed the acquisition of the entire issued and paid-up share capital of Premier Enterprise Corporation (M) Sdn Bhd (“PEC”). PEC is principally engaged in the business of oil and gas services specialising in the business of trading of chemical and other commodities in oil refinery. The acquisition is envisaged to provide earning accretion to the Company upon completion of the acquisition.
- (ix) As announced on 16 January 2015, UESB was awarded by PETRONAS Carigali Sdn Bhd, a contract for the provision of Through Tubing Downhole Tools and Services. The contract period will be for 2 years which is effective from 1 January 2015 to 31 December 2016 with an extension option of 1 year. The value of the contract is estimated at RM50 million.
- (x) As announced on 17 February 2015, UESB was awarded by PETRONAS Carigali Sdn Bhd with a contract for the provision of Cased Hole Electric-Line Logging Perforation and other services. The contract is valued at RM59 million. The duration of the contract is for 2 years effective from 28 January 2015, with an option to extend for an additional 1 year.
- (xi) On 21 May 2015, Sazma Aviation Sdn. Bhd., a 40% associate company of Uzma, was awarded by PETRONAS Carigali Sdn Bhd (“PCSB”) the following contracts:
 - a. Contract for the provision of helicopter services for PETRONAS well drilling campaign at the East Coast of Sabah. The contract is valued at approximately RM12.5 million. The duration of the contract is for six months effective from 15 May 2015 to 14 November 2015 with an extension option exercisable by PCSB of 3 months until 14 February 2016; and
 - b. Contract for the provision of aviation services for PETRONAS Sabah Operations (SBO). The contract is valued at RM154 million. The duration of the contract is for five years effective from 23 March 2015 to 22 March 2020 with an extension option exercisable by PCSB of 1 year until 22 March 2021.
- (xii) As announced on 10 July 2015, UESB was awarded by PETRONAS Carigali Sdn Bhd (“PCSB”) with a contract for Leasing, Operation and Maintenance of the D18 Water Injection Facility for PCSB. The contract value is estimated at RM350 million to RM400 million. The duration of the contract is for 5 years leasing period effective from 31 March 2016.

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 2015.

19. TAXATION

	(Unaudited) Current Quarter Ended 31.12.2015 RM'000	(Unaudited) Corresponding Quarter Ended 31.12.2014 RM'000	(Unaudited) Cumulative Year To Date 31.12.2015 RM'000	(Audited) Corresponding Year To Date 31.12.2014 RM'000
Current tax	(2,275)	(4,574)	(12,517)	(13,285)
MIDA tax deduction*	1,229	767	4,229	4,101
Deferred tax	(1,977)	(421)	(2,133)	(1,765)
	<u>(3,023)</u>	<u>(4,228)</u>	<u>(10,421)</u>	<u>(10,949)</u>

* Tax incentive is given by Malaysian Investment Development Authority ("MIDA") for acquisition of MMSVS as disclosed in Note 16 (vii).

20. ADDITIONAL DISCLOSURE

	(Unaudited) Current Quarter Ended 31.12.2015 RM'000	(Unaudited) Cumulative Year To Date 31.12.2015 RM'000
<u>Profit for the period is arrived at after crediting/ (charging):</u>		
- Net foreign exchange gain / (loss)	5,470	(26,509)
- Depreciation of property, plant and equipment	(3,780)	(13,975)
- Amortisation of intangible assets	(100)	(398)

Other than the above, there is no impairment loss on trade receivables, impairment loss on property, plant and equipment, gain or loss on disposal of quoted or unquoted securities, 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 25 February 2016.

22. STATUS OF UTILISATION OF PROCEEDS

a. Right Issue in 2014

In year 2014, the Company issued 132,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per right share on the basis of one right share for every one existing ordinary share (“Right Issue”). The total proceeds raised from the Right Issue was RM99,000,000. The status of utilisation of proceeds from the Right Issue is as follows:

Purpose	Proposed utilisation	Actual utilisation up to 31 Dec 2015	Intended time frame for utilisation	Deviations		Explanation
	RM'000	RM'000	Months	RM'000	%	
Capital expenditure	78,000	78,000	24	-	-	
Working capital	8,000	8,000	12	-	-	
High performance computing	4,500	1,512	24*	2,988	66.4	To be utilised
Renovation of office premises	7,500	7,500	24*	-	-	
Defraying estimated expenses	1,000	1,000	Immediate	-	-	
	<u>99,000</u>	<u>96,012</u>		<u>2,988</u>		

* As announced on 7 August 2015, the Company has resolved to extend the timeframe for the utilisation of the remaining proceeds for another 12 months until 21 July 2016.

b. Private Placement in 2015

As disclosed in Note 6 (b), the total proceeds raised from the Private Placement was RM53,962,500. The proceeds from the Private Placement had been fully utilised as at 30 September 2015.

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group’s borrowings as at 31 December 2015 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowings:-</u>			
Bank loans	186,867	-	186,867
Hire purchase payables	265	-	265
	<u>187,132</u>	<u>-</u>	<u>187,132</u>
<u>Long-term borrowings:-</u>			
Bank loans	104,109	-	104,109
Hire purchase payables	1,451	-	1,451
	<u>105,560</u>	<u>-</u>	<u>105,560</u>
Total	<u>292,692</u>	<u>-</u>	<u>292,692</u>

24. OFF STATEMENT OF FINANCIAL POSITION FINANCIAL INSTRUMENTS

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

25. MATERIAL LITIGATION

As at 25 February 2016, 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.

26. PROPOSED DIVIDEND

No dividend has been proposed for the current quarter.

27. EARNINGS PER SHARE (“EPS”)

	(Unaudited) Current Quarter ended 31.12.2015	(Unaudited) Corresponding Quarter ended 31.12.2014	(Unaudited) Cumulative Year to date 31.12.2015	(Audited) Corresponding Year to date 31.12.2014
(i) Basic EPS				
Net profit attributable to owners of the Company (RM'000)	9,660	6,708	5,358	36,007
Weighted average number of ordinary shares in issue ('000)	290,935	264,000	277,898	193,118
Basic EPS (sen)	<u>3.32</u>	<u>2.54</u>	<u>1.93</u>	<u>18.65</u>
(ii) Adjusted EPS				
Net profit attributable to owners of the Company (RM'000)	9,660	6,708	5,358	36,007
Less : Unrealised gain / (loss) on foreign exchange	622	(552)	(33,828)	(978)
	<u>9,038</u>	<u>7,260</u>	<u>39,186</u>	<u>36,985</u>
Weighted average number of ordinary shares in issue ('000)	290,935	264,000	277,898	193,118
Adjusted EPS (sen)	<u>3.11</u>	<u>2.75</u>	<u>14.10</u>	<u>19.15</u>

27. EARNINGS PER SHARE (“EPS”) (CONT’D)

(a) Basic EPS

The basic EPS 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) Adjusted EPS

The adjusted EPS is calculated based on the Group's profit attributable to owners of the Company (excluding unrealised gain / loss on foreign exchange) divided by the weighted average number of ordinary shares in issue during the reporting period.

(c) Fully diluted EPS

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

28. REALISED AND UNREALISED PROFITS DISCLOSURE

The retained profits as at 31 December 2015 and 31 December 2014 are analysed as follows:

	(Unaudited) As at 31.12.2015 RM’000	(Audited) As at 31.12.2014 RM’000
Total retained profits / (accumulated losses) of the Company and the subsidiaries		
- Realised	137,677	101,651
- Unrealised	<u>(40,158)</u>	<u>(5,175)</u>
	97,518	96,476
Total share of profit of investments accounted for using the equity method		
- Realised	<u>14,170</u>	<u>9,880</u>
Total Group retained profits	<u>111,689</u>	<u>106,356</u>