

DEEP DRILLING INVEST PTE. LTD.
(Incorporated in Singapore. Registration Number: 200400177M)
AND ITS SUBSIDIARY CORPORATIONS

FINANCIAL STATEMENTS
For the financial year ended 31 March 2020

DEEP DRILLING INVEST PTE. LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARY CORPORATIONS

FINANCIAL STATEMENTS
For the financial year ended 31 March 2020

Contents

	Page
Directors' Statement	1
Independent Auditor's Report	3
Consolidated Statement of Comprehensive Income	6
Balance Sheets	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Financial Statements	11

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

DIRECTORS' STATEMENT

For the financial year ended 31 March 2020

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 March 2020 and the balance sheet of the Company as at 31 March 2020.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 6 to 42 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 March 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, after considering the matters as described in Note 2.1 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due, as the Group and the Company are in discussions with its lenders to obtain approval for and implementation of an appropriate debt resolution plan.

Directors

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

Mr. Chakkungal Pathayapura Gopalakrishnan
Mr. Venkataramaiyer Sivaramakrishnan
Mr. Rout Ashok Kumar (appointed on 9 March 2020)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

Holdings registered in <u>name of director</u>		Holdings in which director is deemed to have an <u>interest</u>	
At <u>31.03.2020</u>	At <u>01.04.2019</u>	At <u>31.03.2020</u>	At <u>01.04.2019</u>

Ultimate holding corporation

- Aban Offshore Limited

(No. of ordinary shares of Rs2 each)

Mr. Chakkungal Pathayapura Gopalakrishnan	43,200	43,200	10,750	10,750
Mr. Parameswaran Venkateswara Iyer ⁽¹⁾	-	20,805	-	-

⁽¹⁾ The director resigned with the effect from 1 April 2020

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

DIRECTORS' STATEMENT

For the financial year ended 31 March 2020

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No share have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Independent Auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors



Chakkungal Pathayapura Gopalakrishnan
Director



Rout Ashok Kumar
Director

31 August 2020

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DEEP DRILLING INVEST PTE. LTD.**

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Deep Drilling Invest Pte. Ltd. (the "Company") and its subsidiary corporations (the "Group") which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 42.

We do not express an opinion on the accompanying financial statements of the Group. Because of the significance of the matter described in the *Basis of Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Going concern

As disclosed in Note 2.1 to the financial statements, in preparing the financial statements, the Board of Directors have considered the operations of the Group as going concerns notwithstanding that the Group incurred a net loss of US\$553,350,000 (2019: US\$149,357,000) for the financial year ended 31 March 2020, and as at that date, the Group is in net current liabilities position of US\$56,402,000 (2019: net current assets position of US\$18,518,000).

As disclosed in Note 19 to the financial statements, the rigs of the Group with carrying amount of US\$380,000,000 (2019: US\$781,014,000) have been pledged as securities for the borrowings of the Group amounting to US\$57,321,000 (2019: US\$57,321,000) and the borrowings of the intermediate holding corporation, Aban Holdings Pte. Ltd. ("AHPL") and its subsidiary corporations ("AHPL Group") amounting to US\$1,829,791,000 (2019: US\$1,814,724,000) and US\$1,974,242,000 (2019: US\$1,959,460,000) respectively. An impairment loss on the rigs amounting to US\$371,750,000 (2019: US\$Nil) was made during the financial year ended 31 March 2020. In addition, as disclosed in Note 22 to the financial statements, AHPL Group and the Group have defaulted on payment of their borrowings which have fallen due and have breached the covenants of their borrowings which give the lenders the right to demand the related borrowings be due and payable immediately. The lenders had issued recall notices to AHPL Group and the Group. Management had reclassified these borrowings of the Group, with original repayment terms beyond 12 months from the balance sheet date as current liabilities. As of the date of this report, AHPL and the Group are in discussions with its lenders to obtain approval for and implementation of an appropriate debt resolution plan.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DEEP DRILLING INVEST PTE. LTD. (continued)**

Basis for Disclaimer of Opinion (continued)

Going concern (continued)

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as going concern. Nevertheless, the Board of Directors believe that the use of the going concern assumption on the preparation of the financial statements of the Group for the financial year ended 31 March 2020 is still appropriate after taking into consideration of the above actions and measures.

The ability of the Group to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due are dependent on whether the lenders will approve of an appropriate debt resolution plan and it is uncertain whether the Group will raise further funds through any fund raising exercises. Therefore, we were unable to satisfy ourselves by alternative means to obtain sufficient audit evidence to be able to form an opinion as to whether the going concern basis of preparation of the accompanying financial statements of the Group is appropriate.

If the Group is unable to continue in operational existence in the foreseeable future, the Group may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets, in particularly the rigs of the Group, may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities to current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
DEEP DRILLING INVEST PTE. LTD. (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the matter described in the *Basis for Disclaimer of Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company, and by those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.



**Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants**

Singapore
31 August 2020

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2020

	Note	2020 US\$'000	2019 US\$'000
Revenue	4	62,273	28,605
Other income	5	1,599	-
Other gains – net	6	5,594	3,172
Expenses			
- Consumables and spare parts	15	(3,401)	(1,144)
- Rig operating expenses	7	(45,618)	(12,357)
- Depreciation of property, plant and equipment	19	(30,120)	(32,266)
- Amortisation of contract assets	14	(33,947)	-
- Employee compensation	8	(6,218)	(7,902)
- Finance expenses	9	(114,573)	(107,326)
- Impairment loss on trade receivable	26(b)	(13,175)	(3,585)
- Impairment loss on property, plant and equipment	19	(371,750)	-
- Other operating expenses	10	(5,980)	(15,430)
Total expenses		<u>(624,782)</u>	<u>(180,010)</u>
Loss before income tax		(555,316)	(148,233)
Income tax credit/(expense)	11	<u>1,966</u>	<u>(1,124)</u>
Total comprehensive loss, representing net loss		<u>(553,350)</u>	<u>(149,357)</u>

The accompanying notes form an integral part of these financial statements.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

BALANCE SHEETS

As at 31 March 2020

	Note	Group		Company	
		2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	1,358	620	183	181
Trade and other receivables	13	43,926	58,185	7	5
Contract assets	14	-	56,177	-	-
Inventories	15	12,542	30,459	8	648
Other current assets	16	662	10,168	100	126
		58,488	155,609	298	960
Non-current assets					
Investments in subsidiary corporations	17	-	-	652,578	652,578
Amounts due from subsidiary corporations (non-trade)	17	-	-	24,354	23,673
Amount due from immediate holding corporation (non-trade)	18	725,776	769,186	391,186	391,364
Property, plant and equipment	19	380,009	781,035	-	-
		1,105,785	1,550,221	1,068,118	1,067,615
Total assets		1,164,273	1,705,830	1,068,416	1,068,575
LIABILITIES					
Current liabilities					
Trade and other payables	21	57,569	86,349	56	244
Borrowings	22	57,321	48,008	-	-
Current income tax liabilities		-	2,734	-	159
		114,890	137,091	56	403
Non-current liabilities					
Borrowings	22	-	9,313	-	-
Amounts due to subsidiary corporations (non-trade)	17	-	-	412,206	412,156
Amount due to immediate holding corporation (non-trade)	18	224,024	180,717	-	-
		224,024	190,030	412,206	412,156
Total liabilities		338,914	327,121	412,262	412,559
NET ASSETS		825,359	1,378,709	656,154	656,016
EQUITY					
Share capital	23	642,841	642,841	642,841	642,841
Retained profits		182,518	735,868	13,313	13,175
Total equity		825,359	1,378,709	656,154	656,016

The accompanying notes form an integral part of these financial statements.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2020

	Share capital US\$'000	Distributable retained profits US\$'000	Total equity US\$'000
Balance as at 1 April 2019	642,841	735,868	1,378,709
Total comprehensive loss for the financial year	-	(553,350)	(553,350)
Balance as at 31 March 2020	642,841	182,518	825,359
Balance as at 1 April 2018	642,841	885,225	1,528,066
Total comprehensive loss for the financial year	-	(149,357)	(149,357)
Balance as at 31 March 2019	642,841	735,868	1,378,709

The accompanying notes form an integral part of these financial statements.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2020

	Note	2020 US\$'000	2019 US\$'000
Cash flows from operating activities			
Net loss		(553,350)	(149,357)
Adjustments for:			
- Amortisation of amount due from immediate holding corporation (non-trade)	6	(5,542)	(3,070)
- Impairment loss on property, plant and equipment	19	371,750	-
- Interest expense on bonds and bank borrowings	9	114,573	107,326
- Interest income	5	(4)	-
- Income tax (credit)/expense	11	(1,966)	1,124
- Depreciation of property, plant and equipment	19	30,120	32,266
		<u>(44,419)</u>	<u>(11,711)</u>
Change in working capital:			
- Trade and other receivables		14,259	101,731
- Inventories		17,917	(13,698)
- Contract assets		56,177	(56,177)
- Other current assets		9,506	(7,471)
- Trade and other payables		(32,580)	41,851
Cash generated from operations		<u>20,860</u>	54,525
- Income tax paid		(768)	(1,133)
- Interest received		4	-
Net cash provided by operating activities		<u>20,096</u>	<u>53,392</u>
Cash flows from investing activities			
Additions to property, plant and equipment	19	(844)	(796)
Amount due to related corporation (non-trade)		-	(3)
Repayment to immediate holding corporation (non-trade)		(17,117)	(50,900)
Net cash used in investing activities		<u>(17,961)</u>	<u>(51,699)</u>
Cash flows from financing activity			
Interest paid for borrowings		(1,397)	(1,397)
Net cash used in financing activity		<u>(1,397)</u>	<u>(1,397)</u>
Net increase in cash and cash equivalents		738	296
Cash and cash equivalents			
Beginning of financial year		<u>620</u>	<u>324</u>
End of financial year	12	<u>1,358</u>	<u>620</u>

The accompanying notes form an integral part of these financial statements.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2020

Reconciliation of liabilities arising from financing activities

	1 April 2019	Principal and interest payments	Non-cash changes	31 March 2020
			Interest expense	
	US\$'000	US\$'000	US\$'000	US\$'000
Bank borrowings	48,008	-	-	48,008
Bonds	9,313	-	-	9,313
Accrued interest payable	13,055	(1,397)	5,197	16,855

	1 April 2018	Principal and interest payments	Non-cash changes	31 March 2019
			Interest expense	
	US\$'000	US\$'000	US\$'000	US\$'000
Bank borrowings	48,008	-	-	48,008
Bonds	9,313	-	-	9,313
Accrued interest payable	9,048	(1,397)	5,404	13,055

The accompanying notes form an integral part of these financial statements.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Deep Drilling Invest Pte. Ltd. (the “Company”) was incorporated in Singapore on 6 January 2004 and domiciled in Singapore. The address of its registered office and primary place of business is 9 Temasek Boulevard #19-02, Suntec Tower Two, Singapore 038989.

Deep Drilling Invest Pte. Ltd. is an investment holding company. Deep Drilling Invest Pte. Ltd. and its subsidiary corporations (collectively the “Group”) provide drilling services to companies engaged in the exploration, development and production of oil and gas. The principal activities of each entity in the Group are set out in Note 17 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting assumptions and estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Interpretations and amendments to published standards effective in 2019

On 1 April 2019, the Group has adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of FRS 116 Leases:

Adoption of FRS 116 Leases

(a) When the Group is the lessee

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group’s accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2.12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of FRS 116 Leases (continued)

(a) When the Group is the lessee (continued)

On initial application of FRS 116, the Group has elected to apply the following practical expedients:

- (i) For all contracts entered into before 1 April 2019 and that were previously identified as leases under FRS 17 *Leases* and INT FRS 104 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under FRS 116; and
- (ii) On a lease-by-lease basis, the Group has:
 - (a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - (b) Relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - (c) Accounted for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
 - (d) Excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - (e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 April 2019.

There were no leases previously classified as operating leases on 1 April 2019, and hence the Group has not applied any transition provisions.

The effects of adoption of FRS 116 on the Group's financial statements as at 1 April 2019 is not material.

There were no operating lease commitments previously entered into by the Group, therefore no disclosure in the Group's financial statements as at 31 March 2019 and hence no reconciliation of the differences made between the operating lease commitments and the lease liability recognised in the balance sheet as at 1 April 2019.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

Going concern

In preparing the financial statements, the Board of Directors have considered the operations of the Group as going concerns notwithstanding that the Group incurred a net loss of US\$553,350,000 (2019: US\$149,357,000) for the financial year ended 31 March 2020, and as at that date, the Group is in net current liabilities position of US\$56,402,000 (2019: net current assets position of US\$18,518,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

As disclosed in Note 19 to the financial statements, the rigs of the Group with carrying amount of US\$380,000,000 (2019: US\$781,014,000) have been pledged as securities for the borrowings of the Group amounting to US\$57,321,000 (2019: US\$57,321,000) and the borrowings of the intermediate holding corporation, Aban Holdings Pte. Ltd. ("AHPL") and its subsidiary corporations ("AHPL Group") amounting to US\$1,829,791,000 (2019: US\$1,814,724,000) and US\$1,974,242,000 (2019: US\$1,959,460,000) respectively. An impairment loss on the rigs amounting to US\$371,750,000 (2019: US\$Nil) was made during the financial year ended 31 March 2020. In addition, as disclosed in Note 22 to the financial statements, AHPL Group, and the Group have defaulted on payment of their borrowings which have fallen due and have breached the covenants of their borrowings which give the lenders the right to demand the related borrowings be due and payable immediately. The lenders had issued recall notices to AHPL Group, and the Group. Management had reclassified these borrowings of the Group, with original repayment terms beyond 12 months from the balance sheet date as current liabilities. As of the date of this report, AHPL and the Group are in discussions with its lenders to obtain approval for and implementation of an appropriate debt resolution plan.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as going concern. Nevertheless, the Board of Directors believe that the use of the going concern assumption on the preparation of the financial statements of the Group for the financial year ended 31 March 2020 is still appropriate after taking into consideration of the above actions and measures.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax ("VAT"), returns, rebates, and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivable is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Drilling and drilling related contracts*

Revenue is derived mainly from drilling and drilling related contracts at rates established in the relevant contracts. For each contract, the Group will assess if the contract is a multiple element arrangement. Where the arrangement is determined to contain a lease, revenue relating to the lease component is recognised on a straight-line basis over the period of the lease contract and revenue relating to the service component is recognised over the period during which the services are rendered which is typically on a straight-line basis.

Certain contracts may include fees payable at the start of the contract whereby:

- In cases where the fee covers a general upgrade of a rig or equipment which increases the value of the rig or equipment beyond the contract period, the fee is recognised as revenue over the period of the lease contract whereas the investment is depreciated over the remaining lifetime of the asset; or
- In cases where the fee covers specific upgrades or equipment specific to the contract, the fees are recognised as revenue and related cost are capitalised as contract assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(b) Other incidental services

Other incidental services relate to supplies, equipment, personnel services and other services provided. Revenue from other incidental services is recognised when related services have been rendered over time since customer simultaneously receives and consumes the benefit provided by the Group.

(c) Interest income from bank deposits

Interest income is recognised on a time-proportion basis using the effective interest method.

2.3 Group accounting

(a) Subsidiary Corporations

(i) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporations or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiary Corporations (continued)*

(ii) Acquisitions (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) *Transactions with Non-Controlling Interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (Note 2.7).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(a) *Measurement (continued)*

(ii) *Component of cost*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset (refer to Note 2.5 on borrowing costs).

(b) *Depreciation*

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Rigs (includes machinery and equipment installed on the rigs)	40 years
Loose drilling equipment (included on the rigs)	5 years
Leasehold improvements, furniture and office equipment	3 - 10 years
Motor vehicles	3 years

Rigs under construction are not depreciated.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Rigs under construction*

Rigs under construction include payments made under the contracts, capitalised interest and other costs directly associated with the construction. Capitalised value is reclassified from rigs under construction to rigs subsequent to delivery from the yard and when the asset is considered available for its intended use.

(d) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in profit or loss when incurred.

(e) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.5 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest rate method except for those costs that are directly attributable to the construction and refurbishment of rigs. This includes those costs on borrowing acquired specifically for the construction or refurbishment of rigs, as well as those in relation to the general borrowings used to finance the construction and refurbishment of rigs.

The actual borrowing costs incurred on that borrowing during the period up to delivery from the yard less any investment income on the temporary investment of those borrowings, are capitalised in the cost of the rigs under construction or refurbishment. Borrowing cost on general borrowings are capitalised by applying capitalisation rate to construction or refurbishment of rigs that are financed by general borrowings. The capitalisation rate represents the weighted average of the borrowing costs applicable to the borrowings of the entities in the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

2.6 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

2.7 Impairment of non-financial assets

Property, plant and equipment and investments in subsidiary corporations

Property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.8 Financial assets

(a) *Classification and measurement*

The Group classifies its financial assets as amortised cost.

The classification of debt instruments depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and amount due from immediate holding corporation.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is de-recognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(b) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the FRS 109 - *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) *Recognition and de-recognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.9 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

2.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.12 Leases

(a) The accounting policy for leases before 1 April 2019 are as follows:

(i) When the Group is the lessee

The Group leases office space and accommodation for certain employees under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Contingent rents are recognised as an expense in profit or loss when incurred.

(ii) When the Group is the lessor

The Group leases its rigs under operating leases to non-related parties.

Leases of property, plant and equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases.

Rental income from operating leases (net of any incentives given to lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.12 Leases (continued)

(a) The accounting policy for leases before 1 April 2019 are as follows: (continued)

(ii) When the Group is the lessor (continued)

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

(b) The accounting policy for leases from 1 April 2019 are as follows:

(i) When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of short-term and low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(ii) When the Group is the lessor

The Group leases its rigs under operating leases to a related party and immediate holding corporation.

Leases of property, plant and equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases.

Rental income from operating leases (net of any incentives given to lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

The accounting policy applicable to the Group as a lessor in the comparative period were the same under FRS 116.

2.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.14 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured at:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and
- (ii) based on the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.15 Provisions

Provisions for warranty, restructuring cost and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.16 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(b) Employee leave entitlement

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

(c) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.17 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollar ("US\$"), which is the functional currency of the Company and have been rounded to the nearest thousand (US\$'000).

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets, contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

2. Significant accounting policies (continued)

2.17 Currency translation (continued)

(b) Transactions and balances (continued)

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "Finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rate at the reporting date.

2.18 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank and on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions, comprising foreign withholding taxes or taxes on net profits attributable to a permanent establishment in accordance with the tax jurisdictions of the respective countries where drilling operations are conducted. Significant judgement by management is required in determining the global provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business or as a result of new tax laws or revised interpretations of existing tax laws and precedents. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due; and for uncertain tax positions of certain subsidiary corporations in the Group, based on the single best estimate of the most likely outcomes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such as due to changes in tax rules in different jurisdictions or revised interpretations of existing tax laws and precedents, such differences will impact the income tax provisions in the corresponding periods.

Current income tax liabilities

In arriving at the current income tax charge for the financial year, management exercised significant judgment of the availability of certain tax depreciation allowances. In the remote event that these allowances are not being available, there may be additional tax exposure to the Group.

Deferred income tax liabilities

- (i) Deferred income taxes have not been recognised on certain temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.
- (ii) The assumptions resulting in the non-recognition of deferred income taxes are that:
 - the Group will continue to use its rigs to generate income and will not be in the business of trading its rigs such that any gains on disposal can be viewed as capital in nature by the tax authorities, and to the extent applicable, the Group will rely on the current automatic tax concession in the event of the disposal of the rigs; and/or.
 - the Group will continue to satisfy the necessary conditions for the Approved International Shipping Enterprise ("AIS") status awarded by the Maritime and Port Authority of Singapore ("MPA") (Note 11).

If the Group disposes of a rig or a rig under construction and in the unlikely event that the above assumptions do not hold, the Group will be subject to income tax at the prevailing corporate tax rate, which at the balance sheet date is 17%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

3. Critical accounting estimates, assumptions and judgements (continued)

(a) Income taxes (continued)

Deferred income tax liabilities (continued)

(iii) The Group is subjected to income taxes in numerous jurisdictions. In determining the deferred income tax liabilities arising from differences on accelerated tax depreciation, management is required to estimate the amount of capital allowances claimed in each jurisdiction as well as to form judgements on the tax consequence that will follow from the manner in which the management expects, at the balance sheet date, to recover the carrying amounts of its assets. These judgements include, but are not limited to, the jurisdictions in which the management expects to operate its rigs in the future and the effects on the tax bases of these assets.

(b) Useful lives of property, plant and equipment

The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to the profit or loss. Management reviews, and adjusts as appropriate, the useful lives of property, plant and equipment at each balance sheet date in accordance with the Group's accounting policy. The estimation of the useful lives involves significant judgement. The net book value of completed rigs at 31 March 2020 was US\$380,000,000 (2019: US\$781,014,000) and the depreciation charge for the financial year ended 31 March 2020 was US\$30,108,000 (2019: US\$32,227,000) (Note 19).

The estimated useful life of rigs (includes machinery and equipment installed on the rigs and loose drilling equipment) is an estimate by management based on a variety of factors such as historical experience and expectations regarding future operations, performance and utilisation of assets. The machinery and equipment on board works in conjunction with the entire rig and forms a part of the composite drilling unit. All the rigs are subjected to regular maintenance programs such as dry-docking, planned overhauling of critical equipment like the engines, mud pumps, top-drive systems and the draw works. Management believes that the experience of the Group and supporting data based on market information support the view that the rigs (both hull and structure as well as machinery and equipment components) will have estimated useful lives of 40 years.

If the actual useful lives of the rigs were to increase or decrease by 10% from management's estimates, the depreciation expense on the completed rigs for the financial year ended 31 March 2020 would be US\$4,284,000 (2019: US\$4,269,000) lower or US\$5,235,000 (2019: US\$5,217,000) higher respectively.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

3. Critical accounting estimates, assumptions and judgements (continued)

(c) Impairment of trade receivables

As at 31 March 2020, the Group's trade receivables amounted to US\$42,924,000 (2019: US\$57,688,000) (Note 13) is arising from the Group's different revenue segments – drilling and drilling related contracts and other incidental services.

The management has determined the expected loss rates by grouping the receivables based on credit evaluation of individual customer. A loss allowance of US\$17,134,000 (2019: US\$3,959,000) for trade receivables was recognised as at 31 March 2020.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. There is no customer in financial difficulties during the financial year.

The Group's and the Company's credit risk exposure for trade receivables by individual customer are set out in Note 26(b) to the financial statements. If the estimated loss allowance is higher by 10%, the Group would have increased the impairment of trade receivables and decreased the carrying amount of trade receivables by US\$1,713,400 (2019: US\$395,900).

4. Revenue

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Revenue from drilling and drilling related contracts		
- Middle East Asia	30,965	11,161
- South Asia	7,320	5,875
- South East Asia	19,833	11,285
	58,118	28,321
Income from incidental services relating to drilling contracts		
- Middle East Asia	-	284
- South Asia	4,155	-
	4,155	284
Total	62,273	28,605

5. Other income

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Interest income – bank deposits	4	-
Reversal of long outstanding withholding tax payables	1,595	-
	1,599	-

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

6. Other gains – net

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Amortisation of amount due from immediate holding corporation (non-trade)	5,542	3,070
Currency exchange gain - net	52	102
	<u>5,594</u>	<u>3,172</u>

7. Rig operating expenses

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Catering	1,180	1,147
Clearing and forwarding	1,029	1,237
Communications	167	231
Equipment rental for drilling	2,107	746
Expenses relating to incidental services rendered	3,727	130
Insurance	1,658	1,678
Mobilisation	25,838	143
Repair and maintenance	5,980	1,155
Rig fuel	1,826	2,530
Social security tax	-	296
Subcontractor and agency fees	758	1,395
Training	215	478
Travelling and transportation	538	1,013
Other	595	178
Total rig operating expenses	<u>45,618</u>	<u>12,357</u>

8. Employee compensation

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Wages and salaries	6,161	7,842
Other benefits	57	60
	<u>6,218</u>	<u>7,902</u>

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

9. Finance expenses

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Interest expenses		
- Bonds	1,397	1,397
- Bank borrowings	3,800	4,007
- Immediate holding corporation	109,376	101,922
	114,573	107,326

Finance expenses of the Group of US\$109,376,000 (2019: US\$101,922,000) charged by the immediate holding corporation has been allocated to the Group based on the assets offered as security by the Group for the facility availed by the intermediate holding corporation (Note 19).

10. Other operating expenses

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Management fees	4,920	5,088
Consultancy and advisory fees	274	344
Professional and legal	15	10
Rig move	756	9,933
Other	15	55
Total other operating expenses	5,980	15,430

11. Income tax

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Tax (credit)/expense attributable to loss is made up of:		
Loss for the financial year:		
- Current income tax - Foreign	915	1,124
Over provision in prior financial years		
- Current income tax	(2,881)	-
	(1,966)	1,124

The Maritime and Port Authority of Singapore ("MPA") awarded the "Approved International Shipping Enterprise" ("AIS") status to the Group with effect from 1 June 2016 for a period of 10 years.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

11. Income tax (continued)

The tax expense on loss before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax are explained below:

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Loss before income tax	(555,316)	(148,233)
Tax calculated at a tax rate of 17% (2019: 17%)	(94,404)	(25,200)
Effects of:		
- Different tax rates in other countries	641	1,124
- Expenses not deductible for tax purposes	108,136	30,585
- Income not subjected to tax	(13,458)	(5,385)
Over provision in prior financial years	(2,881)	-
Tax charge	(1,966)	1,124

12. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and on hand	1,358	620	183	181

13. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Trade receivables				
- Non-related parties	7,057	7,077	-	-
- Associated company	337	-	-	-
- Immediate holding corporation*	52,664	54,570	-	-
Less: Loss allowance (Note 26(b))	(17,134)	(3,959)	-	-
	42,924	57,688	-	-
Advances to employees	2	-	2	-
VAT receivables	1,000	497	5	5
	43,926	58,185	7	5

* The Group has contracted its rigs through its immediate holding corporation as contracting party to third party operators.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

14. Contract assets

The Group has recognised an asset in relation to costs to fulfil long-term drilling contracts. This is presented as contract assets on the balance sheet.

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
Contract assets		
Asset recognised from costs incurred to fulfil a contract as at 31 March	-	56,177
Amortisation recognised during the financial year		
- Amortisation of contract assets	33,947	-
- Mobilisation	25,400	-
	59,347	-

Costs incurred to fulfil a contract are capitalised only, if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations. These costs would be amortised consistently with revenue recognition of the associated contract. The Group has applied the practical expedient and recognised the costs incurred to fulfil a contract as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

15. Inventories

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Consumables and spare parts	12,542	30,459	8	648

The cost of inventories recognised as expense and included in statement of comprehensive income amounted to US\$3,401,000 (2019: US\$1,144,000).

16. Other current assets

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits	186	188	100	104
Prepayments	476	9,980	-	22
	662	10,168	100	126

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

17. Investments in subsidiary corporations

	<u>Company</u>	
	2020	2019
	US\$'000	US\$'000
<u>Equity investments at cost</u>		
Beginning and end of financial year	652,578	652,578

The Group's subsidiary corporations are all wholly owned and therefore there are no non-controlling interest in the Group.

Amounts due from/(to) subsidiary corporations (non-trade)

The non-trade amounts due from/(to) subsidiary corporations are unsecured, interest-free, have no fixed repayment terms and are not expected to be repaid/(settled) for the next 12 months from the balance sheet date.

The management is of the opinion that the fair values of amounts due from/(to) subsidiary corporations approximate its carrying amounts.

Details of the subsidiary corporations are as follows:

<u>Name of companies</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>% equity held by the Group</u>	
			2020	2019
			%	%
Deep Drilling 1 Pte. Ltd.	Offshore drilling	Singapore	100	100
Deep Drilling 2 Pte. Ltd.	Offshore drilling	Singapore	100	100
Deep Drilling 3 Pte. Ltd.	Offshore drilling	Singapore	100	100
Deep Drilling 4 Pte. Ltd.	Offshore drilling	Singapore	100	100
Deep Drilling 5 Pte. Ltd.	Offshore drilling	Singapore	100	100
Deep Drilling 6 Pte. Ltd.	Offshore drilling	Singapore	100	100
Deep Drilling 7 Pte. Ltd.	Offshore drilling	Singapore	100	100
Deep Drilling 8 Pte. Ltd.	Offshore drilling	Singapore	100	100

18. Amount due from/(to) immediate holding corporation (non-trade)

The immediate holding corporation is Aban Singapore Pte. Ltd., which is incorporated in Singapore.

The non-trade amounts due from/(to) immediate holding corporation are unsecured and have no fixed repayment date. The immediate holding corporation has undertaken not to demand repayment on amount due to them within 12 months from the balance sheet date.

The fair value of the amounts due from/(to) immediate holding corporation approximate its carrying value.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

19. Property, plant and equipment

<u>Group</u>	<u>Rigs</u> [*] US\$'000	<u>Leasehold improvement, furniture and office equipment</u> US\$'000	<u>Motor vehicles</u> US\$'000	<u>Total</u> US\$'000
2020				
<i>Cost</i>				
Beginning of financial year	1,249,680	1,374	258	1,251,312
Additions	844	-	-	844
End of financial year	<u>1,250,524</u>	<u>1,374</u>	<u>258</u>	<u>1,252,156</u>
<i>Accumulated depreciation</i>				
Beginning of financial year	468,666	1,374	237	470,277
Depreciation charge	30,108	-	12	30,120
Impairment charge	371,750	-	-	371,750
End of financial year	<u>870,524</u>	<u>1,374</u>	<u>249</u>	<u>872,147</u>
Net book value				
End of financial year	<u>380,000</u>	<u>-</u>	<u>9</u>	<u>380,009</u>
2019				
<i>Cost</i>				
Beginning of financial year	1,248,884	1,374	258	1,250,516
Additions	796	-	-	796
End of financial year	<u>1,249,680</u>	<u>1,374</u>	<u>258</u>	<u>1,251,312</u>
<i>Accumulated depreciation</i>				
Beginning of financial year	436,439	1,357	215	438,011
Depreciation charge	32,227	17	22	32,266
End of financial year	<u>468,666</u>	<u>1,374</u>	<u>237</u>	<u>470,277</u>
Net book value				
End of financial year	<u>781,014</u>	<u>-</u>	<u>21</u>	<u>781,035</u>

* Includes machinery and equipment installed on the rigs and loose drilling equipment

An impairment charge of US\$371,750,000 (2019: US\$Nil) was recognised for the financial year ended 31 March 2020 as the carrying amount of the rigs exceeded its estimated value-in-use ("VIU") which was mainly due to the current slump in the oil and gas industry.

The rigs of the Group with carrying amounts of US\$380,000,000 (2019: US\$781,014,000) have been pledged as securities for the borrowings of the Group amounting to US\$57,321,000 (2019: US\$57,231,000) (Note 22) and the borrowings of the intermediate holding corporation Aban Holdings Pte. Ltd. ("AHPL") and its subsidiary corporations ("AHPL Group") amounting to US\$1,829,79,000 (2019: US\$1,814,724,000) and US\$1,974,242,000 (2019: US\$1,959,460,000) respectively.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

19. Property, plant and equipment (continued)

<u>Company</u>	Leasehold improvement, furniture and office equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
2020			
<i>Cost</i>			
Beginning and end of financial year	467	58	525
<i>Accumulated depreciation</i>			
Beginning and end of financial year	467	58	525
Net book value			
End of financial year	-	-	-
2019			
<i>Cost</i>			
Beginning and end of financial year	467	58	525
<i>Accumulated depreciation</i>			
Beginning and end of financial year	467	58	525
Net book value			
End of financial year	-	-	-

20. Leases

The Group as a lessor

Nature of the Group's leasing activities – Group as a lessor

The Group has leased out its rigs under drilling contracts to a related party and non-related parties. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Undiscounted lease payments from the operating leases to be received after the balance sheet date are as follows:

	<u>Group 2020 US\$'000</u>
Not later than one year	58,410
Between one to two years	29,100
More than two years	24,525
	<u>112,035</u>

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

21. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables				
- Non-related parties	14,761	14,423	25	81
Accruals of interest payable				
- Bonds and bank borrowings	16,855	13,055	-	-
Social security, withholding and other taxes	2	1,599	-	-
Accruals for operating expenses	25,951	57,272	31	163
	57,569	86,349	56	244

22. Borrowings

	<u>Group</u>	
	2020	2019
	US\$'000	US\$'000
<i>Current</i>		
Bank borrowings	48,008	48,008
Bonds	9,313	-
	57,321	48,008
<i>Non-current</i>		
Bonds	-	9,313
Total borrowings	57,321	57,321

Movements in borrowings are analysed as follows:

	<u>Group</u>
	US\$'000
<u>2020</u>	
Beginning and end of financial year	57,321
<u>2019</u>	
Beginning and end of financial year	57,321

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

22. Borrowings (continued)

Security granted

- (i) Bank borrowings of US\$48,008,000 (2019: US\$48,008,000) comprises of several individual loans, which are secured by (i) assets of the Group and/or assets of the immediate, intermediate and ultimate holding corporations; and (ii) standby letters of credit, which in turn are secured by the assets of the Group and/or assets of the immediate, intermediate and ultimate holding corporations. These borrowings have an effective interest rate of 5.5% to 7% (2019: 5.5% to 7%) per annum at the balance sheet date.

During the previous financial year ended 31 March 2018, due to default on repayment of principal and interest payables, the Group has breached the covenants and recall notices have been received from the banks. The carrying amount of the Group's borrowings in default as at 31 March 2020 is US\$48,008,000 (2019: US\$48,008,000). The entire bank borrowings are presented as current liabilities as at 31 March 2020 and 2019 respectively.

- (ii) Bond of US\$9,313,000 (2019: US\$9,313,000), with a face value of US\$9,313,000 (2019: US\$9,313,000), is secured by a first priority mortgage on a rig (Note 19) owned by subsidiary corporations of the Company, a pledge over 100% of the shares in subsidiary corporations of the Company, assignment of insurances, corporate guarantee of subsidiary corporations of the Company, and a charge over bank accounts to be maintained by the borrower in respect of the rig. Based on amendments made to the Bond Agreement in December 2016, the outstanding bond of US\$9,313,000 (2019: US\$9,313,000) as at 31 March 2020 is repayable in December 2020 (2019: December 2020), and has a fixed interest rate of 15% (2019: 15%) per annum at the balance sheet date.

23. Share capital

	<u>Group and Company</u>	
	<u>No. of shares</u> Issued share capital '000	<u>Amount</u> Issued share capital US\$'000
2020		
Beginning and end of financial year	642,841	642,841
2019		
Beginning and end of financial year	642,841	642,841

The share capital of the Company is divided into Class A shares of 424,274,756 (2019: 424,274,756) ordinary shares carrying one vote each and Class B shares of 218,565,783 (2019: 218,565,783) ordinary shares carrying two votes per share.

The holders of these shares are entitled to receive dividends as and when declared by the Company. All ordinary shares with its respective vote per share are without restriction.

All issued shares are fully paid. There is no par value for these ordinary shares.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

24. Retained profits

Movement in retained profits for the Company is as follows:

	<u>Company</u>	
	2020	2019
	US\$'000	US\$'000
Beginning of financial year	13,175	13,175
Net profit	138	*
End of financial year	13,313	13,175

* Less than US\$1,000.

25. Commitments

Drilling contracts – where the Group is the lessor

As at the balance sheet date, the Group has committed three of its rigs under drilling contracts to non-related parties for a period not exceeding 43 months subsequent to the balance sheet date. These arrangements are assessed to contain a lease under "INT FRS 104 – Determining whether an arrangement contains a lease". Based on management's best estimates, the future estimated aggregate receivables related to the lease portion which are non-cancellable and contracted for at the balance sheet date but not recognised as receivables are analysed as follows:

	<u>Group</u>
	2019
	US\$'000
Not later than one year	28,300
Between one to two years	25,560
More than two years	17,325
	<u>71,185</u>

On 1 April 2019, the Group has adopted FRS 116 and the undiscounted lease payments from the operating leases to be received after 31 March 2020 is disclosed in Note 20 to the financial statements.

26. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effect from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. They review and agree on the policies for managing each of these risks and are summarised as follows:

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

26. Financial risk management (continued)

(a) Market risk

(i) *Currency risk*

The Group operates globally, but the balances and transactions are substantially denominated in United States Dollar (US\$), which is the functional currency of the Company. Accordingly, the Group and the Company do not have significant exposure to currency risk.

(ii) *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The primary source of the Group's interest rate risk relates to interest-bearing borrowings with variable interest. Interest income on the Group's bank deposits is insignificant.

The Group monitors the interest rate on borrowings closely to ensure that the Group's borrowings are maintained at favorable rates. The Group will consider the use of interest rate swaps where necessary, if the exposure to interest rate risk is assessed to be significant.

The Group's borrowings at variable rates, on which effective hedges have not been entered into, are denominated in US\$. If interest rates increase/decrease by 1% (2019: 1%) with all other variables including tax rate being held constant, the loss after tax will be lower/higher by US\$480,000 (2019: US\$480,000) as a result of higher/lower interest expense on these borrowings.

The exposure of the interest-bearing borrowings of the Group to interest rate changes at the balance sheet dates are as follows:

	2020	2019
	US\$'000	US\$'000
By geographical areas		
Variable rates	<u>48,008</u>	<u>48,008</u>

All variable rate borrowings have a repricing period of 6 months or less (2019: 6 months or less).

In addition, the Group has interest expense allocated from the immediate holding corporation (Note 9). Changes in interest rate may affect the interest expense allocated to the Group which is at the discretion of the immediate holding corporation.

(iii) *Price risk*

The Group has no significant exposure to price risk as its revenue are based on contractual rates, and the Group does not have any equity securities as at 31 March 2020 and 2019.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

26. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and the Company are bank deposits, trade receivables, amounts due from subsidiary corporations (Company only) and immediate holding corporation. For bank deposits, the Group and the Company maintain its cash deposits primarily with lenders of the Group or financial institutions with high credit quality to minimise their exposure to the banks.

Due to the nature of the Group's operations, revenue and receivable are typically concentrated amongst a relatively small customer base of oil and gas companies. The Group has policies in place to ensure that drilling contracts are with customers of adequate financial standing and appropriate credit history, and where necessary, certain guarantees either in form of bank or parent company may be requested. The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial assets on the balance sheet.

The trade receivables of the Group comprise 5 debtors (2019: 5 debtors).

The credit risk for trade receivables (net of loss allowance) based on the information provided by key management is as follows:

	2020	2019
	US\$'000	US\$'000
By geographical areas		
Asia	42,924	57,688

Customers are mainly government-linked oil and gas corporations.

The movement in credit loss allowance for trade receivables of the Group is set out as follows:

	2020	2019
	US\$'000	US\$'000
Beginning of the financial year	3,959	374
Loss allowance recognised in profit or loss during the financial year	13,175	3,585
End of the financial year (Note 13)	17,134	3,959

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates, the Group purely considers historical loss rates which management is of the view that the historical conditions are representative of the conditions prevailing at the balance sheet date.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 180 days when they fall due, and writes off the financial asset after attempted all enforcement activity to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

26. Financial risk management (continued)

(b) Credit risk (continued)

The Group's credit risk exposure in relation to trade receivables under FRS 109 as at 31 March 2020 and 2019 are set out in the provision matrix as follows:

	← Past due →				Total US\$'000
	Not past due US\$'000	< 3 months US\$'000	3 to 6 months US\$'000	More than 180 days US\$'000	
31 March 2020					
Trade receivables	3,283	3,575	12	36,054	42,924
Loss allowance	-	-	-	(17,134)	(17,134)
31 March 2019					
Trade receivables	2,555	2,507	1,400	51,226	57,688
Loss allowance	-	-	-	(3,959)	(3,959)

Cash and cash equivalents, other receivables, amount due from immediate holding corporation and amount due from subsidiary corporations (Company only) are considered to have low risk of default. The balances are measured on 12-month expected credit losses. The credit loss is immaterial.

(c) Liquidity risk

The drilling operations of the Group require substantial investment and are dependent on its ability to finance its rig construction and acquisitions and service its bank borrowings as well as other capital and operating requirements and commitments. The Group ensures that arrangements have been made to obtain adequate funds to meet all its operating and capital obligations in the form of continuing committed credit facilities with financial institutions as well as continuing financial support from the ultimate holding company to enable the Group to meet its debts and liabilities as and when they fall due for at least 12 months from the balance sheet date.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows (including interest payable in the future) at the balance sheet date.

	Within <u>1 year</u> US\$'000	Between <u>1 and 2 years</u> US\$'000
	Group	
2020		
Trade and other payables	57,569	-
Bonds	10,360	-
Bank borrowings	51,369	-
	119,298	-
2019		
Trade and other payables	86,349	-
Bonds	1,397	10,360
Bank borrowings	51,055	-
	138,801	10,360

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

26. Financial risk management (continued)

(c) Liquidity risk (continued)

<u>Company</u>	Within <u>1 year</u> US\$'000	Between <u>1 and 2 years</u> US\$'000
2020		
Trade and other payables	<u>56</u>	<u>-</u>
2019		
Trade and other payables	<u>244</u>	<u>-</u>

The Board of Directors does not regard the amount due to immediate holding corporation (non-trade) of the Group of US\$224,024,000 (2019: US\$180,717,000) and the amounts due to subsidiary corporations (non-trade) of the Company of US\$412,206,000 (2019: US\$412,156,000) as part of their consideration of liquidity risk in view that these amounts have no fixed repayment terms and continuing financial support from the immediate and ultimate holding corporation has been provided to the Group and the Company has 100% control of the subsidiary corporations.

(d) Capital management

The Group's objectives when managing capital are to ensure Group's ability to continue as a going concern and to maintain an optimal capital structure by issuing or redeeming additional equity, borrowings and other instruments when necessary.

As the Group is mainly funded through external borrowings and immediate holding corporation, the objectives of the Board of Directors when managing capital is to ensure that the Group continues to enjoy the use of funds from borrowings by ensuring that the immediate holding corporation undertake not to demand repayment on the amount due to them for the next twelve months.

The Group considers total capital to comprise of its total equity and bank borrowings, as follows:

	<u>Group</u>		<u>Company</u>	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Equity	825,359	1,378,709	656,154	656,016
Bond and bank borrowings	57,321	57,321	-	-
Total capital	882,680	1,436,030	656,154	656,016

(e) Fair value measurements

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximate their fair value.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

26. Financial risk management (continued)

(f) Financial instrument by category

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets at amortised cost	770,246	883,859	415,825	415,322
Financial liabilities at amortised cost	338,914	324,387	412,262	412,400

27. Related party transactions

In addition to information shown elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

(a) Sales and purchase of goods and services

	2020	2019
	US\$'000	US\$'000
Management fees paid/payable to intermediate holding corporation	4,920	5,088
Drilling income charged to immediate holding corporation*	22,035	22,706
Interest charged by intermediate holding corporation	109,376	101,922

* The Group has contracted its rigs through its immediate holding corporation as contracting party to a third party operator.

Outstanding balances as at 31 March 2020 and 2019 are unsecured and not repayable within the next 12 months from balance sheet date and are disclosed in Notes 13, 17, and 18 to the financial statements.

(b) Key management personnel compensation

There are no key management personnel compensation incurred for the financial years ended 31 March 2020 and 2019 respectively.

**DEEP DRILLING INVEST PTE. LTD.
AND ITS SUBSIDIARY CORPORATIONS**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

28. Immediate, intermediate and ultimate holding corporations

The Company's immediate and intermediate holding corporations are Aban Singapore Pte. Ltd. and Aban Holdings Pte. Ltd., incorporated in Singapore respectively. The ultimate holding corporation is Aban Offshore Limited, incorporated in India and listed in Bombay Stock Exchange and National Stock Exchange.

29. Events occurring after balance sheet date

The emergence of COVID-19 subsequent to the financial year end may impact the financial performance and operating environment of the Group in 2021. The Group is aware of the challenges posed by these developing events. As the situation is still evolving and remains uncertain, the Group is unable to quantify the full magnitude of the outbreak and has not considered the impact, if any, on the financial performance of the Group in 2021.

30. New or revised accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

31. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Deep Drilling Invest Pte. Ltd. on 31 August 2020.