Nexia TS
Listening, Thinking, Growing, Asia.

In association with
Smith & Williamson

ABAN HOLDINGS PTE. LTD.

(Incorporated in Singapore. Registration Number: 200618254E)

AND ITS SUBSIDIARY CORPORATIONS

FINANCIAL STATEMENTS

For the financial year ended 31 March 2022

ABAN HOLDINGS PTE. LTD.
(Incorporated in Singapore)
AND ITS SUBSIDIARY CORPORATIONS

FINANCIAL STATEMENTS
For the financial year ended 31 March 2022

Contents

DIRECTORS' STATEMENT

For the financial year ended 31 March 2022

The directors present their statement to the shareholder together with the audited financial statements of the Group for the financial year ended 31 March 2022 and the balance sheet of the Company as at 31 March 2022.

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 7 to 50 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 2022 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 obtain approval for and implementation of an appropriate debt resolution plan for which the Group and the Company are in discussions with its lenders and based on this, the Group and the Company will be able to pay its debts as and when they fall due.

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

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 the name of director		Holdings in which a director is deemed to have an interest	
	At 31.03.2022	At 01.04.2021	At 31.03.2022	At 01.04.2021
Immediate and 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

Share options

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

No shares 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

10 May 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ABAN HOLDINGS PTE. LTD.

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Aban Holdings 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 2022, 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 7 to 50.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet of the Company. Because of the significance of the matters described in the *Bases 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.

Bases for Disclaimer of Opinion

1. *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 and of the Company as going concerns notwithstanding that the Group incurred a net loss of US$278,097,000 (2021: US$234,832,000) for the financial year ended 31 March 2022, and as at that date, the Group and the Company are in net current liabilities position of US$2,574,168,000 and US$2,574,955,000 (2021: US$2,625,750,000 and US$2,490,663,000) respectively. The Group and the Company are also in net liabilities position of US$2,489,592,000 and US$1,803,389,000 (2021: US$2,211,495,000 and US$1,808,882,000) respectively as at 31 March 2022.

   As disclosed in Note 15 and 19 to the financial statements, the Group's rigs with carrying amount of US$32,000,000 (2021: US$368,520,000) and the Group's rigs classified as assets held-for-sale with carrying amount of US$146,429,000 (2021: US$Nil) have been pledged as security for the borrowings of the Group and of the Company amounting to US$1,923,661,000 and US$1,788,591,000 (2021: US$1,974,174,000 and US$1,829,791,000) respectively. In addition, an impairment loss on the rigs and inventory write-down totalling to US$134,382,000 and US$7,758,000 (2021: US$63,444,000 and US$16,154,000) respectively was made during the financial year ended 31 March 2022.

   The Group and the Company 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 the Group and the Company. Management had reclassified these borrowings of the Group and of the Company, with original repayment terms beyond 12 months from the balance sheet date as current liabilities.

Nexia TS Public Accounting Corporation
UEN: 200507237N / Incorporated with limited liability
Singapore • China • Malaysia • Myanmar
Nexia TS Public Accounting Corporation is a member of Nexia International, a worldwide network of independent accounting and consulting firms.
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ABAN HOLDINGS PTE. LTD. (continued)

Bases for Disclaimer of Opinion (continued)

1. *Going concern* (continued)

   The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption on the preparation of the financial statements of the Group and of the Company for the financial year ended 31 March 2022 is still appropriate after taking into consideration of the actions and measures that, as at the date of this report, the Group and the Company have entered into binding sale and purchase agreements for the sale of 6 rigs owned by the Group and are in discussions with its lenders to obtain approval for and implementation of an appropriate debt resolution plan.

   The ability of the Group and of the Company to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due are dependent on the actions and measures undertaken as disclosed above and it is uncertain whether the Group and the Company will raise further funds through any fund-raising exercises. Therefore, we are unable 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 and of the Company is appropriate.

   If the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company 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 and the Company 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.

2. *Incompleteness of bank confirmations*

   We are unable to obtain bank confirmations for the Group's bank balances of US$37,412 (2021: US$Nil) and the Group's and the Company's bank borrowings of US$1,923,661,124 and US$1,788,590,678 (2021: US$1,864,845,988 and US$1,729,775,542) respectively as at 31 March 2022.

   There are also no practicable audit procedures available to us to verify these balances and transactions. As a result, we are unable to ascertain the accuracy and completeness of the aforesaid bank balances and bank borrowings. In addition, we are unable to verify the completeness of the Group's and the Company's transactions with the banks for the aforesaid bank balances and bank borrowings. Consequently, we are unable to determine whether any adjustments and disclosures might have been found necessary in respect of unrecorded and/or undisclosed transactions, facilities and information with the banks in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ABAN HOLDINGS PTE. LTD. (continued)

Bases for Disclaimer of Opinion (continued)

3. *Investments in subsidiary corporations and amounts due from subsidiary corporations and the immediate and ultimate holding corporation*

   As disclosed in Note 16 to the financial statements, the Company's investments in subsidiary corporations are carried at cost amounting to US$520,337,000 (2021: US$520,337,000). Management has determined that no objective evidence or indication that the carrying amounts of the investments in subsidiary corporations may not be recoverable as at 31 March 2022, accordingly impairment assessment is not required.

   As disclosed in Notes 16 and 25 to the financial statements, the amounts due from subsidiary corporations and the immediate and ultimate holding corporation amounting to US$249,525,000 and US$1,704,000 (2021: US$161,318,000 and US$126,000) respectively. Management has determined that no impairment is required as there was no significant increase in credit risk.

   Based on the latest financial performance and position of the subsidiary corporations and immediate and ultimate holding corporation as well as other information made available to us, we are unable to obtain sufficient appropriate audit evidence in respect of the management's assessment of the recoverability of the investments in subsidiary corporations and the expected credit losses associated with the amounts due from subsidiary corporations and the immediate and ultimate holding corporation as at 31 March 2022. Consequently, we are unable to determine whether any adjustments in respect of the carrying amounts of investment in subsidiary corporations and amount due to subsidiary corporations and the immediate and ultimate holding corporation as at 31 March 2022 are necessary.

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 Companies Act 1967 of Singapore (the "Act") and Financial Reporting Standards in Singapore ("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 SHAREHOLDER OF ABAN HOLDINGS 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 *Bases 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, in view of the significance of the matters described in the *Bases for Disclaimer of Opinion* section of our report, we do not express an opinion on whether 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
10 May 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2022

	Note	**2022 US$'000**	2021 US$'000
Revenue	4	**80,089**	128,893
Other income	5	**6,714**	26,033
Expenses			
- Consumables and spare parts	13	**(7,970)**	(15,792)
- Rig operating expenses	6	**(25,304)**	(36,790)
- Depreciation of property, plant and equipment	19	**(14,007)**	(18,089)
- Depreciation of right-of-use asset	20(a)	**(9,672)**	(5,071)
- Employee compensation	7	**(22,019)**	(31,778)
- Finance expense	8	**(138,041)**	(139,065)
- Impairment loss on trade receivables	28(b)	**-**	(58,063)
- Impairment loss on property, plant and equipment	19	**(134,382)**	(63,444)
- Inventory write-down	13	**(7,758)**	(16,154)
- Currency exchange gains/(losses) - net		**102**	(617)
- Other operating expenses	9	**(3,336)**	(4,528)
Total expenses		**(362,387)**	(389,391)
Share of (loss)/profit of associated companies, net of tax	17	**(148)**	42
Loss before income tax		**(275,732)**	(234,423)
Income tax expense	10	**(2,365)**	(409)
Total comprehensive loss, representing net loss		**(278,097)**	(234,832)

BALANCE SHEETS
As at 31 March 2022

	Note	Group 2022 US$'000	Group 2021 US$'000	Company 2022 US$'000	Company 2021 US$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**11,211**	9,619	**12**	12
Trade and other receivables	12	**20,149**	31,992	**-**	-
Inventories	13	**8,808**	28,306	**-**	-
Other current assets	14	**20,014**	21,040	**-**	33
		60,182	90,957	**12**	45
Non-current assets held-for-sale	15	**155,267**	-	**-**	-
		215,449	90,957	**12**	45
Non-current assets					
Investments in subsidiary corporations	16	**-**	-	**520,337**	520,337
Amount due from subsidiary corporations (non-trade)	16	**-**	-	**249,525**	161,318
Investments in associated companies	17	**1,326**	1,474	**-**	-
Amount due from associated companies (non-trade)	17	**11**	20	**-**	-
Amount due from immediate and ultimate holding corporation (non-trade)	25	**1,704**	126	**1,704**	126
Property, plant and equipment	19	**32,026**	368,534	**-**	-
Right-of-use assets	20(a)	**12,621**	22,293	**-**	-
Intangible assets	21	**44,573**	44,573	**-**	-
		92,261	437,020	**771,566**	681,781
Total assets		**307,710**	527,977	**771,578**	681,826
LIABILITIES					
Current liabilities					
Trade and other payables	22	**854,833**	741,444	**786,376**	660,917
Borrowings	23	**1,923,661**	1,964,861	**1,788,591**	1,829,791
Lease liabilities	24	**8,335**	9,468	**-**	-
Current income tax liabilities		**2,788**	934	**-**	-
		2,789,617	2,716,707	**2,574,967**	2,490,708
Non-current liabilities					
Borrowings	23	**-**	9,313	**-**	-
Lease liabilities	24	**5,018**	13,353	**-**	-
Amount due to associated companies (non-trade)	17	**2,667**	99	**-**	-
		7,685	22,765	**-**	-
Total liabilities		**2,797,302**	2,739,472	**2,574,967**	2,490,708
NET LIABILITIES		**(2,489,592)**	(2,211,495)	**(1,803,389)**	(1,808,882)
EQUITY					
Share capital - ordinary shares	26	**608,945**	608,945	**608,945**	608,945
Share capital - preference shares	26	**131,405**	131,405	**131,405**	131,405
Other reserves	27(a)	**29,239**	29,239	**-**	-
Accumulated losses		**(3,259,181)**	(2,981,084)	**(2,543,739)**	(2,549,232)
Total equity		**(2,489,592)**	(2,211,495)	**(1,803,389)**	(1,808,882)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 March 2022

	Share capital - ordinary shares US$'000	Share capital - preference shares US$'000	Other reserves US$'000	Accumulated losses US$'000	Total equity US$'000
Balance as at 1 April 2021	**608,945**	**131,405**	**29,239**	**(2,981,084)**	**(2,211,495)**
Total comprehensive loss for the financial year	**-**	**-**	**-**	**(278,097)**	**(278,097)**
Balance as at 31 March 2022	**608,945**	**131,405**	**29,239**	**(3,259,181)**	**(2,489,592)**
Balance as at 1 April 2020	608,945	131,405	29,239	(2,746,252)	(1,976,663)
Total comprehensive loss for the financial year	-	-	-	(234,832)	(234,832)
Balance as at 31 March 2021	608,945	131,405	29,239	(2,981,084)	(2,211,495)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 March 2022

	Note	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Net loss		**(278,097)**	(234,832)
Adjustments for:			
- Income tax expense	10	**2,365**	409
- Impairment loss on property, plant and equipment	19	**134,382**	63,444
- Interest income from bank deposits	5	**(32)**	(154)
- Interest expense on bonds and bank borrowings	8	**136,559**	138,048
- Interest expense on lease liabilities	8	**1,482**	1,017
- Inventory write-down	13	**7,758**	16,154
- Share of loss/(profit) of associated companies, net of tax	17	**148**	(42)
- Depreciation of right-of-use assets	20(a)	**9,672**	5,071
- Depreciation of property, plant and equipment	19	**14,007**	18,089
- Waiver of repayment of bank borrowings	5	**(5,986)**	-
		22,258	7,204
Change in working capital:			
- Trade and other receivables		**11,843**	45,936
- Inventories		**(887)**	4,385
- Other current assets		**1,026**	(4,931)
- Trade and other payables		**(19,757)**	(36,972)
Cash generated from operations		**14,483**	15,622
- Income tax paid		**(511)**	(464)
- Interest received		**32**	154
Net cash provided by operating activities		**14,004**	15,312
Cash flows from investing activities			
Additions to property, plant and equipment	19	**(31)**	-
Additions to intangible asset	21(b)	**-**	(3,585)
Disposal of property, plant and equipment and inventories		**45,510**	-
Advances to immediate and ultimate holding corporation		**(1,578)**	(108)
Repayment from associated companies		**2,577**	362
Net cash provided by/(used in) investing activities		**46,478**	(3,331)
Cash flows from financing activities			
Repayment of bonds and bank borrowings	23	**(46,163)**	(68)
Principal repayment of lease liabilities		**(9,468)**	(4,717)
Interest paid for borrowings		**(1,777)**	(1,397)
Interest paid for lease liabilities	20(b)	**(1,482)**	(1,017)
Net cash used in financing activities		**(58,890)**	(7,199)
Net increase in cash and cash equivalents		**1,592**	4,782
Cash and cash equivalents			
Beginning of financial year		**9,619**	4,837
End of financial year	11	**11,211**	9,619

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 March 2022

Reconciliation of liabilities arising from financing activities

	1 April 2021 US$'000	Principal and interest payments US$'000	Non-cash changes US$'000		31 March 2022 US$'000
			Waiver of repayment of bank borrowings	Interest expense	
Bank borrowings	1,964,861	(36,850)	(4,350)	-	1,923,661
Bonds	9,313	(9,313)	-	-	-
Accrued interest payable	710,967	(1,777)	(1,636)	136,559	844,113
Lease liabilities	22,821	(10,950)	-	1,482	13,353

	1 April 2020 US$'000	Principal and interest payments US$'000	Non-cash changes US$'000		31 March 2021 US$'000
			Addition during the year	Interest expense	
Bank borrowings	1,964,929	(68)	-	-	1,964,861
Bonds	9,313	-	-	-	9,313
Accrued interest payable	574,316	(1,397)	-	138,048	710,967
Lease liabilities	12,080	(5,734)	15,458	1,017	22,821

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

1. General information

Aban Holdings Pte. Ltd. (the "Company") was incorporated in Singapore on 6 December 2006 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.

Aban Holdings Pte. Ltd. is an investment holding company. Aban Holdings Pte. Ltd. and its subsidiary corporations (collectively known as the "Group") provide drilling services to companies engaged in the exploration, development and production of oil and gas. The principal activities of each entity within the Group are set out in Note 31 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the 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 estimates and assumptions. 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.

Coronavirus (COVID-19) Impact

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Group's significant operations are in Singapore, United Arab Emirates and India which have been affected by the spread of COVID-19 in 2021.

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the financial year ended 31 March 2022:

(i) The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate after the Board of Director had taking into consideration of the actions and measures in respect to obtain approval for and implementation of an appropriate debt resolution plan (Note 2.1 – Going concern).

(ii) During the financial year ended 31 March 2022, some of the Group's offshore drilling operations in India were partially suspended due to COVID-19 pandemic. Subsequently, normal operations were restored within reasonable time with no significant impact on the financial performance.

(iii) The Group has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets as at 31 March 2022.

The Group will continue to keep a vigilant watch on the challenges that may arise from the ongoing COVID-19 pandemic and uncertainties in the wider macro environment.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2021

On 1 April 2021, 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.

Going concern

In preparing the financial statements, the Board of Directors have considered the operations of the Group and of the Company as going concerns notwithstanding that the Group incurred a net loss of US$278,097,000 (2021: US$234,832,000) for the financial year ended 31 March 2022, and as at that date, the Group and the Company are in net current liabilities position of US$2,574,168,000 and US$2,574,955,000 (2021: US$2,625,750,000 and US$2,490,663,000) respectively. The Group and the Company are also in net liabilities position of US$2,489,592,000 and US$1,803,389,000 (2021: US$2,211,495,000 and US$1,808,882,000) respectively as at 31 March 2022.

As disclosed in Notes 15 and 19 to the financial statements, the carrying amount of the Group's rigs amounting to US$32,000,000 (2021: US$368,520,000) and those rigs classified as assets held-for-sale with a carrying amount of US$146,429,000 (2021: US$Nil) have been pledged as security for the borrowings of the Group and of the Company amounting US$1,923,661,000 and US$1,788,591,000 (2021: US$1,974,174,000 and US$1,829,791,000) respectively. An impairment loss on the rigs and inventory write-down totalling to US$134,382,000 and US$7,758,000 (2021: US$63,444,000 and US$16,154,000) respectively was made during the financial year ended 31 March 2022.

The Group and the Company 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 the Group and the Company. Management had reclassified these borrowings of the Group and of the Company, with original repayment terms beyond 12 months from the balance sheet date as current liabilities.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as going concern. Nevertheless, the Board of Director believes that the use of the going concern assumption on the preparation of the financial statements of the Group and the of Company for the financial year ended 31 March 2022 is still appropriate after taking into consideration that as of the date of this report, the Group and the Company have entered into binding sale and purchase agreements for the sale of 6 rigs owned by the Group and the Group and the Company are in discussions with its lenders to obtain approval for and implementation of an appropriate debt resolution plan.

2. Significant accounting policies (continued)

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 case where the fee covers specific upgrades or equipment specific to the contract, the fees are recognised as revenue and related cost are captialised as contract assets.

(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.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiary corporations (continued)

(i) Consolidation (continued)

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 corporation 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.

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. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiary corporations (continued)

(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.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group’s share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) Associated companies (continued)

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlements are never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies is eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

(d) Joint operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises, in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(d) Joint operations (continued)

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to a third party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to be purchased or an impairment loss.

The accounting policies of the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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 2.8(b)).

(ii) Components 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 2.6 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:

	Useful lives
Rigs	30 or 40 years
Rigs (machinery and equipment installed on rigs)	3 - 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.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(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 within “Other gains or losses”.

2.5 Intangible assets

(a) Acquired licence

Licence acquired is initially recognised at cost and is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over the period of contractual right or estimated useful lives, whichever is shorter. The Group’s acquired licence is not amortised until it is available for use.

(b) Oil and Gas expenditure – exploration and evaluation (“E&E”) assets

E&E assets comprise of rights and concession and conventional studies. Following the acquisition of a concession right to explore a licensed area, the costs incurred such as geological and geophysical surveys, drilling, commercial appraisal costs and other directly attributable costs of exploration and appraisal including technical and administrative costs, are capitalised as conventional studies, presented as intangible assets.

(c) Farm-outs - in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

2.6 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 borrowings 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.

2. Significant accounting policies (continued)

2.6 Borrowing costs (continued)

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.

2.7 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 profit or loss.

2.8 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is any indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the group's cash-generating unit ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets
Property, plant and equipment
Right-of-use assets
Investments in subsidiary corporations and associated companies

Intangible assets, property, plant and equipment, right-of-use assets and investments in subsidiary corporations and associated companies 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 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.

2. Significant accounting policies (continued)

2.8 Impairment of non-financial assets (continued)

(b) Intangible assets
Property, plant and equipment
Right-of-use assets
Investments in subsidiary corporations and associated companies (continued)

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.

2.9 Financial assets

(a) Classification and measurement

The Group classifies its financial assets as amortised costs.

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 amounts due from subsidiary corporations, associated companies and immediate and ultimate 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.

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(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, 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.

2.10 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.

2.11 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.

2.12 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. Significant accounting policies (continued)

2.13 Leases

(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.

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets are presented separately on the balance sheets.

- Lease liabilities

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

  Lease payments include the following:

  - Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
  - Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
  - Amount expected to be payable under residual value guarantees
  - The exercise price of a purchase option if is reasonably certain to exercise the option; and
  - Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

  For a contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

2. Significant accounting policies (continued)

2.13 Leases (continued)

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

- Lease liabilities (continued)

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  – There is a change in future lease payments arising from changes in an index or rate;
  – There is a changes in the Group's assessment of whether it will exercise an extension option; or
  – There are modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

  The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. 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 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.

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.

2.14 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.

2. Significant accounting policies (continued)

2.15 <u>Income taxes</u>

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 and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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, associated companies and joint operations, 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:

(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 substantively 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 expense in 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.

The Group accounts for investment tax credits (for example, productivity and innovation credit) similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

2.16 <u>Provisions</u>

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.

2. Significant accounting policies (continued)

2.17 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 such as the Central Provident Fund 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) 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.

(c) 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.

2.18 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 rates 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.

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.

2. Significant accounting policies (continued)

2.18 Currency translation (continued)

(b) Transactions and balances (continued)

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 income statement within "Other gains or losses".

Non-monetary items 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 the 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.

2.19 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.

2.20 Share capital

Ordinary shares

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

Preference share capital

The Group's redeemable preference shares are classified as equity, because they do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments.

2. Significant accounting policies (continued)

2.21 Dividends to the Company's shareholder

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

2.22 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgments 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 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.

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

(a) *Income taxes* (continued)

Deferred income tax liabilities (continued)

(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 AIS status awarded by the Maritime and Port Authority of Singapore (Note 10).

If the Group dispose 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%.

(iii) As a result of an acquisition in 2007, certain property, plant and equipment was recorded at fair values for purposes of determining the goodwill on acquisition. The difference between the fair values and the carrying amounts of the property, plant and equipment resulted in temporary differences for which no deferred tax liability has been provided in the consolidated financial statements on basis that the AIS status of the Singapore subsidiary corporations acquired will be renewed after the expiry of the incentive period of 10 years or the rigs continue to be Singapore-flagged rigs. If the AIS status is not renewed after the expiry of the incentive period of 10 years (i.e. in 2026) and should the rigs discontinue to be Singapore-flagged, deferred income tax liabilities may need to be recognised in the consolidated financial statements for the financial year then ended subsequent to the expiry of the AIS status, in relation to the tax consequences that will follow from the recovery of the Group's carrying values of its rigs or rigs under construction through use.

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 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 2022 was US$32,000,000 (2021: US$368,520,000) and the depreciation charge for the financial year ended 31 March 2022 was US$13,988,000 (2021: US$18,035,000) (Note 19).

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

(b) Useful lives of property, plant and equipment (continued)

The estimated useful life of rigs (includes machinery and equipment installed on rigs) 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 up to 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 2022 would be an estimated US$73,000 (2021:US$7,214,000) lower or US$89,000 (2021:US$8,817,000) higher respectively.

(c) Impairment of property, plant and equipment

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

The recoverable amounts of these assets and, where applicable CGU, have been determined based on higher of the fair value less cost to sell and value-in-use (“VIU”). The carrying amounts of property, plant and equipment at the balance sheet date are disclosed in Note 19 to the financial statements.

An impairment charge of US$134,382,000 (2021:US$63,444,000) was recognised for property, plant and equipment for the financial year ended 31 March 2022 based on estimated recoverable amount determined by fair value less cost to sell (2021: VIU calculation and fair value less cost to sell).

The estimated recoverable amount determined by management is lower than the carrying amounts of certain property, plant and equipment has resulted in a reduction in the carrying amounts from US$48,268,000 to US$32,000,000 (2021: from US$449,999,000 to US$368,520,000). If the fair value less cost to sell determined by management had been lower by 10%, the Group would have reduced the carrying amount of property, plant and equipment by US$3,200,000 to US$28,800,000 (2021: If the operating days or day rate determined by management had been lower by 10%, the Group would have reduced the carrying amount of property, plant and equipment by US$49,719,000 to US$79,938,000 respectively).

(d) Impairment of trade receivables

As at 31 March 2022, the Group’s trade receivables amounted to US$14,223,000 (2021: US$30,467,000) (Note 12) 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. Loss allowance of US$78,280,000 for trade receivables was recognised as at 31 March 2021.

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 28(b) to the financial statements.

4. Revenue

All the sales are recognised at over time.

	Group	
	2022	2021
	US$'000	US$'000
Revenue from drilling and drilling related contracts		
- Middle East Asia	**42,446**	50,575
- South Asia	**33,306**	31,732
- South East Asia	**1,405**	40,138
	77,157	122,445
Income from incidental services related to drilling contracts		
- Middle East Asia	**2,137**	1,193
- South Asia	**67**	168
- South East Asia	**728**	5,087
	2,932	6,448
Total	**80,089**	128,893

5. Other income

	Group	
	2022	2021
	US$'000	US$'000
Interest income – bank deposits	**32**	154
Reversal of overdue agency fee [(1)]	**-**	23,023
Insurance compensation	**-**	2,277
Waiver of repayment of bank borrowings	**5,986**	-
Scrap sales	**1**	44
Other	**695**	535
	6,714	26,033

(1) As at 31 March 2021, the Group has fully impaired the trade receivables of a group of customers as management has assessed that there is no reasonable expectation of recovery. Consequently, the overdue agency fee relating to the contract revenue which derived from these group of customers was reversed as it is payable based on the amount received from the group of customers.

6. Rig operating expenses

	Group	
	2022	2021
	US$'000	US$'000
Catering	**2,041**	3,529
Clearing and forwarding	**899**	2,008
Communications	**523**	743
Equipment rental for drilling	**2,512**	6,457
Expenses relating to incidental services rendered	**1,118**	4,934
Insurance	**2,434**	3,571
Mobilisation	**1,058**	2,013
Port fees	**1,996**	731
Repair and maintenance	**6,221**	5,720
Rig fuel	**2,614**	820
Subcontractor and agency fees	**210**	1,374
Training	**192**	312
Travelling and transportation	**2,885**	2,299
Other	**601**	2,279
Total rig operating expenses	**25,304**	36,790

7. Employee compensation

	Group	
	2022	2021
	US$'000	US$'000
Wages and salaries	**21,035**	30,842
Employers' contribution to defined contribution plans	**194**	159
Other benefits	**790**	777
	22,019	31,778

8. Finance expenses

	Group	
	2022	2021
	US$'000	US$'000
Interest expenses		
- Bonds and bank borrowings	**136,559**	138,048
- Lease liabilities (Note 20(b))	**1,482**	1,017
	138,041	139,065

9. Other operating expenses

	Group	
	2022	2021
	US$'000	US$'000
Bank charges	**429**	170
Consultancy and advisory fees	**1,779**	1,303
Legal fee	**220**	214
Rental expense on operating leases (Note 20(c))	**321**	364
Rig move	**388**	2,229
Other	**199**	248
	3,336	4,528

10. Income tax

	Group	
	2022	2021
	US$'000	US$'000
Tax expense attributable to loss is made up of:		
Loss for the financial year:		
Current income tax - Foreign	**2,023**	3,178
Under/(over) provision in prior financial years		
- Current income tax	**342**	(2,769)
	2,365	409

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

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

	Group	
	2022	2021
	US$'000	US$'000
Loss before income tax	**(275,732)**	(234,423)
Share of loss/(profit) of associated companies	**148**	(42)
Loss before income tax and share of loss/(profit) of associated companies	**(275,584)**	(234,465)
Tax calculated at a tax rate of 17% (2021: 17%)	**(46,849)**	(39,859)
Effects of:		
- Different tax rates in other countries	**4,017**	4,968
- Expenses not deductible for tax purposes	**83,214**	72,337
- Income not subjected to tax	**(38,359)**	(34,268)
- Under/(over) provision in prior financial years	**342**	(2,769)
Tax charge	**2,365**	409

11. Cash and cash equivalents

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**11,211**	9,619	**12**	12

12. Trade and other receivables

	Group	
	2022	2021
	US$'000	US$'000
Trade receivables		
- Non-related parties	**92,503**	108,307
- Associated company	**-**	440
Less: Loss allowance - non-related parties (Note 28(b))	**(78,280)**	(78,280)
	14,223	30,467
Advances to employees	**125**	172
VAT and withholding tax receivables	**5,793**	1,295
Other receivables		
- Non-related parties	**8**	58
	20,149	31,992

13. Inventories

	Group	
	2022	2021
	US$'000	US$'000
Consumables and spare parts	**8,808**	28,306

The cost of inventories recognised as expense and included in statement of comprehensive income amounted to US$7,970,000 (2021: US$15,792,000). In addition, the Group recognised inventory write-down amounted to US$7,758,000 (2021: US$16,154,000).

14. Other current assets

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Deposits	**9,676**	10,886	**-**	33
Prepayments	**10,338**	10,154	**-**	-
	20,014	21,040	**-**	33

15. Non-current assets held-for-sale

	Group
	2022
	US$'000
Details of the assets classified as held-for-sale were as follows:	
Property, plant and equipment	**146,429**
Inventories	**8,838**
	155,267

During financial year ended 31 March 2022, the Group has received instructions from the lenders to sell certain rigs to repay the debts. The sale is highly probable and expected to be completed within one year. Accordingly, the Group classified these rigs as held-for-sale and are presented separately in the consolidated balance sheet. As at 31 March 2022, the assets held-for-sale was stated at fair value less costs to sell. Consequently, the Group recognised an impairment loss on the rigs and inventory write-down totaling to US$119,827,000 and US$7,758,000 respectively.

16. Investments in subsidiary corporations

	Company	
	2022	2021
	US$'000	US$'000
Equity investments at cost		
Beginning of financial year	**2,850,000**	2,700,000
Capitalisation of amount due from a subsidiary corporation	**-**	150,000
End of financial year	**2,850,000**	2,850,000
Accumulated impairment		
Beginning of financial year	**(2,329,663)**	-
Impairment losses	**-**	(2,329,663)
End of financial year	**(2,329,663)**	(2,329,663)
	520,337	520,337

Details of the subsidiary corporations are disclosed in Note 31 to the financial statements.

The Group has no subsidiary corporations with material non-controlling interests.

The impairment test assessment was carried out by management as at 31 March 2021. The recoverable amount was determined based on value-in-use which has indicated that the recoverable amount for the investment is lower than it's carrying amount. Consequently, the Company recognised impairment loss on investment in subsidiary corporations amounted to US$2,329,663,000.

As at 31 March 2022, management has determined that no objective evidence or indication that the carrying amounts of the investments in subsidiary corporations may not be recoverable as at 31 March 2022, accordingly impairment assessment is not required.

Amount due from subsidiary corporations (non-trade)

The amount due from subsidiary corporations are unsecured and with interest and repayment terms that correspond to the Group's borrowings.

The management is of the opinion that the fair value of amount due from subsidiary corporations approximates its carrying amount.

17. Investments in associated companies

	Group	
	2022	2021
	US$'000	US$'000
Equity investment		
Beginning of financial year	**1,474**	1,432
Share of (loss)/profit of associated companies accounted for using the equity method	**(148)**	42
End of financial year	**1,326**	1,474

Information on the Group's investments in associated companies are detailed in Note 31 to the financial statements as follows:

(a) Investment in associated company with a carrying amount of US$1,326,000 (2021: US$1,474,000) represents the Group's 49% interest in Belati Oilfield Sdn Bhd, a company incorporated in Malaysia, which is also their principal place of business. The associated company is regarded by the Board of Directors as not material to the Group. The associated company has share capital consisting solely of ordinary shares, which is held by Aban Singapore Pte Ltd, a wholly owned subsidiary corporation of the Company. There are no contingent liabilities relating to the Group's interest in the associated company.

(b) On 21 May 2021, Aban Hydrocarbons Pte. Ltd. has been struck off. The carrying amount of investment in associated company was less than US$1,000 and represented the Group's 50.25% interest in Aban Hydrocarbons Pte. Ltd., a company incorporated during the financial year 2018 in Singapore, which is also their principal place of business. The associated company was regarded by the Board of Directors as not material to the Group. The associated company had share capital consisting of ordinary shares and others, whereby the ordinary shares was held by Aban Singapore Pte Ltd, a wholly owned subsidiary corporation of the Company. There was no contingent liabilities relating to the Group's interest in the associated company.

The financial information of the associated companies are not disclosed as the financial impact is not material to the Group.

Amount due from/to associated companies

The non-trade amount due from/to associated companies are unsecured, interest-free and are not expected to be repaid within the next 12 months.

The management is of the opinion that the fair value of amount due from associated companies approximates its carrying amount.

18. Joint operation

During the financial year ended 31 March 2019, the Group incorporated a subsidiary corporation Caldera Petroleum (UK) Ltd ("Caldera"), a company incorporated in the United Kingdom ("UK"), which is also their principal place of business to carry out its principal activities of oil exploration and production. Caldera entered into a joint operating arrangement with Anasuria Hibiscus (UK) Ltd ("Hibiscus") for the exploration, development and production of oil and gas from UK Continental Shelf Petroleum Production Licence No. P.198 Block 15/13a and Block 15/13b in the UK Central North Sea ("Licence"). Hibiscus had been appointed as the operator.

The licence, all costs and obligations incurred in, and all rights and benefits arising out of, the conduct of the joint operations shall be owned and borne by the Group and Hibiscus in proportion to their respective percentage of interests in the Licence.

The financial information of the joint operation is not disclosed as the financial impact is not material to the Group.

19. Property, plant and equipment

Group	Rigs* US$'000	Leasehold improvements, furniture and office equipment US$'000	Motor vehicles US$'000	Total US$'000
2022				
Cost				
Beginning of financial year	3,060,780	2,684	370	3,063,834
Additions	-	-	31	31
Disposal	(789,891)	-	-	(789,891)
Reclassified to assets held-for-sale	(2,081,353)	-	-	(2,081,353)
End of financial year	189,536	2,684	401	192,621
Accumulated depreciation and impairment losses				
Beginning of financial year	2,692,260	2,670	370	2,695,300
Depreciation charge	13,988	12	7	14,007
Impairment charge	134,382	-	-	134,382
Disposal	(748,170)	-	-	(748,170)
Reclassified to assets held-for-sale	(1,934,924)	-	-	(1,934,924)
End of financial year	157,536	2,682	377	160,595
Net book value				
End of financial year	**32,000**	**2**	**24**	**32,026**
2021				
Cost				
Beginning and end of financial year	3,060,780	2,684	370	3,063,834
Accumulated depreciation and impairment losses				
Beginning of financial year	2,610,781	2,616	370	2,613,767
Depreciation charge	18,035	54	-	18,089
Impairment charge	63,444	-	-	63,444
End of financial year	2,692,260	2,670	370	2,695,300
Net book value				
End of financial year	**368,520**	**14**	**-**	**368,534**

* Includes machinery and equipment installed on rigs

Bonds and bank borrowings are secured by rigs of the Group with carrying amounts of US$32,000,000 (2021: US$368,520,000) at the balance sheet date (Note 23).

An impairment charge of US$134,382,000 (2021: US$63,444,000) was recognised for the financial year ended 31 March 2022 as the carrying amount of the rigs exceeded its estimated recoverable amount which was mainly due to the current slump in the oil and gas industry.

20. Leases

The Group as a lessee

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

The Group leases rigs from its immediate and ultimate holding corporation to support its drilling and drilling related contracts. The lease agreements run for periods of up to 3 years.

There is no externally imposed covenant on these lease arrangements.

(a) ROU assets – carrying amount and depreciation charge during the financial year

	Group	
	2022	**2021**
	US$'000	**US$'000**
Cost		
Beginning of financial year	29,027	13,569
Additions	-	15,458
End of financial year	29,027	29,027
Accumulated depreciation		
Beginning of financial year	6,734	1,663
Depreciation charge for the financial year	9,672	5,071
End of financial year	16,406	6,734
Net book value		
End of financial year	**12,621**	**22,293**

(b) Interest expense

	2022	**2021**
	US$'000	**US$'000**
Interest expense on lease liabilities (Note 8)	1,482	1,017

(c) Lease expense not capitalised in lease liabilities

	2022	**2021**
	US$'000	**US$'000**
Lease expense – low-value leases (Note 9)	321	364

(d) Total cash outflow for all the leases in 2022 was US$11,271,000 (2021: US$6,098,000).

(e) Future cash outflow which are not capitalised in lease liabilities

Extension options

The leases contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

20. Leases (continued)

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 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:

	Group	
	2022	2021
	US$'000	US$'000
Not later than one year	**15,373**	32,908
Between one to two years	**24,071**	26,544
More than two years	**6,420**	-
	45,864	59,452

21. Intangible assets

	Group	
	2022	2021
	US$'000	US$'000
Composition:		
Licence (Note (a))	**37,910**	37,910
Exploration and evaluation assets (Note (b))	**6,663**	6,663
	44,573	44,573

(a) Licence

	Group	
	2022	2021
	US$'000	US$'000
Cost representing net book value		
Beginning and end of financial year	**37,910**	37,910
Representing:		
Farm-out interest	**28,433**	28,433
Retained interest	**9,477**	9,477
	37,910	37,910

During the financial year ended 31 March 2019, the Group, through its wholly owned subsidiary corporation Caldera, acquired the UK Continental Shelf Petroleum Production Licence No. P.198 Block 15/13a ("Marigold") and Block 15/13b ("Sunflower") in the UK Central North Sea ("Licence") for a consideration of US$75,000,000. Subsequently, the Group sold 50% of its interest in the Licence to Hibiscus and entered into a joint operating agreement with Hibiscus. Please refer Note 18 to the financial statements for details.

21. Intangible assets (continued)

(a) *Licence* (continued)

During the financial year ended 31 March 2021, the Group, through its wholly owned subsidiary corporation Caldera, entered into a farm-out agreement with Hibiscus to transfer 37.5% interest in the licence and share the costs and risks associated with the exploration activities on the Marigold and Sunflower fields. As part of the farm-out arrangement, Hibiscus will contribute the additional funds which is required to achieve the farm development plan and the development costs for the 12.5% interest retained by the Group, capped at US$34,331,000.

The 37.5% interest in the licence may be required to transfer back to the Group if:

(i) Caldera agrees to reimburse the contributions made by Hibiscus; or
(ii) Hibiscus is unable to proceeds with the development of the project either due to changed in market dynamics or inability to raise equity and loans.

As at the balance sheet date, the Group has not received the sale consideration. In accordance with the accounting policy described in Note 2.5(c) to the financial statements, the gain on disposal will be recognise in the statement of comprehensive income when the consideration is received.

(b) Exploration and evaluation ("E&E") assets

	Group	
	2022	2021
	US$'000	US$'000
Cost representing net book value		
Beginning of financial year	**6,663**	3,078
Addition	**-**	3,585
End of financial year	**6,663**	6,663
Representing:		
Farm-out interest	**4,997**	4,997
Retained interest	**1,666**	1,666
	6,663	6,663

E&E assets relate to conceptual study costs incurred for the development in the Marigold and Sunflower fields amounting to US$Nil (2021: US$3,585,000) for the financial years ended 31 March 2022 and 2021 respectively.

22. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Trade payables				
- Non-related parties	**3,208**	16,680	**29**	103
- Immediate and ultimate holding corporation	**-**	16	**-**	-
	3,208	16,696	**29**	103
Accrued interest payable				
- Bonds and bank borrowings	**844,113**	710,967	**783,124**	657,591
Social security, withholding and other taxes	**4,035**	4,735	**3,207**	3,207
Accruals for operating expenses	**3,477**	9,046	**16**	16
	854,833	741,444	**786,376**	660,917

23. Borrowings

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Current				
Bank borrowings	**1,923,661**	1,964,861	**1,788,591**	1,829,791
Non-current				
Bonds	**-**	9,313	**-**	-
Total borrowings	**1,923,661**	1,974,174	**1,788,591**	1,829,791

Movements in borrowings are analysed as follows:

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**1,974,174**	1,974,242	**1,829,791**	1,829,791
Waiver of repayment of bank borrowings	**(4,350)**	-	**-**	-
Repayments of borrowings	**(46,163)**	(68)	**(41,200)**	-
End of financial year	**1,923,661**	1,974,174	**1,788,591**	1,829,791

(i) Bank borrowings of US$1,923,661,000 (2021: US$1,964,861,000) comprise of several individual loans, which are secured by (a) assets of the Group and/or assets of the immediate and ultimate holding corporation; or (b) standby letters of credit, which in turn are secured by the assets of the Group and/or assets of the immediate and ultimate holding corporation. These borrowings mature over a 6 years period (2021: 7 years period) from year 2022 to year 2028 (2021: year 2021 to year 2028).

These borrowings have an effective interest rate of 3.3% to 7% (2021: 5.5% to 7%) per annum at the balance sheet date.

During the financial year ended 31 March 2018, due to default on repayment of principal and interest payables, the Group and the Company have breached the covenants and recall notices have been received from the banks. The carrying amount of the borrowings in default as at 31 March 2022 is US$1,923,661,000 (2021: US$1,964,861,000).

The entire bank borrowings are presented as current liabilities as at 31 March 2022 and 2021 respectively.

(ii) During the financial year ended 31 March 2021, the bond of US$9,313,000, with a face value of US$9,313,000, is secured by a first priority mortgage on a rig (Note 19) owned by a subsidiary corporation of the Company, a pledge over 100% of the shares in a subsidiary corporation of the Company, assignment of insurances, corporate guarantee of a subsidiary corporation of the Company, and a charge over bank accounts to be maintained by the borrower in respect of the rig. During the financial year, the bond has been fully repaid and registered charges of a first priority mortgage created over a rig has been released. The bond had a fixed interest rate of 15% (2021: 15%) per annum at the date of redemption of bond (2021: at the balance sheet date), which interest amounting US$1,777,000 (2021: US$1,397,000) had been paid to the bond holders.

24. Lease liabilities

	Group	
	2022	2021
	US$'000	US$'000
Current	**8,335**	9,468
Non-current	**5,018**	13,353
Total	**13,353**	22,821

The Group leases rigs from its immediate and ultimate holding corporation to support its drilling and drilling related contracts. The lease agreements run for periods of up to 3 years.

25. Immediate and ultimate holding corporation

The immediate and ultimate holding corporation is Aban Offshore Limited, incorporated in India and listed in Bombay Stock Exchange and National Stock Exchange.

The amount due from the immediate and ultimate holding corporation is non-trade in nature, unsecured, interest-free and is not expected to be repaid within the next 12 months.

On 7 February 2019, the Company issued 131,404,811 non-redeemable preference shares at US$1 per share totalling US$131,405,000 in satisfaction of amount owing to its immediate and ultimate holding corporation.

The management is of the opinion that the fair value of amount due from immediate and ultimate holding corporation approximates its carrying amount.

26. Share capital

	No. of shares Issued share capital '000		Amount Issued share capital US$'000	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
2022				
Beginning and end of the financial year	**562,884**	**131,405**	**608,945**	**131,405**
2021				
Beginning and end of the financial year	562,884	131,405	608,945	131,405

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

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

26. Share capital (continued)

Holder of preference shares does not have the voting rights at the meeting of the Member of the Company. The preference shares are non-cumulative and are not entitled to any cumulative dividend and carries the right to an equal share in any dividend or distribution paid by the Company pari passu with the holder of any other issued shares in the capital of the Company. Upon liquidation, the holder of the preference share have a preference over the holders of any other issued shares in the capital of the Company and shall have the priority to a return of an amount equal to: (i) the issue price of preference share; (ii) any declared but unpaid dividends and distributions on the preference share, in addition to the right to participate in the distribution of the Company's surplus asset and profits.

27. Other reserves and accumulated losses

	Group	
	2022	2021
	US$'000	US$'000
(a) *Other reserve*		
Composition and movement:		
Asset revaluation reserve		
Beginning and end of financial year	**29,239**	29,239

The amount in the asset revaluation reserve represents the increase in the fair value of identifiable net assets and liabilities of a previous acquisition in 2007 and is not distributable.

(b) *Accumulated losses*

Movement in accumulated losses for the Company is as follows:

	Company	
	2022	2021
	US$'000	US$'000
Beginning of financial year	**(2,549,232)**	(219,398)
Net profit/(loss) for the financial year	**5,493**	(2,329,834)
End of financial year	**(2,543,739)**	(2,549,232)

28. 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:

28. 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 and the Company's interest rate risk relates to interest-bearing borrowings with variable interest. Interest income on the Group's and the Company'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 and the Company's borrowings are at variable rates, on which effective hedges have not been entered into, are denominated in US$. If interest rates increase/decrease by 1% (2021: 1%) with all other variables including tax rate being held constant, the loss after tax will be higher/lower by US$19,237,000 (2021: US$19,649,000) and US$17,886,000 (2021: US$18,298,000) respectively as a result of higher/lower interest expense on these borrowings.

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

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Variable rates	**1,923,661**	1,964,861	**1,788,591**	1,829,791

All variable rate borrowings have a repricing period of 6 months or less (2021: 6 months or less).

(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 2022 and 2021 respectively.

28. Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits, trade and other receivables, amounts due from subsidiary corporations (Company level only), associated companies and immediate and ultimate holding corporation. For bank deposits, the Group and the Company maintains 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. Additionally, the customers' payment profile and credit exposure are continuously monitored at the entity level and Group level by the management. 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 4 debtors (2021: 7 debtors).

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

	Group	
	2022	2021
	US$'000	US$'000
By geographical areas		
Asia	**14,223**	30,467

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:

	2022	2021
	US$'000	US$'000
Beginning of the financial year	**78,280**	20,217
Loss allowance recognised in profit or loss during the financial year	**-**	58,063
End of the financial year (Note 12)	**78,280**	78,280

28. Financial risk management (continued)

(b) *Credit risk* (continued)

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.

The Group's credit risk exposure in relation to trade receivables under FRS 109 as at 31 March 2022 and 2021 are set out in the provision matrix as follows:

		Past due			
	Not past due US$'000	**Less than 3 months US$'000**	**3 to 6 months US$'000**	**More than 180 days US$'000**	**Total US$'000**
<u>Group</u>					
31 March 2022					
Trade receivables	7,907	4,492	237	79,867	92,503
Loss allowance	-	-	-	(78,280)	(78,280)
31 March 2021					
Trade receivables	7,936	20,778	1,421	78,612	108,747
Loss allowance	-	-	-	(78,280)	(78,280)

Cash and cash equivalents, other receivables, amounts due from subsidiary corporations (Company level only), associated companies and immediate and ultimate holding corporation 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 immediate and ultimate holding corporation 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.

28. Financial risk management (continued)

(c) Liquidity risk (continued)

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.

Group	Within 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000
2022			
Trade and other payables	854,833	-	-
Bank borrowings	2,058,317	-	-
Lease liabilities	9,073	5,216	-
	2,922,223	**5,216**	**-**
2021			
Trade and other payables	741,444	-	-
Bonds	11,757	-	-
Bank borrowings	2,102,402	-	-
Lease liabilities	10,950	9,073	5,216
	2,866,553	9,073	5,216
Company			
2022			
Trade and other payables	786,376	-	-
Bank borrowings	1,913,792	-	-
	2,700,168	**-**	**-**
2021			
Trade and other payables	660,917	-	-
Bank borrowings	1,957,876	-	-
	2,618,793	-	-

(d) Capital management

The Group's objectives when managing capital are to ensure the 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.

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

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Total equity	(2,489,592)	(2,211,495)	(1,803,389)	(1,808,882)
Borrowings	1,923,661	1,974,174	1,788,591	1,829,791
	(565,931)	(237,321)	(14,798)	20,909

28. Financial risk management (continued)

(e) Fair value measurements

The carrying amount less impairment provision of trade and other 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 values.

(f) Financial instrument by category

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

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Financial assets at amortised cost	42,751	52,643	251,241	161,489
Financial liabilities at amortised cost	2,794,514	2,738,538	2,574,967	2,490,708

29. 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 purchases of goods and services

	Group	
	2022	2021
	US$'000	US$'000
Rendering of service to an associated company	**37**	795
Payments of lease liabilities to immediate and ultimate holding corporation	**10,950**	5,734

Outstanding balances as at 31 March 2022 and 2021, arising from services rendered/received are unsecured and not repayable within the next 12 months from the balance sheet date and is disclosed in Notes 12, 17 and 25 to the financial statements.

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	2022	2021
	US$'000	US$'000
Salaries and other short-term employee benefits	**1,426**	1,094

29. Related party transactions (continued)

(b) Key management personnel compensation (continued)

Included in the above is total compensation to one director of a subsidiary corporation amounting to US$833,000 (2021: US$524,000). There is no other compensation made to other directors of the Company as these directors also have employment relationships with the immediate and ultimate holding corporation.

30. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 31 March 2022 and which the Group has not early adopted.

<u>Effective for annual periods beginning on or after 1 January 2022</u>
- Amendments to FRS 103 Reference to Conceptual Framework
- Amendments to FRS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to FRS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to FRSs 2018-2020

<u>Effective for annual periods beginning on or after 1 January 2023</u>
- FRS 117 Insurance Contracts
- Amendments to FRS 117
- Amendments to FRS 1 Classification of Liabilities as Current or Non-current
- Amendments to FRS 1 and FRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to FRS 8 Definition of Accounting Estimates
- Amendments to FRS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

<u>Effective date: to be determined*</u>
- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* *The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("ASC") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.*

31. Listing of companies in the Group

	Name of companies	Principal activities	Country of incorporation/ business	Equity holdings 2022 %	Equity holdings 2021 %
	<u>Held by the Company</u>				
+	Aban Singapore Pte Ltd	Offshore Drilling	Singapore	100	100
	<u>Held by subsidiary corporation of the Company</u>				
	<u>Subsidiary corporations</u>				
+	Aban 7 Pte Ltd	Offshore drilling	Singapore	100	100
+	Aban 8 Pte Ltd	Offshore drilling	Singapore	100	100
+++	Aban 8 Pte Ltd (Malaysia branch)	Offshore drilling	Malaysia		
+	Aban Abraham Pte Ltd	Offshore drilling	Singapore	100	100
@,Δ	Aban International Norway AS ("AIN")	Investment holding	Norway	100	100

31. Listing of companies in the Group (continued)

	Name of companies	Principal activities	Country of incorporation/ business	Equity holdings 2022 %	Equity holdings 2021 %
	Held by subsidiary corporation of the Company				
	Subsidiary corporations				
+	Aban Pearl Pte Ltd	Offshore drilling	Singapore	100	100
#	Deep Drilling Mexico S DE R L DE CV	Offshore drilling	Mexico	100	100
++	Aban Labuan Pvt Ltd	Offshore drilling	Labuan, Malaysia	100	100
+	Deep Drilling Invest Pte Ltd	Investment holding and offshore drilling	Singapore	100	100
+	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 4 Pte Ltd (Malaysia branch)	Offshore drilling	Malaysia		
+	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
*, Δ	Caldera Petroleum (UK) Ltd	Oil exploration and production business	United Kingdom	100	100
	Associated company				
+++, Δ	Belati Oilfield Sdn Bhd	Offshore drilling	Malaysia	49	49
☐	Aban Hydrocarbons Pte Ltd	Offshore drilling	Singapore	-	50.25

\+ Audited by Nexia TS Public Accounting Corporation, Singapore
++ Audited by PKF (Malaysia)
+++ Audited by Soong & Associates, Malaysia
Δ For the purpose of the consolidated financial statements, theses financial statements are reviewed by and/or audited by Nexia TS Public Accounting Corporation, Singapore
@ Audited by PricewaterhouseCoopers, Norway
# Not required to be audited
* Audited by SRLV Accountants, London
☐ Struck off on 21 May 2021

32. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Aban Holdings Pte. Ltd. on 10 May 2022.